ANNUAL REPORT 2021

Build. Transform. Grow.

TISA

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

www.tisa.com.pg

Jean Taviri (TISA Member POM)
Department of Education, Port Moresby,
National Capital District

Annual Report Introduction

TISA is a company incorporated under the Companies Act 1997 and licenced under the Savings and Loan Societies Act 2015 to conduct savings and loans business.

TISA was established in 1972 to provide financial services and promote thrift amongst our registered members and educate them in financial responsibilities. Our membership initially comprised of teachers, and then extended to all public servants, employees of government statutory bodies and private sector employees.

TISA is a mutually owned company, owned by its members through a one share, one vote principle. If you want to become our client for savings and or for a loan, you sign up as a member. The benefit of being a member is that part of our annual profit after deductions are shared among our members.

TISA serves its valuable members and affordable financial products and services through a network of currently 17 branches in different provinces and is expanding.

Contributing to the well-being and prosperity of all people in PNG, through our commitment to the global credit union principle of 'People Helping People' is what TISA sees as its mission.

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Chairman's Report

Gabriel Tai,
Chairman

Welcome to the Teachers Savings and Loan Society 2021 Annual Report.

The 2021 financial year has been very challenging but rewarding. The COVID-19 pandemic continued unabated and while we still grieve for staff and members who have been impacted and employees who passed away due to COVID-19 or illness, we celebrate the way staff and members adapt to new ways of working, and new ways of keeping safe.

TISA continues to grow, evolve, and strengthen its story of supporting ordinary Papua New Guineans in the local communities that they reside in. Despite the challenges of the COVID-19 pandemic, we continued deliver essential and affordable financial services and products to our members within COVID-19 protocols and guidelines. Our priority remained to safeguard our members and employees.

Business transformation is a core strategic focus area for TISA. TISA remains prudent in its approach to managing risk and maintaining compliance within the ever-changing and increasing regulatory landscape. The Board has a clear roadmap of transforming TISA to become a stronger and relevant financial institution for the future.

Global Alliance for Banking on Values (GABV)

As part of the Business Strategy, TISA has adopted the Principles of Values-based Banking because they complement TISA's ethos and business principles. The Principles of Values-based Banking are being embedded to build on the strong credit union foundations established over almost 50 years in operation.

To emphasize this Business Strategy, TISA intends to become a member of the Global Alliance for Banking on Values (GABV). As a member, we endeavour to be guided, learn, and participate in sustainable banking and finance. It will be an extension of our commitment and passion to support the development of economic, social, and environmental sustainability in PNG.

TISA remains resolute to achieve its strategic goals of creating new wealth for its loyal members and establishing a bank that will offer affordable banking products and services. Our focus has not changed and today our purpose remains strong in the hearts of the Board, Management and Staff – people helping people, every day.

Financial Performance Highlights

TISA is proud to announce that 2021 had become another profitable year in spite of a considerably challenging business environment, with an after-tax profit of K61,455,132 (2020: K41,434,671). The Society reported a profit after tax of K51,182,392 (2020: K44,943,159). Total assets decreased slightly by 4% to K945,990,100 for the Society.

The core business of savings and loans performed strongly in 2021 with a 4% growth in overall lending to K321.2 million.

Despite the challenges caused by COVID-19, the Society continues to remain financially strong and well capitalised, above regulatory requirements. It also continues to make significant progress on the TISA Rua Building Construction Project and its upgrades and improvements to its systems and processes as part of TISA's digitalization transformation strategy.

Interest Payment to Members

The Board has approved an additional Bonus Interest payment to its members for the 2021 financial year, totalling K23,088,840 (2020: K24,771,649). In total, K31,280,555 (inclusive of monthly interest of K8,191,715 and bonus interest of K23,088,840) has been credited to members general savings and transaction accounts for the 2021 financial year.

For the past 12 years (2009 to 2021), TISA has paid to its members an accumulative additional interest of K252 million.

Members savings and deposits as at 31 December 2021 was K384,240,920 (2020: K412,793,431), a decrease of 7% from previous year. This reflects some of the effect of COVID-19 on members saving habits.

Acknowledgments

I acknowledge the dedication of the Board in supporting TISA Group Management to respond to the changing operating environment over the past year and in assisting our valued members to pursue and achieve their financial goals. I also wish to thank Mr. Francis Samoak for his services to the Board. Mr. Samoak was appointed to the Board in June 2008 and resigned in July 2021. Mr. Samoak served TISA with distinction and heart.

We would also like to acknowledge the trust which our members have shown us, and we will continue to repay this trust through our products and services and our commitment to always putting the interest of our members first.

Looking ahead, we will continue to honour our strong local community connections, values, and purpose by supporting our mutual members through the most important events in their lives and delivering affordable financial products and services.

Gabriel Tai, MACID
Chairman – Board of Directors

In Honour of Late Sir Michael Somare, GCL GCMG CH SSI KStJ KSG PC

We will forever be thankful to Grand Chief Sir Michael for advocating a peaceful fight and leading our country to becoming the free and Independent State that it is today. We will always remember him for dedicating his life to serving the people of Papua New Guinea with courage, commitment, determination and influence in bringing together our nation and maintaining a peaceful democracy through the strength of his leadership. He gave us self - belief, restored our self - respect and dignity.

Grand Chief Sir Michael symbolised hope for PNG and the strengths of Independence. His courage and determination showed us that, in the face of injustice, we should never give up the struggle for truth, fairness and justice. He's lifelong journey and legacy will be a source of inspirations to many new generation of game changers in PNG.

Tomorrow's children will not be able to say, as we can say today with confidence, pride and a deep sense of privilege, that we lived in the time of our Founding father. Grand Chief Sir Michael was a rare and inspirational freedom fighter, warrior and leader. His legacy will always belong to our great nation. His fighting spirit will forever inspire our people in pursuit for freedom and justice.

Group Chief Executive Officer's Report

Thank you, members; your trust and commitment has never been more appreciated than during these times. Together we have achieved positive results in 2021.

The 2021 year started off sadly with the passing of a great Papua New Guinean – the founding father of our nation, the Late Sir Michael Thomas Somare GCL GCMG CH CF SSI KstJ PC on 26th February 2021. His passing is a great loss for the nation and its people. We grieved with the nation and remember the work he and other likeminded young Papua New Guineans at the time did to achieve independence for our country. He will be missed and never forgotten.

2021 signaled a slow but gradual recovery of the PNG economy with the easing of border restrictions and increased vaccination rates. The level of activity in private sector in which we operate however remains a challenge. Despite the challenging environment, we are happy to report an increase in profit by 14% to K51.18 million for the 2021 year. The Board has approved K23.09 million to be paid to members in additional interest, which is again 7% of members S1 general savings. In total members have received a total of K31.28 million in interest for the 2021 financial year, inclusive of monthly interest members earned on their deposits which totaled K8.19 million.

For 2021, the primary objectives remained the same despite the challenges. We remained focused on our core responsibility of providing service to members and worked on delivering key strategic projects to build and transform the institution for tomorrow. The on-going pandemic has posed some risk to these objectives, but we have made hard but necessary adjustments in the way we operate to ensure they are met. One of the most important being, mandatory vaccination for all staff.

Strategic Projects

The Board and Management remained focused on delivering the resolutions passed by members in 2010 for the Society to pursue demutualization and setup a Bank.

As reported last year, the Society submitted its Banking License Application in 2020 under its 100% owned subsidiary, TISA Community Finance Limited. There has been positive dialogue since then with the Bank of Papua New Guinea. Towards the end of the year, an important reform to the Central Bank Act was passed in parliament which, amongst other things, encourages development in the financial industry. The Board and Management are encouraged by the progress of the application and are hopeful that the license will be granted in 2022.

While the immediate focus during the year has been on the Banking License, significant work has already been done to put together a path to achieving demutualization. The work on demutualization continues and members will be updated yearly on the progress.

Financial Results

Assets

The Society's total assets decreased by 4% to K946.00 million mainly due to the vesting of TISA Haus Port Moresby to TISA Community Finance Limited. TISA Haus will become the new Head Office for the Bank.

Profitability

The Society recorded a profit result of K51.18 million for the 2021 year, an increase of 14% from previous year. The results were largely driven by net interest income, dividends from equities and capital gains.

Figure 1. Assets

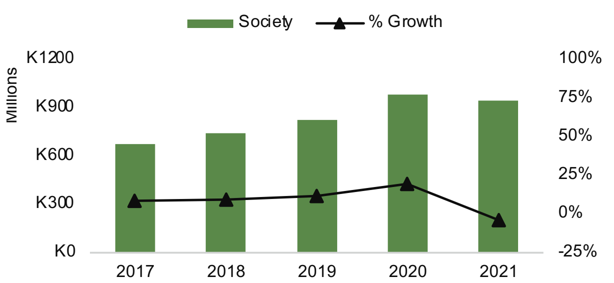
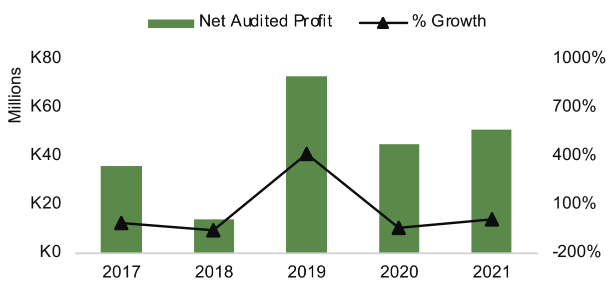


Figure 2. Net Profit Performance



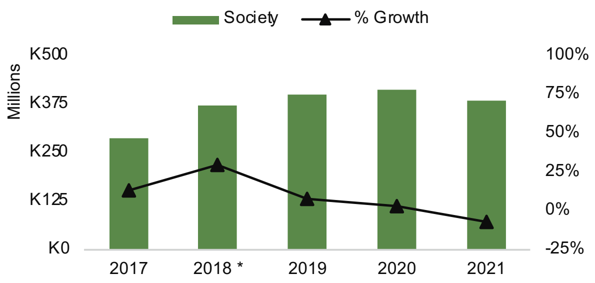
Group Chief Executive Officer's Report (continued)

Core Business - Savings & Loans

a) Deposits

Members' deposits declined by 7% to K384.24 million due to increased withdrawals during the year.

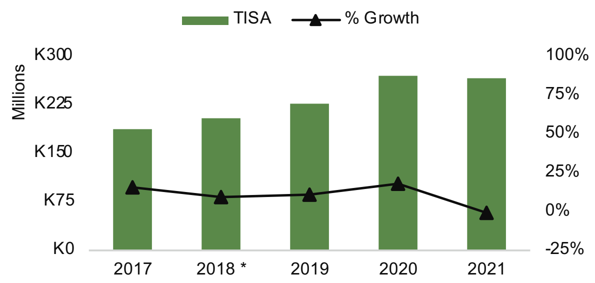
Figure 3. Deposits



b) Loan portfolio

Net loan portfolio decreased by 1% to K266.52 million due to lower sales compared to previous year and allowance for impairment losses.

Figure 4. Net Loan Portfolio

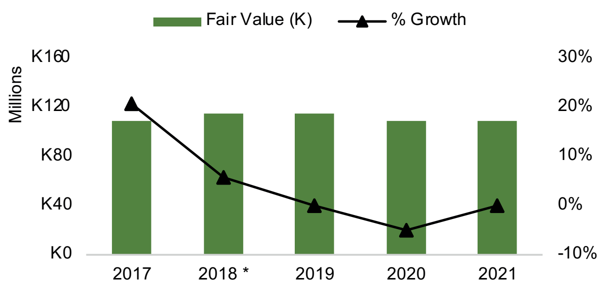


Non-core business - Investments

a) Investment Properties

The investment properties portfolio for the Group remained unchanged at K109.23 million (2020: K109.23 million). The TISA Rua building, adjacent to TISA Haus Port Moresby, is scheduled to be completed in 2022 and will be a new and modern addition to the portfolio.

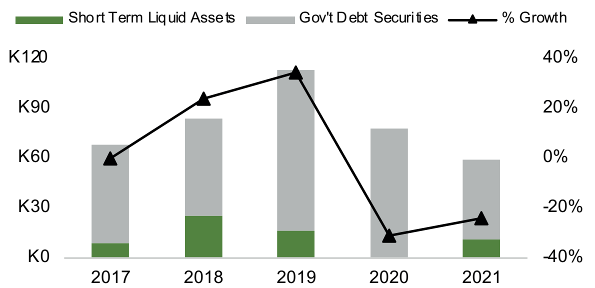
Figure 5. Investment Properties



b) Deposits Held to Maturity

Decline in deposits held to maturity by 24% to K59.37 million as more priority was given to support the core business and key projects.

Figure 6. Deposits Held to Maturity



Shirley Lalen (TISA Member Kavieng)
Medical Officer In-Charge of Eye Clinic
Kavieng Hospital, New Ireland Province

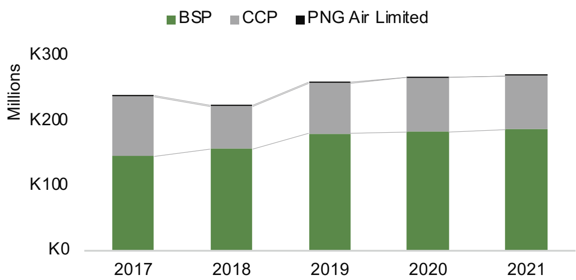
c) Equities Portfolio

The equities portfolio comprises quoted and unquoted equities. The portfolio increased by 3% to K282.46 million (2020: K275.39 million).

Quoted shares

The Society's quoted shares portfolio comprises shares in BSP Financial Group, Credit Corporation and PNG Air. The quoted shares portfolio increased slightly by 1% to K270.15 million (2020: K267.29 million). Whilst BSP Group continues to perform consistently, Credit Corporation and PNG Air continue to be a concern.

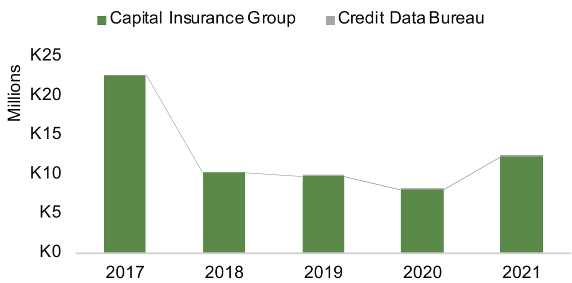
Figure 7. Quoted Shares



Unquoted shares

The Society has interests in Capital Insurance Group and Credit Data Bureau. The unquoted equities portfolio increased by 52% to K12.32 million (2020: K8.10 million) due to an increase in fair value of its interest as an associate in Capital Insurance Group.

Figure 8. Unquoted Shares



Group Results

The Society has three 100% owned subsidiaries, TISA Community Finance Limited – its Finance business, TISA Properties Limited – its Properties business, and TISA Investment Limited – holds the Society's investments in equities. Together with the Society, are referred to as the Group or TISA Group.

In 2021 the Groups total assets increased by 2% to K910.07 million (2020: K890.37 million). Net assets or owners' total equity increase by 9% to K465.07 million (2020: K426.70 million) and profit after taxation increased by 48% to K61.46 million (2020: K41.43 million).

Finally, I would like to reaffirm to members that we are committed to delivering value for you and your families. Members are the Society and the philosophy of "People Helping People" holds as true today as it did when the Society was established in 1972. It remains the firm foundation to keep us grounded and move us forward in our efforts to build, transform, and grow the Society for you.

Michael Koisen, OBE ML
Group Chief Executive Officer

Insights
Company History

Build.
Transform.
Grow.

1972

Teachers' Savings and Loan Society, commonly known as 'TISA' was set up in 1972 by teachers to serve teachers. Nowadays is the largest and leading Savings and Loan Society in Papua New Guinea and even in the Pacific. TISA has been in the business of savings and lending under the new Savings & Loans Act 2015 and a registered company under the Companies Act 1997.

With its Vision Statement 'Not for Profit, Not for Charity, But for Service', TISA is proudly Papua New Guinean and provides its products and services to its members through an extensive network of 17 branches throughout the country and increasing.

Following its Mission statement, the Society aims to provide the best customer service to its members by understanding their needs, educating them in responsible savings and borrowing behaviors and continually developing its people, products, processes, and financial standing in the community. The Society offers a friendly, convenient, and secure place to save by offering generous interest rates and providing access to low-cost loans which are affordable for its members.

TISA started 50 years ago as a savings and loans society for teachers. Though nowadays, the majority of TISA's members are coming from all public services including education and government agencies and other state-owned enterprises.

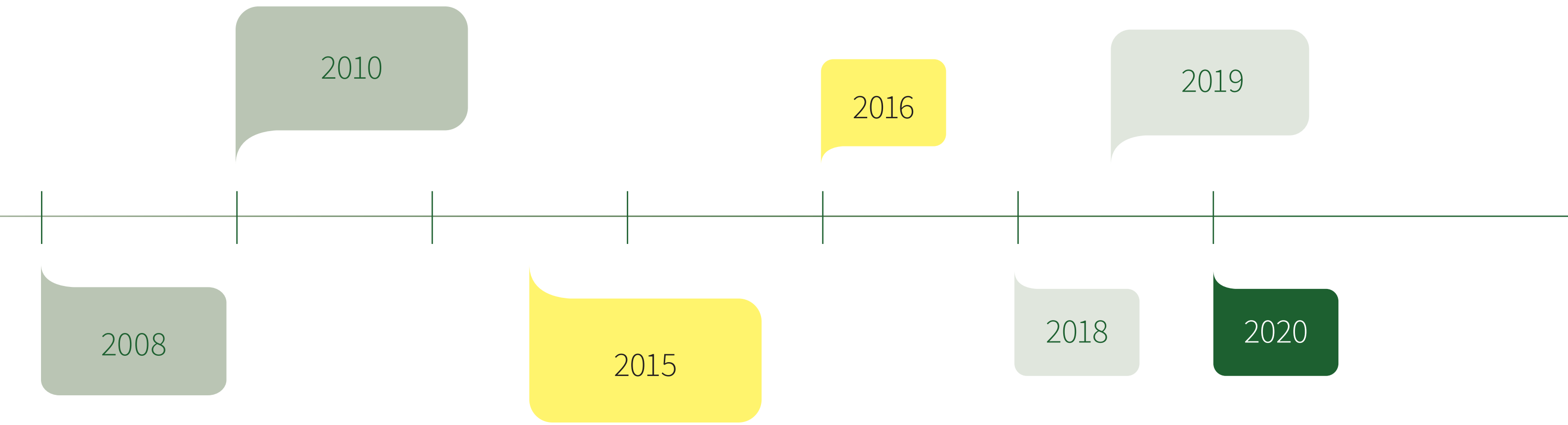
However, TISA is not just serving the employees of public institutions anymore. Also, more and more employees of private companies found their way to TISA and appreciating the products, services and competitive interest rate.

Vision Statement:

'Not For Profit, Not For Charity, But For Service'

Mission Statement:

'TISA aims to provide the best sustainable customer service to its Members by understanding their needs, education them in responsible savings and borrowing behaviors and continually developing people, products, processes and its financial standing.'



1972

Teachers' Savings and Loan Society established. First accommodated in the PNG Teachers Association Office on Mary Street, Down Town, Port Moresby, National Capital District

2008

Corporate Rebranding – new TISA logo and Brand

2010

Members resolved to pursue the Demutualization and to establish a Bank at a special General Meeting

2015

Submitted license application to Bank of Papua New Guinea for TISA Community Finance Limited (TCFL)

2016

Launching and operationalization of TISA Community Finance (TCF) Limited its 100% owned Licensed Financial Institution (LFI)

2018

Launch of TISA Debit Card 'YumiCard'.

2019

TISA completed its acquisition of Police State Services Savings and Loan Limited (PolSav) and by doing this it rescued K45 million savings of ordinary Papua New Guineans who would lost all their hard-earned savings through liquidation of PolSav

2020

Submitted Banking License Application to Bank of Papua New Guinea using TISA Community Finance Limited (TCFL).

Corporate Governance Statement
For the year ended 31st December 2021

This corporate governance statement describes the principles and obligations enshrined in the governance of Teachers Savings and Loan Society Limited (the “Society”) and its subsidiaries (the “TISA Group/Group”). It defines the roles and relationship between the Board of Directors (including Board committees) and Management of the Group.

In 2021, the Board and Management took the initiative to ensure that the Group’s corporate governance would support TISA’s core values of delivering the best possible customer services, empowering employees, maintaining, and upholding ethical practices, supporting continuous learning, and accountability.

The Board and management continue to demonstrate commitment to act responsibly, ethically and with the highest standard of integrity to ensure that the Group is managed prudently. The Group ensures that it adheres to good corporate governance standards and practices by closely monitoring developments in corporate governance principles and practices (standards) locally and globally.

Directors and employees are expected to always observe the highest standards of governance and ethical behavior.

The Board of Directors and their Roles

The Board is accountable to its mutual shareholders, for the overall governance and oversight of the Group’s activities and performances. The Board operates in accordance with the powers and responsibilities set out in the Company’s Act 1997, the Savings and Loan Societies Act 2015 and Society’s Constitution and exercises those powers in performing the following functions:

- Develop the overall business strategy of the Society, including asset and investment management, risk management and operational matters.
- Approve the overall business strategy and annual budgets of the Society.
- Provide proper oversight to accounting, fiduciary, regulatory and operational practices of the Society.
- On an ongoing basis, critically monitor the effectiveness of the business strategies and the effectiveness of management in delivering those strategies.
- Appoint, assess performance and if necessary, remove the Group Chief Executive Officer.
- Appoint and if necessary, remove the Company Secretary.
- Appoint Directors to the Board of the Society’s subsidiaries.
- Develop and set policies covering lending, investment, procurement, capital expenditure, risk, and compliance.
- Develop and set policies covering essential human resources issues such as hiring and dismissal, terms of employment, minimum standards of conduct, performance expectations, occupational health and safety, training and development; and
- Perform other functions and duties consistent with the Society’s Constitution and policies.

The Board has delegated responsibilities of administering the Group’s day-to-day business operations to the Group Chief Executive Officer and has ensured that it does not encroach upon those areas of day-to-day operational activities that are clearly the responsibilities of management.

The Board is committed to upholding the World Council of Credit Unions Corporate Governance Council's ‘Principles of Good Corporate Governance and the Best Practice Recommendations’ and the Global Alliance for Banking on Values.

Board composition

The Society's Constitution prescribes a maximum of no more than seven Directors, which comprises of up to four shareholder nominee directors and up to three independent directors. Each Director serves for a term of three years with eligibility for re-appointment.

All Directors must comply with the Fit and Proper criteria of section 9 and Schedule 2 of the Savings and Loan Societies Act 2015 ("the Act"), TISA Fit and Proper Person Policy and any directives issued by the Central Bank of Papua New Guinea from time to time. Fit and proper requirements under the Act applies to Directors and senior management of the Society and is an ongoing requirement.

The Directors of the Board during the year are provided in financial note 29.1 (Key management personnel remuneration).

Board Committee

The Board has one standing Committee established to strengthen the effectiveness of its operations and deliberations. The Board Audit Risk and Compliance Committee (BARCC) is mandated to review and monitor the following areas:

» Integrity of financial statements and the independent audit.

» Adherence to the Central Banks financial Reporting Requirements (Monthly and Quarterly Returns).

» The Society's Internal Audit Processes.

» The effectiveness of internal controls and management of all risks.

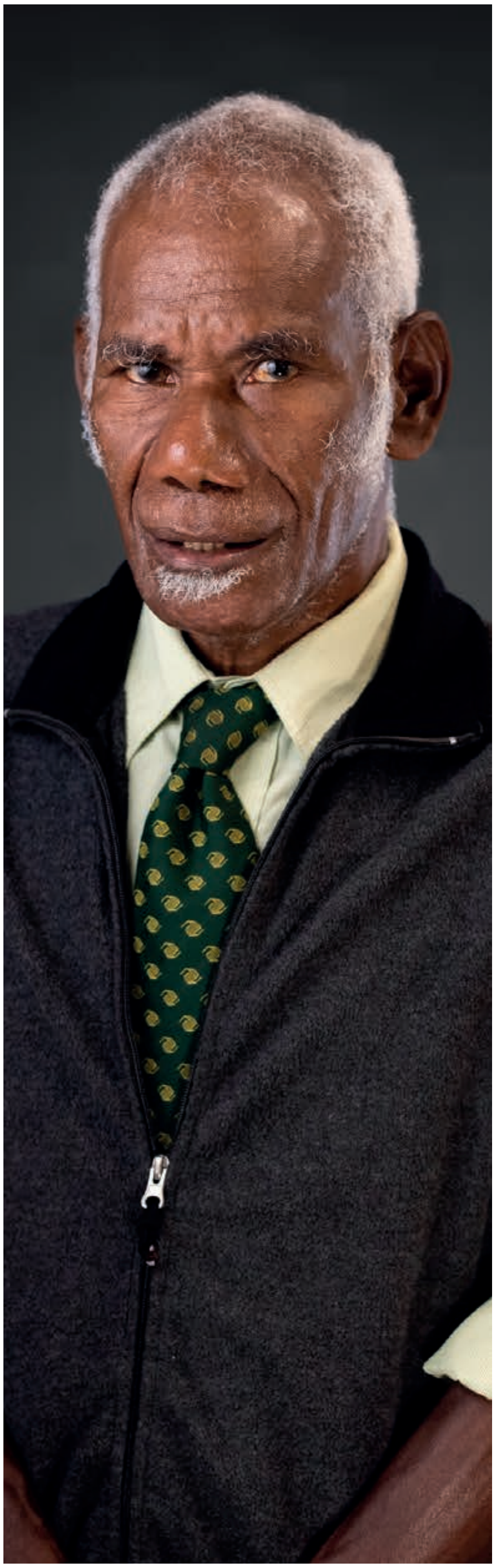
» The processes involving approval and monitoring of expenditures including capital expenditures.

» The processes for monitoring the implementation of Board decisions by Management.

» Compliance to all laws, policies, and Central Banks prudential standards, directives and guidelines issued under the Act

» Insurance program; and

» Any other functions as delegated by the Board.



Mr William Varmari
Director – New Guinea Islands Representative
TISA Board of Directors, Teachers Savings & Loan Society Ltd

The function and powers of the BARCC are aligned to those prescribed by the prudential standard BPS 300 (Corporate Governance) which was issued by the Central Bank under section 27 of the Banks and Financial Institutions Act 2000.

The operation of the BARCC is governed by its Charter which covers its purpose, authority, roles, and responsibilities.

The current BARCC members are Mr. William Varmari (as Chairman), Mr. Sam Nalong (as member), Mr. Simon Woolcott (as member) and Mrs. Karo Lelai (as non-director member). The Group's Company Secretary also serves as the Secretary to the BARCC.

The Board may establish ad hoc Committees from time to time where it considers matters of special importance or to exercise the delegated authority of the Board.

Board and Committee Meetings

The Board meets as it resolves or as the Chairman determines. The Board is required to meet at least once every quarter. A minimum of four meetings are required be held in a financial year and special meetings of the Board are held as and when required.

A total of four scheduled meetings were held by the Board in the financial year.

No special meetings were held by the Board in the financial year.

The BARCC also held four meetings in the financial year 2021.

Board Access to Information and Advice

All Directors have unrestricted access to the Society's records and information and receive quarterly detailed financial and operational reports to enable them to carry out their duties.

Divisional reports are presented to the Board by executive management on a quarterly basis. The Chairman and Directors do meet with the Group Chief Executive Officer and the executive management for further consultation to discuss issues associated with the fulfilment of their roles as Directors.

Remuneration of Directors

Directors are paid an annual stipend consistent with the Society's Constitution, but are not entitled to separation or termination benefits or any another payment. A Director appointed to a Board committee is also entitled to annual stipend for any committee meetings held.

Disclosure of Material Interest by Directors

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

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

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

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

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

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

The Group has a Conflict of Interest & Gifts Policy that complements the Code of Conduct for Directors and executive management and related prudential standards issued by the Central Bank. The Policy is designed to protect the Group's

interest when it is contemplating entering into a contract or transaction that might benefit any personal interest of a member of the Board, management, staff and service providers of the Group or might result in a possible excess benefit transaction.

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

The duty to disclose is carried out by way of completing a Conflict of Interest Disclosure Form on an annual basis or as a requirement of participating in a meeting.

External Auditor

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

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

Anna Leidimo

Head of People & Culture

Employee Story

My name is Anna Leidimo and I am the Head of People & Culture at TISA. I hold a Masters in Human Resource Management attained from the University of Papua New Guinea in 2019 under its Joint Postgraduate Program with the PNG Human Resources Institute (PNGHRI).

I joined in 2009 and I have seen TISA grow to what it is today. I believe that part of its success is simply putting our members first and developing products to suit their needs.

What excites me when I come to work every day is being able to lend a helping hand to our staff, and addressing issues they face in any way possible. It certainly gives me a sense of empowerment, enhances wisdom and makes me feel more connected to the organization. When we support our colleagues in times of need, it shows that we care about them. That is why we have a happy work-place which in turn increases performance and productivity.

My encouragement to our employees is to serve our members/clients with dignity and care. We must be passionate in what we do 'Do what you Love, Love what you do' when reaching out to the. Show that we understand their needs and that we are there to assist them. This will result in long lasting relationships with TISA.

Internal Audit

The Audit and Risk Department is dedicated to providing management with value-added services, as well as reasonable assurance to the Board and the Group Chief Executive Officer in the following categories:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Compliance with all applicable laws, regulations, and contracts; and
- Safeguarding of assets.

Each year, the Department develops an audit plan utilizing risk analysis to identify the major areas needing audit attention. The plan is submitted to the BARCC for consideration and recommendation to the Board for approval.

The Departments' function is established by the Audit Charter which ensures no unjustified restrictions or limitations are placed upon the independent role of the Department.

The Manager Internal Audit has direct access to the BARCC while the Chairman of BARCC has direct access to the full Board.

Compliance

The BARCC is responsible for ensuring compliance with all legal and regulatory obligations as well as the Constitution and Standard Operating Procedures of the Group.

The BARCC, together with management, ensures that any prudential and compliance issues that may be raised by the Central Bank and other statutory or regulatory bodies are promptly addressed.

The BARCC meets quarterly and separately with the internal auditors to discuss any matters that the committee or the internal auditors believe should be discussed independently. The committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on a timely basis.

Risk Management

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

The Board and management have ensured that efficient and effective risk management framework and adequate reporting systems, operational and financial internal controls, and their associated review functions (including internal audit) are in place to effectively monitor and manage the broad risk areas of strategic, financial, and operational risks. The specific risk areas identified and monitored in 2021 include strategic risk, credit risk, liquidity risk, interest rate risk, market risk, operational risk, and compliance risk.

Philip D. Hehonah
Company Secretary and Head of Legal
Teachers Savings & Loan Society Ltd

Risk Appetite Statement

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

Code of Conduct

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

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

Executive Management and Remuneration

The disclosure has been made at note 29.1 (Key management personnel remuneration) of the audited financial statement as at 31st December 2021.

Shareholders' (members) Communications

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

Legal matters and Society Lawyers

The Society has established an in-house Legal Department to deal with legal and litigation matters. Legal matters are outsourced as and when required. The Society engaged Albatross Law and O'Brien's Lawyers for its outsourced legal matters in 2021.

TISA & Community

'Not For Profit, Not For Charity, But For Service' - Meet Happy Member Allan Jim

TISA conducted an interview Mr. Allan Jim, Assistant Secretary, PNG Department of Education.

What product or service of ours have you used?

There are many products from TISA but I have been benefitting a lot from the School Fee Loan, Christmas Club Loan and the Personal Loan.

How has tisa helped you with your financial dreams and needs? Give an example.

I started my career in teaching in 1989 and in 1990 I joined TISA. I was able to obtain a loan to pay for a vehicle. I bought a total of five vehicles with loans I took out from TISA.

My firstborn son was accepted into one of the Universities in China for 4 years. I struggled hard to look for money and TISA was there to help me. They assisted in terms of offsetting and carrying my financial burden that I had in paying his school fees. In addition, when I requested to travel for his graduation, they assisted me with money to pay for the airfares for my family, so that we could be there to celebrate my son's achievements. That's the beauty of being with TISA.

What would you tell your friends or colleagues about tisa?

I have been doing a lot of advocacy and creating awareness by telling our students about managing their finance. I am also advising the students when they graduate and come out that they need to budget properly. When thinking about long term benefits, there are several savings and loan societies. TISA is one of them but TISA is where I benefited most, so I have been advocating a lot for TISA.

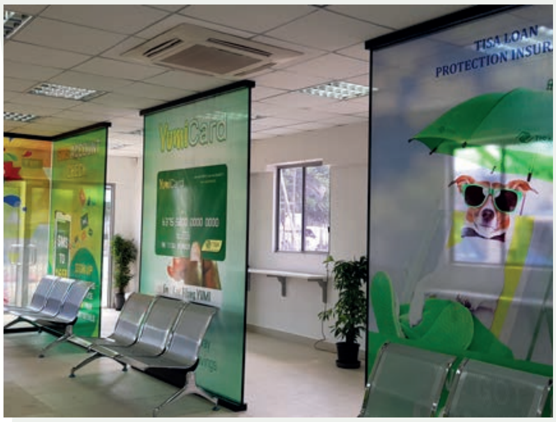
For instance, when the dividend was paid I publicly stood up in the office and said: "TISA gave me K1,500." When everybody asked me how I got it, I told them that they need to become a member of TISA so that at the end of the year when the dividends come, they can be like me, a beneficiary of this extra bonus interest payment.

I'm encouraging everyone, teachers or public servants to join TISA. My third daughter is not a teacher, but also she a financial member of TISA.


YUMICARDS
&
PINs


TISA HAUS


Service with a Smile
BUS STOP
watch your savings grow with tisa


YumiCard


TISA

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

Group Financial Statements For the year ended 31 December 2021

Director's Report

The Directors of Teachers Savings and Loan Society Limited ("TISA" or "the Society") and its subsidiary companies, Tisa Community Finance Limited ("TCF"), Tisa Property Limited ("TPL"), Tisa Investments Limited ("TIL") (together "the Group") submit herewith the annual financial report of the Group for the financial year ended 31 December 2021. In order to comply with the provisions of the Companies Act 1997 and Savings and Loan Societies Act 2015, the directors report as follows:

Principal activities

The nature of operations and principal activities of the Group are maintaining membership of teachers, public service and private sector members and clients; processing member contributions and managing client deposits; processing member and client loans; and managing the investments of the Group.

Registered office

The Society is a limited liability company incorporated and domiciled in Papua New Guinea. The address of its registered office is Level 1, TISA Haus, Sir John Guise Drive, Waigani, NCD, Papua New Guinea.

Review of operations

The Society has recorded a total comprehensive income after taxation of K51,182,392 (2020: K44,943,159). The Group's total comprehensive income after taxation is K61,455,132 (2020: K41,434,671).

Payments to TISA members

Additional interest of K23,088,840 was declared and credited to the members transaction accounts (S10 Accounts) for the year ended 31 December 2021 (2020: K24,771,649).

During the year K 8,191,715 (2020: K8,563,654) of interest on members savings was paid into members' general savings (S1 accounts) and other savings accounts (S2, S3, S4 and S5 accounts).

Directors

The Directors who have served on the Board during 2021 and to the date of this report were:

Mr. Gabriel Tai (Chairman) - Director Highlands
Mr. Sam Nalong (D/Chairman) - Director Momase
Mr. William Varmari - Director NGI
Mr. Francis Samoak - Director Southern Resigned on 28 July 2021
Mr. Peter Mason - Independent Director
Mr. Michael Koisen - Executive Director Appointed on 19 August 2021
Mr. Simon Woolcott - Independent Director Appointed on 27 October 2021
Ms. Lucy Sabo-Kelis - Independent Director Appointed on 27 October 2021

Directors' remuneration

Disclosure has been made at note 29.3

Remuneration above K100,000 per annum

Disclosure has been made at note 29.1

Group Secretary

The Group's Corporate Secretary is Philip Hehonah.

Directors' eligibility

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

Changes in State of Affairs

The Society continue to operate under the new Savings and Loan Societies Act 2015 as a company registered under the Companies Act 1997 and licensed under the Savings and Loan Societies Act 2015. During the year, there has been no significant changes to the company's state of affairs.

Auditor

KPMG was appointed as auditor for the year ended 31 December 2021. Details of amounts paid to the auditor for audit and other services are shown in note 9.1 to the financial statements.

Donations

During the year, the group made donations of KNil (2020: K124,536).

Signed at Port Moresby, NCD this 31st day of March 2022.

Signed in accordance with a resolution of the Directors.

Mr. Gabriel Tai
Director

Mr. Sam Nalong
Director

Directors

The Directors who have served on the Board during 2021 and to the date of this report were:

Gabriel Tai

Chairman- Director Highlands

Sam Nalong

D/Chairman - Director Momase

William Varmari

Director NGI

Michael Koisen

Executive Director

Francis Samoak

Director Southern

Peter Mason

Independent Director

Simon Woolcot

Independent Director

Lucy Sabo-Kelis

Independent Director

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.

Statement
By Directors

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

1. (a) the statements of profit or loss and other comprehensive income of the Society and the Group are drawn up so as to give a true and fair view of the results of the Society and the Group for the year ended 31 December 2021;

(b) the statements of changes in equity of the Society and the Group are drawn up so as to give a true and fair view of the changes in equity of the Society and the Group for the year ended 31 December 2021;

(c) the statements of financial position of the Society and the Group are drawn up so as to give a true and fair view of the state of affairs of the Society and the Group as at 31 December 2021;

(d) the statements of cash flows of the Society and the Group are drawn up so as to give a true and fair view of the cash flows of the Society and the Group for the year ended 31 December 2021;

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

(f) all related party transactions have been adequately disclosed in the attached financial statements.

2. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted in Papua New Guinea and the Papua New Guinea Companies Act 1997 and have been drawn up in accordance with the requirements of the Savings and Loan Societies Act 2015.

Signed at Port Moresby, NCD this 31st day of March 2022.

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

Mr. Gabriel Tai Director	Mr. Sam Nalong Director

Independent Auditor's Report

Independent Auditor's Report

To the shareholders of Teachers Savings and Loan Society Limited

Report on the audits of the Financial Reports

Opinions

We have audited the consolidated Financial Report of Teachers Savings and Loan Society Limited (the Group Financial Report). We have also audited the Financial Report of Teachers and Savings and Loan Society Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Teachers Savings and Loan Society Limited are in accordance with the *Savings and Loans Societies Act 2015* and the *Companies Act 1997*, including:

- giving a true and fair view of the Group's and Company's financial position as at 31 December 2021 and of their financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Reports of the Group and the Company comprise:

- statements of financial position as at 31 December 2021;
- statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

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

Basis for opinions

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

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

KPMG

Other Information

Other Information is financial and non-financial information in Teachers Savings and Loan Society Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information. The Other Information that we obtained prior to the date of this Auditor's report was the Directors' Report.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with the *International Financial Reporting Standards* and the *Companies Act 1997*;
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *International Standards on Auditing* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

As part of the audit in accordance with *International Standards on Auditing*, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, 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 opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

KPMG

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

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Those Charged with Governance (TCWG)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audits we consider and report on the following matters. We confirm in relation to our audits of the Financial Reports for the year ended 31 December 2021:

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

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
31 March 2022

Statements of profit or loss and other comprehensive income for the year ended 31 December 2021

		Consolidated Group		Society	
	Notes	2021	2020	2021	2020
		K	K	K	K
Interest and similar income	7	79,911,254	71,519,290	59,641,895	58,415,093
Interest expense	7.1	(10,647,882)	(10,843,530)	(8,592,672)	(8,563,654)
Net interest income		**69,263,372**	**60,675,760**	**51,049,223**	**49,851,439**
Rental income		4,690,564	5,570,192	2,621,964	5,258,059
Dividend income		33,076,958	24,367,633	33,043,658	24,367,633
Change in fair value of financial assets	12	2,857,072	8,231,171	2,857,072	8,231,171
Change in fair value of investment properties	13	-	(12,756,007)	-	(9,373,621)
Share of income of equity accounted investee	11.b	4,216,328	-	-	-
Other income	7.2	9,272,173	9,963,146	9,626,047	10,003,132
Total income		**123,376,467**	**96,051,895**	**99,197,963**	**88,337,813**
Staff costs		(22,820,756)	(20,586,695)	(20,239,883)	(18,238,465)
Impairment losses on loans	8	(7,132,335)	(6,493,344)	(4,604,441)	(5,048,924)
Operating expenses	9	(30,131,169)	(25,254,392)	(23,171,246)	(20,107,264)
Share of loss of equity accounted investee	11.b	-	(1,726,140)	-	-
Total expenses		**(60,084,261)**	**(54,060,571)**	**(48,015,571)**	**(43,394,653)**
Profit from operations		**63,292,206**	**41,991,324**	**51,182,392**	**44,943,159**
Income tax expense	25	(1,837,074)	(556,653)	-	-
Profit for the year after taxation		**61,455,132**	**41,434,671**	**51,182,392**	**44,943,159**
Other comprehensive income					
Increment on revaluation of land and buildings		-	-	-	-
Total comprehensive income for the year after taxation		**61,455,132**	**41,434,671**	**51,182,392**	**44,943,159**

The notes on pages 34 to 72 are an integral part of these financial statements.

Statements of financial position as at 31 December 2021

		Consolidated Group		Society	
	Notes	2021	2020	2021	2020
		K	K	K	K
Assets					
Cash and cash equivalents	15	29,630,765	41,742,031	20,211,951	27,153,130
Interest bearing deposits	15	6,148,427	-	16,375,832	5,000,000
Net loans to members and customers	14	321,210,005	308,826,066	266,518,096	269,288,083
Other financial assets	11	330,557,810	353,830,334	299,726,540	325,608,608
Rental and other receivables	16	14,136,213	8,784,873	71,677,668	39,132,722
Investment in subsidiaries	11c	-	-	242,890,980	242,890,980
Investment properties	13	109,223,506	109,223,505	-	45,179,755
Property and equipment	10	30,855,533	29,877,597	25,350,947	27,220,992
Capital work in progress	10.1	67,428,369	37,585,040	3,238,086	4,932,627
Net deferred tax assets	25	882,675	497,425	-	-
Total assets		**910,073,303**	**890,366,871**	**945,990,100**	**986,406,897**
Liabilities					
Savings and deposits	18	408,658,779	441,052,457	384,240,920	412,793,413
Creditors and accruals	19	28,465,198	17,427,105	97,484,837	138,611,228
Employee provisions	17	5,462,684	4,263,067	5,235,601	4,067,067
Provision for income tax	25	2,419,092	922,983	-	-
Total liabilities		**445,005,753**	**463,665,612**	**486,961,358**	**555,471,708**
Net assets		**465,067,550**	**426,701,259**	**459,028,742**	**430,935,190**
Equity					
Cost of Capital	20	61,939	61,855	61,939	61,855
Asset revaluation reserve	21	5,603,567	5,603,567	5,603,567	5,603,567
General reserve	22	33,534,306	33,534,306	33,534,306	33,534,306
Additional interest reserve	24	73,153,385	60,535,144	73,153,385	60,535,144
Business combination reserve	23	-	-	-	-
Retained earnings		352,714,353	326,966,387	346,675,545	331,200,317
Total equity		**465,067,550**	**426,701,259**	**459,028,742**	**430,935,190**

The notes on pages 34 to 72 are an integral part of these financial statements.

Statements of changes in equity
for the year ended 31 December 2021

		Consolidated Group						
	Notes	Share Capital	Asset Revaluation Reserve	General Reserve Fund	Additional Interest Reserve	Business Combination Reserve	Retained Earnings	Total
		K	K	K	K	K	K	K
Balance at 1 January 2020		**-**	**5,603,567**	**33,534,306**	**49,879,664**	**(16,849,175)**	**337,869,876**	**410,038,240**
Share capital as transferred out from retained earnings	20	61,855	-	-	-	-	(61,855)	-
Total comprehensive income for the year after taxation		-	-	-	-	-	41,434,671	41,434,671
Transfer to members from additional interest reserve fund	24	-	-	-	(24,771,649)	-	-	(24,771,649)
Transfer to retained earnings from business combination reserve	23	-	-	-	-	16,849,175	(16,849,175)	-
Transfer to additional interest reserve fund from retained earnings	24	-	-	-	35,427,129	-	(35,427,129)	-
Balance at 31 December 2020		**61,855**	**5,603,567**	**33,534,306**	**60,535,144**	**-**	**326,966,387**	**426,701,259**
Balance at 1 January 2021		**61,855**	**5,603,567**	**33,534,306**	**60,535,144**	**-**	**326,966,387**	**426,701,259**
Share capital as transferred out from retained earnings	20	84	-	-	-	-	(84)	-
Total comprehensive income for the year after taxation			-	-	-	-	61,455,132	61,455,132
Transfer to members from additional interest reserve fund	24	-	-	-	(23,088,840)	-	-	(23,088,840)
Transfer to additional interest reserve fund from retained earnings	24	-	-	-	35,707,081	-	(35,707,081)	-
Balance at 31 December 2021		**61,939**	**5,603,567**	**33,534,306**	**73,153,385**	**-**	**352,714,353**	**465,067,550**

The notes on pages 32 to 70 are an integral part of these financial statements.

Statements of changes in equity (continued)
for the year ended 31 December 2021

For the year ended 31 December 2021

		Society						
	Notes	Share Capital	Asset Revaluation Reserve	General Reserve Fund	Additional Interest Reserve	Business Combination Reserve	Retained Earnings	Total
		K	K	K	K	K	K	K
Balance at 1 January 2020		**-**	**5,603,567**	**33,534,306**	**49,879,664**	**(16,849,175)**	**338,595,317**	**410,763,679**
Share capital as transferred out from retained earnings	20	61,855	-	-	-	-	(61,855)	-
Total comprehensive income for the year after taxation		-	-	-	-	-	44,943,159	44,943,159
Transfer to retained earnings from business combination reserve	23	-	-	-	-	16,849,175	(16,849,175)	-
Transfer to members from additional interest reserve fund	24	-	-	-	(24,771,649)	-	-	(24,771,649)
Transfer to additional interest reserve fund from retained earnings	24	-	-	-	35,427,129	-	(35,427,129)	-
Balance at 31 December 2020		**61,855**	**5,603,567**	**33,534,306**	**60,535,144**	**-**	**331,200,318**	**430,935,190**
Balance at 1 January 2021		**61,855**	**5,603,567**	**33,534,306**	**60,535,144**	**-**	**331,200,318**	**430,935,190**
Share capital as transferred out from retained earnings	20	84	-	-	-	-	(84)	-
Total comprehensive income for the year after taxation		-	-	-	-	-	51,182,392	51,182,392
Transfer to members from additional interest reserve fund	24	-	-	-	(23,088,840)	-	-	(23,088,840)
Transfer to additional interest reserve fund from retained earnings	24	-	-	-	35,707,081	-	(35,707,081)	-
Balance at 31 December 2021		**61,939**	**5,603,567**	**33,534,306**	**73,153,386**	**-**	**346,675,545**	**459,028,742**

The notes on pages 32 to 70 are an integral part of these financial statements.

Statements of Cash Flow
as at 31 December 2021

	Note	Consolidated Group		Society	
		2021	2020	2021	2020
		K	K	K	K
Cash flows from operating activities					
Interest received on loans		76,199,186	65,215,300	56,442,494	52,113,618
Net rental and other income		13,962,736	17,252,386	12,248,011	14,695,072
Interest on IBDs and debt securities		3,712,068	6,685,859	3,199,400	6,951,390
Dividends received		33,076,958	24,367,633	33,043,658	24,367,633
Net loans to members		(17,003,347)	(62,921,626)	(938,347)	(46,951,804)
Net savings deposited		(55,482,518)	6,334,008	(51,641,333)	(5,063,145)
Interest paid to members and depositors		(10,032,281)	(10,843,530)	(8,191,715)	(8,563,654)
Change in interest bearing deposits		(6,148,427)	46,265,011	(11,375,832)	46,265,011
Payments to employees and suppliers		(42,960,740)	(17,384,911)	(38,513,169)	(41,378,291)
Income taxes paid		(726,217)	(273,017)	-	-
Net cash flow (used)/from operating activities		**(5,402,581)**	**74,697,113**	**(5,726,833)**	**42,435,831**
Cash flows from investing activities					
Net purchase of Government Securities		34,276,749	(19,031,064)	32,157,296	251,626
Payments for investment property, property and equipment		(37,861,797)	(47,308,292)	(30,979,725)	(37,049,856)
Capital contribution to subsidiary		-	-	-	(5,992,241)
Net cash flow used/from investing activities		**(3,585,048)**	**(66,339,356)**	**1,177,571**	**(42,790,471)**
Cash flows from financing activities					
Lease payments		(3,123,637)	(3,203,887)	(2,391,917)	(2,506,927)
Net cash flow (used) /from financing activities		**(3,123,637)**	**(3,203,887)**	**(2,391,917)**	**(2,506,927)**
Net (decrease) /increase in cash and cash equivalents		**(12,111,266)**	**5,153,870**	**(6,941,179)**	**(2,861,567)**
				-	
Cash and cash equivalents at the beginning of the year		41,742,031	36,588,161	27,153,130	30,014,697
Cash and cash equivalents at the end of the year	15	29,630,765	41,742,031	20,211,951	27,153,130

The notes on pages 34 to 72 are an integral part of these financial statements.

Notes to the Financial Statements as at 31 December 2021

Notes to the Financial Statements as at 31 December 2021

1. Reporting

Teachers Savings and Loan Society (“TISA” or "the Society") is domiciled in Papua New Guinea. The Society’s registered office is TISA Haus, Waigani, NCD, Papua New Guinea. The Group financial statements as at and for the year ended 31 December 2021 comprise the Society and its subsidiaries, Tisa Community Finance ("TCF"), Tisa Property Limited ("TPL") and Tisa Investments Limited ("TIL") (together "the Group"). The Group is primarily involved in the provision of financial services which include receiving savings, deposits and issuing loans, managing various investment assets to earn returns on behalf of its members.

The Group financial statements have been authorised for issue by the Board of Directors on 31 March 2022.

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the Accounting Standards Board of Papua New Guinea ("ASB"), the requirements of the Papua New Guinea Companies Act 1997 and Savings and Loan Societies Act 2015.

Basis of measurement

Fair value accounting is used for investments at fair value through profit and loss, and land and buildings classified as investment property or property and equipment. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

Comparative figures

The prior year comparative figures have been reclassified wherever necessary to conform to the current year's presentation of financial statements.

3. Functional currency

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the Group makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving significant estimates or judgements are:
Note 26.1 Estimated expected credit loss allowance for loans to members and customers and
Note 13. Estimated fair value of assets (land and buildings and investment property)

Going concern basis

The financial statements have been prepared on a going concern basis which assumes that the Society and the Group will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business.

Notes to the Financial Statements as at 31 December 2021

5 Other standards

A number of new standards and amendments to standards are effective for accounting periods beginning 1 January 2022 and earlier application are permitted, however, the Group has not adopted them in preparing this financial statement.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

-Amendments to IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Benchmark Reform - Phase 2 (effective 1 January 2021) - The Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of one of benchmark with an alternative one.

-Amendments to IFRS 4, 'Insurance contracts' - Deferral of IFRS 9. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

6. Significant accounting policies

Accounting policies and disclosures

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

(a) Basis of consolidation

i. Subsidiaries

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

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

The financial statements for the subsidiaries TCF, TPL and TIL have been consolidated based on 31 December 2021 results.

Transactions eliminated on consolidation

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

Loss of control

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

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (Continued)

(b) Revenue recognition

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

Revenue recognised as follows:

i. Interest

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

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income using the effective interest method includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

ii. Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees and sales commission are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

iii. Change in fair value of financial assets

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

iv. Dividend income

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

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(c) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand alone price. However, for leases of branches and office premises, the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, adjusted for certain re-measurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise of the following:
- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(c) Leases (Continued)

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

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

The Group presents right-of-use assets in Property and Equipment and lease liabilities in Creditors and Accruals.

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

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying assets. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(d) Tax exemption

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

Income tax
Income tax expenses comprises of current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous year.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in the transaction that is not business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries to the extent that is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rate that are expected to be applied to temporary differences when they reserve, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liability are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income tax levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on the basis or their tax assets and liabilities will be released simultaneously.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments including regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL) , transaction costs that are directly attributable to its acquisition or issue.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments (Continued)

(i) Recognition and initial measurement (Continued)
Financial assets: Subsequent measurement and gains and losses

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

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

(ii) Classification and subsequent measurement

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

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

(iii) De-recognition
A financial asset is derecognised when the Group loses control over the contractual rights that comprise the asset. This will occur when the rights are realised, expired or surrendered. A financial liability shall be derecognised when it is extinguished.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(v) Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

(vi) Fair value measurement

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Financial instruments

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

(vii) Identification and measurement of impairment

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments (continued)
(vii) Identification and measurement of impairment (continued)

Expected credit loss impairment model

The Group's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either
(i) over the following twelve months or
(ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

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

Stage 1 - a 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk ('SICR') since origination and are not credit impaired. The ECL will be computed using a 12-month probability of default ('PD') that represents the PD occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 - When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Credit loss allowances are higher in this stage because of an increase in risk and impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 - Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

(vii) Identification and measurement of impairment (Continued)

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

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

The probability of default (PD), exposure at default (EAD) and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are closely related with credit losses in the relevant portfolio. Details of key statistical parameters/inputs are as follows: -

Probability of Default (PD) - is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD) - is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

Loss Given Default (LGD) - is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

Macroeconomic factors
The recovery of the Group's loan book is predominantly payroll deduction and recovery through savings offsets if loans go into arrears. For the purpose of the IFRS 9 model assumptions the following macro-economic activities that affect payroll deductions and therefore loan book recovery and quality are: -
- fiscal deficit and its ability to pay its employees
- investment in public sector especially education
- salary budgets which include salary adjustments
- government sector employment growth
- inflation
- unemployment rates
- personal income tax
- teacher annual auto-suspension exercise

Multiple forward - looking scenarios
The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts.

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

	Probability of default weighting		
	Base Case	**Upturn**	**Downturn**
Society	70%	20%	10%
Subsidiary	80%	10%	10%

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(e) Financial instruments (continued)

(vii) Identification and measurement of impairment (continued)

The 'base case' represents the most likely outcome. The upturn scenario represents a more optimistic outcome while the downturn represents a more pessimistic outcome. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio or financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

Assessment of significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information and the impact of forward-looking macroeconomic factors.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

(viii) Reversal of impairment and write-offs:

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

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, and other short-term highly liquid investments with initial maturities of less than three months.

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

(g) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable repayment terms that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

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

(h) Investment securities

Investment securities are accounted for in the following manner:

i. Fair value through profit or loss:

The Group designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

ii. At cost:

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost.

iii. Other fair value changes, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(i) Property and equipment

i. Recognition and measurement:
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except land and buildings which are required to be revalued every three years based on the Group's policy. After recognition as an asset, an item of land and building, which fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluation changes shall be accounted for as follows:
- if an asset's carrying amount increased, it shall be recognised in other comprehensive income and accumulated in equity under the heading of asset revaluation reserve. The increase shall be recognised in profit or loss to the extent that it requires a revaluation decrease of the same asset previously recognised in profit or loss.

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii. Subsequent costs:
Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation:
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Classes of assets	**Useful lives**
Motor vehicles	4-5 years
Office equipment	4-5 years
Furniture and fittings	5-10 years
Property (excluding land)	20-40 years
Computer software	3-5 years
Right of Use Asset	2-5 years
Other equipment	3-5 years

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

(j) Investment properties
Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within change in fair value of investment property. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(k) Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 3-5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from a continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Deposits

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

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Notes to the Financial Statements as at 31 December 2021

6. Significant accounting policies (continued)

(o) Employee benefits

i. Defined contribution plans:
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. This benefit is earned as part of salaries and wages.

ii. Other long-term employee benefits:
The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

iii. Termination benefits:
Termination benefits are expensed as at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs from a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

iv. Short term employee benefits
Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Reserves

The Group maintains the following equity positions:

i. General Reserve Fund is a statutory reserve that was required under the now repealed *Savings & Loan Societies (Amendment) Act 1995* which required the Society to maintain a fund equal to 10% of total liabilities as a buffer against any financial risks and exposures. The Society was required to transfer 20% of its net earnings to this reserve until it reaches 10% of liabilities. The new *Savings & Loan Societies Act 2015* however does not indicate a similar requirement therefore no transfer was made since 2019.

ii. Asset Revaluation Reserve captures any appreciation in property and equipment accounted for under the revaluation model over the initial cost of acquiring the item.

iii. The Additional Interest Reserve is established by the Board to distribute additional interest to members of the Society. The amount of the distribution is contingent and dependent on the distributable profits earned by the Society, hence, it is recorded through equity. This reserve is replenished from the distributable profits earned by the Society.

Notes to the Financial Statements as at 31 December 2021

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
7. Interest and similar income				
Interest income – loans	76,199,186	65,215,300	56,442,494	52,113,618
Interest income – IBDs and debt securities	3,712,068	6,303,990	3,199,400	6,301,475
Total interest income	**79,911,254**	**71,519,290**	**59,641,895**	**58,415,093**
7.1 Interest expense				
Interest expense – members and customers' savings	(10,032,281)	(10,843,530)	(8,191,715)	(8,563,654)
Additional interest distribution made from additional interest reserves	(23,088,840)	(24,771,649)	(23,088,840)	(24,771,649)
Total interest credited and distributed to members	(33,121,121)	(35,615,179)	(31,280,555)	(33,335,303)
Interest expense on lease liability	(615,601)	(14,717)	(400,957)	(14,717)
Total interest expense	**(33,736,722)**	**(35,629,896)**	**(31,681,512)**	**(33,350,020)**

Interest expense on member savings is accrued and credited to member accounts at the end of each month. The total monthly interest charges credited to member accounts during the year amounted to Society: K8,191,715 (2020: K8,563,654) and Group: K10,032,281 (2020: K10,843,530) with additional interest of K23,088,840 (2020: K24,771,649) credited to members as a distribution from Additional Interest Reserve Account.

	Consolidated Group		Society	
7.2 Other income	**2021**	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Net Loan processing and account administration fees	8,909,292	8,478,108	8,051,928	7,902,275
Tisa and LPI insurance commission, and other income	362,880	1,485,037	1,574,118	2,100,857
Total other income	**9,272,173**	**9,963,145**	**9,626,047**	**10,003,132**

	Consolidated Group		Society	
8. Impairment of financial assets at amortised cost	**2021**	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Impairment on loans to members and customers at amortised cost (Note 14)	(7,132,335)	(6,493,344)	(4,604,441)	(5,048,924)
	(7,132,335)	**(6,493,344)**	**(4,604,441)**	**(5,048,924)**

Notes to the Financial Statements as at 31 December 2021

9 Operating expenses

Surplus for the year was arrived at after charging (crediting) the following items to the statement of profit or loss and other comprehensive income.

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Auditor's remuneration - statutory audit services	830,505	394,800	670,136	375,543
Bank charges	81,429	79,743	70,552	73,387
Depreciation	4,771,053	4,780,498	3,761,248	3,902,968
Electricity	1,459,758	1,585,661	1,058,680	318,279
Insurance	705,861	659,210	610,772	659,210
Property expense	-	34,542	-	33,627
Travel, airfare and accommodation	1,602,166	867,203	1,562,403	427,886
Security costs	1,157,378	505,104	503,633	505,104
Data processing expenses	2,981,702	2,128,124	2,935,668	2,060,436
Printing and stationery	735,578	565,455	657,248	460,934
Establishment cost	-	14,713	-	14,713
Fuel	278,274	195,451	203,850	1,303,725
Advertising and promotion	2,356,898	1,870,182	1,284,933	1,025,307
Donations	-	124,536	-	124,536
Entertainment	97,030	92,817	97,030	92,817
Telephone	445,880	364,765	394,780	327,266
Repair and maintenance	826,220	995,988	339,888	586,733
Rates and taxes	369,529	219,003	242,019	219,003
Motor vehicle expenses	203,862	212,628	166,343	186,455
Filing and legal cost	40,043	87,745	37,743	71,663
Freight	202,015	174,795	192,861	172,186
Consulting	2,919,933	3,752,908	2,839,129	2,806,451
Cleaning	247,297	315,248	141,475	219,884
Board fees and allowances	938,447	431,264	200,941	287,088
General and administrative expenses	6,880,309	4,802,011	5,199,912	3,852,062
Total operating expenses	**30,131,169**	**25,254,392**	**23,171,246**	**20,107,264**

Notes to the Financial Statements as at 31 December 2021

10. Property and equipment

CONSOLIDATED GROUP

	ROU - Asset	Land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Computer software	Other equipment	Total
	K	K	K	K	K	K	K	K
Cost or valuation								
Balance at 1 January 2021	11,094,650	9,300,473	4,999,632	5,805,643	3,806,715	7,732,175	1,815,411	44,554,699
Additions	4,929,117	-	50,365	713,894	615,272	-	25,737	6,334,385
Disposals/Adjustments	-	-	-	-	(419,151)	-		(419,151)
Balance at 31 December 2021	**16,023,767**	**9,300,473**	**5,049,997**	**6,519,537**	**4,002,836**	**7,732,175**	**1,841,148**	**50,469,934**
Accumulated depreciation and impairment losses								
Balance at 1 January 2021	4,256,410	670,535	746,670	2,395,181	2,645,141	3,375,407	587,757	14,677,101
Adjustments	823,143	-	-	-	-	-	-	823,143
Depreciation for the year	2,511,261	235,763	492,331	534,745	234,112	590,565	172,277	4,771,053
Disposals					(656,896)			(656,896)
Balance at 31 December 2021	**7,590,814**	**906,298**	**1,239,001**	**2,929,926**	**2,222,357**	**3,965,971**	**760,034**	**19,614,401**
Carrying amounts at 31 December 2021	**8,432,953**	**8,394,175**	**3,810,997**	**3,589,611**	**1,780,479**	**3,766,204**	**1,081,114**	**30,855,533**

CONSOLIDATED GROUP

	ROU - Asset	Land & buildings	Furniture & fittings	Office equipment	Motor vehicles	Computer software	Other equipment	Total
	K	K	K	K	K	K	K	K
Cost or valuation								
Balance at 1 January 2020	10,127,860	9,300,473	4,999,632	5,444,590	3,489,174	7,732,175	1,815,411	42,909,315
Additions	966,790	-	-	361,053	573,922	-	-	1,901,765
Disposals	-	-	-	-	(256,381)	-	-	(256,381)
Balance at 31 December 2020	**11,094,650**	**9,300,473**	**4,999,632**	**5,805,643**	**3,806,715**	**7,732,175**	**1,815,411**	**44,554,699**
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	1,872,521	434,771	269,270	1,933,482	2,431,574	2,784,843	424,552	10,151,013
Depreciation for the year	2,383,889	235,764	477,400	461,699	467,977	590,564	163,205	4,780,498
Disposals	-	-	-	-	(254,410)	-	-	(254,410)
Balance at 31 December 2020	**4,256,410**	**670,535**	**746,670**	**2,395,181**	**2,645,141**	**3,375,407**	**587,757**	**14,677,101**
Carrying amounts at 31 December 2020	**6,838,240**	**8,629,938**	**4,252,962**	**3,410,462**	**1,161,574**	**4,356,768**	**1,227,654**	**29,877,598**

Notes to the Financial Statements as at 31 December 2021

10. Property and equipment (continued)

SOCIETY

	ROU - Asset K	Land & buildings K	Furniture & fittings K	Office equipment K	Motor vehicles K	Computer software K	Other equipment K	Total K
Cost or valuation								
Balance at 1 January 2021	9,209,803	9,300,473	3,580,484	5,139,284	3,354,667	7,732,177	1,805,071	40,121,959
Additions	1,417,262	-	50,365	713,894	615,272	-	25,736	2,822,529
Disposals/(Adjustments)	-	-	-	-	(419,151)	-		(419,151)
Balance at 31 December 2021	**10,627,065**	**9,300,473**	**3,630,849**	**5,853,178**	**3,550,788**	**7,732,177**	**1,830,807**	**42,525,336**
Accumulated depreciation and impairment losses								
Balance at 1 January 2021	3,033,030	670,535	603,647	2,328,806	2,305,671	3,375,406	583,870	12,900,965
Adjustments	1,169,072	-	-	-	-	-	-	1,169,072
Depreciation for the year	1,736,332	235,763	350,415	497,969	178,963	590,566	171,240	3,761,248
Disposals	-	-	-		(656,896)	-		(656,896)
Balance at 31 December 2021	**5,938,434**	**906,298**	**954,062**	**2,826,775**	**1,827,737**	**3,965,972**	**755,110**	**17,174,389**
Carrying amounts at 31 December 2021	**4,688,630**	**8,394,175**	**2,676,787**	**3,026,403**	**1,723,051**	**3,766,205**	**1,075,697**	**25,350,947**

SOCIETY

	ROU - Asset K	Land & buildings K	Furniture & fittings K	Office equipment K	Motor vehicles K	Computer software K	Other equipment K	Total K
Cost or valuation								
Balance at 1 January 2020	9,209,803	9,300,473	3,580,484	5,081,314	3,037,126	7,732,177	1,805,071	39,746,448
Additions	-	-	-	57,970	573,922	-	-	631,892
Disposals	-	-	-	-	(256,381)	-	-	(256,381)
Balance at 31 December 2020	**9,209,803**	**9,300,473**	**3,580,484**	**5,139,284**	**3,354,667**	**7,732,177**	**1,805,071**	**40,121,958**
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	1,292,695	434,771	268,162	1,903,828	2,147,227	2,784,842	421,698	9,253,223
Depreciation for the year	1,740,335	235,764	335,485	424,978	413,669	590,564	162,172	3,902,967
Disposals	-	-	-	-	(255,225)	-	-	(255,225)
Balance at 31 December 2020	**3,033,030**	**670,535**	**603,647**	**2,328,806**	**2,305,671**	**3,375,406**	**583,870**	**12,900,966**
Carrying amounts at 31 December 2020	**6,176,773**	**8,629,938**	**2,976,837**	**2,810,478**	**1,048,996**	**4,356,771**	**1,221,201**	**27,220,992**

Notes to the Financial Statements as at 31 December 2021

10. Property and equipment (continued)

Land and buildings are measured at fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The carrying amounts are based on an independent revaluation undertaken by The Professional Valuers and Arthur Strachan in December 2020 as the fair value assessment is undertaken every three years as per the Group's policy.

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
10.1 Work in Progress				
Opening balance	37,585,040	20,852,551	4,932,627	20,941,700
Additions during the year	31,527,412	45,018,512	28,157,196	36,417,965
Reclassification and transfers during the year	(1,684,083)	(28,286,023)	(29,851,737)	(52,427,038)
Closing balance	**67,428,369**	**37,585,040**	**3,238,086**	**4,932,627**

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

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
11. Other financial assets	**K**	**K**	**K**	**K**
Quoted shares (note 11a)	270,148,415	267,291,342	269,308,414	266,451,342
Unquoted shares (note 11b)	12,315,364	8,099,036	-	-
Government debt securities (note 11d)	48,094,031	78,439,955	30,418,126	59,157,265
Total other financial assets	**330,557,810**	**353,830,333**	**299,726,540**	**325,608,607**

11a. Quoted shares

Quoted shares are financial assets classified as Fair Value through Profit and Loss with any changes in the fair value of the assets recorded in the statement of profit or loss and other comprehensive income.

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
Quoted shares:	**K**	**K**	**K**	**K**
Bank South Pacific Limited				
Balance at the beginning of the year	183,808,393	180,438,572	183,808,392	180,438,572
Fair value gain from change in net market value	3,829,342	3,369,820	3,829,342	3,369,820
Valuation (2021: 15,317,366 shares @ K12.25 per share)	**187,637,735**	**183,808,393**	**187,637,734**	**183,808,392**
(2020: 15,317,366 shares @ K12.00 per share)				

During the year, a total of K22,057,007 dividend was received from Bank South Pacific Limited.

Notes to the Financial Statements as at 31 December 2021

	Consolidated		Society	
11a. Quoted shares (continued)	**2021**	**2020**	**2021**	**2020**
Credit Corporation (PNG) Limited	**K**	**K**	**K**	**K**
Balance at the beginning of the year	82,642,950	77,781,600	82,642,950	77,781,600
Fair value (loss)/gain from change in net market value	(972,270)	4,861,350	(972,270)	4,861,350
At Valuation (2021: 48,613,500 shares @ K1.68 per share)	**81,670,680**	**82,642,950**	**81,670,680**	**82,642,950**

(2020: 48,613,500 shares @ K1.70 per share)

During the year, a total of K10,986,651 dividend was received from Credit Corporation (PNG) Limited.

	Consolidated		Society	
	2021	**2020**	**2021**	**2020**
PNG Air Limited	**K**	**K**	**K**	**K**
Balance at the beginning of the year	840,000	-	-	840,000
Fair value gain from change in net market value	-	-	-	-
Transferred from parent company to subsidiary	-	840,000	-	(840,000)
At Valuation (2021: 7,000,000 shares @ K0.12 per share)	**840,000**	**840,000**	**-**	**-**

(2020: 7,000,000 shares @ K0.12 per share)

	270,148,415	**267,291,343**	**269,308,414**	**266,451,342**

11b. Unquoted shares

At 31 December 2021, the Society's interest holding in Capital Insurance Group ("CIG") stands at 29% (2020: 29%). The entity is a provider of life and general insurance products. The entity is headquartered in Port Moresby however has operations across the Pacific. For consolidation purposes the investment is classified as an associate and the equity method has been applied in the consolidated financial statements.

As at 31 December 2021, the Society's interest holding in Credit & Data Bureau Limited (CDB) is 6.66%, the shares are classified as unquoted equity investments held at cost.

	Consolidated		Society	
	2021	**2020**	**2021**	**2020**
Unquoted shares:	**K**	**K**	**K**	**K**
Credit & Data Bureau Limited	33,300	33,300	-	33,300
Capital Insurance Group (associate)	12,282,064	8,065,736	-	9,791,876
Transferred from parent company to subsidiary	-	-	-	(9,825,176)
	12,315,364	**8,099,036**	**-**	**-**

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

The table below is a reconciliation of the equity accounting for CIG at a consolidated level.

	Consolidated	
	2021	**2020**
Reconciliation of investment in associate at consolidated level	**K**	**K**
Balance at beginning of year	8,065,736	9,791,876
Share of net income/ (loss)	4,216,328	(1,726,140)
Total investment in associate	**12,282,064**	**8,065,736**

Notes to the Financial Statements as at 31 December 2021

11c. Investment in Subsidiaries

The Society holds controlling stakes in subsidiaries as follows: -

	2021 % Holding	2020 % Holding	Nature of Business	Status
TISA Community Finance Ltd	100%	100%	Financial	Active
TISA Property Ltd	100%	100%	Financial	Active
TISA Investments Ltd	100%	100%	Financial	Active

	Society	
	2021	2020
Unquoted shares:	K	K
Opening balance TCF Investment	166,700,001	8,000,001
Issued share capital in 2020	-	158,700,000
TCF (subsidiary)	**166,700,001**	**166,700,001**
Opening balance TPL Investment	65,525,803	-
Issued share capital in 2020	-	65,525,803
TPL (subsidiary)	**65,525,803**	**65,525,803**
Opening balance TIL Investment	10,665,176	-
Issued share capital in 2020	-	10,665,176
TIL (subsidiary)	**10,665,176**	**10,665,176**
Total Investment in Subsidiaries	**242,890,980**	**242,890,980**

TCF commenced operations in the fourth quarter of the 2016 financial year whereas TPL and TIL commenced operations in second half of the 2020 financial year. The Society's investments in TCF, TPL and TIL are accounted for at cost.

11d. Government debt securities

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

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Government debt securities				
Treasury bill – cost at acquisition	34,566,309	57,380,990	16,890,404	38,098,300
Inscribed stock – face value on maturity	14,000,000	21,750,000	14,000,000	21,750,000
Net discount on Inscribed Stock	(472,278)	(691,035)	(472,278)	(691,035)
Total government debt securities	**48,094,031**	**78,439,955**	**30,418,126**	**59,157,265**

Investments in Government Inscribed Stock bear interest varying between 9.5% - 10.5% per annum. (2020: 5-12% per annum). Also included in Government debt securities investments are treasury bills that have maturity of no more than 90 days from the balance date and provide a return ranging from 1.97% to 7.20% per annum.
Interest receivables have been recorded in note 16.

Notes to the Financial Statements as at 31 December 2021

12. Changes in fair value of financial assets

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Changes in fair value of shares				
Bank South Pacific Limited	3,829,342	3,369,821	3,829,342	3,369,821
Credit Corporation (PNG) Limited	(972,270)	4,861,350	(972,270)	4,861,350
PNG Air Limited	-	-	-	-
Total changes in fair value of shares	**2,857,072**	**8,231,171**	**2,857,072**	**8,231,171**

13. Investment properties

	Consolidated Group			
Properties	**Fair Value 31-Dec-20**	**Additions/ Transfers**	**Gain/ (loss)**	**Fair Value 31-Dec-21**
	K	K	K	K
Tisa Haus, Waigani	45,179,755	-	-	45,179,755
Tisa Haus, Lae	7,000,000	-	-	7,000,000
Tisa Haus, Madang	2,349,000	-	-	2,349,000
Kouaka Place, Gordons	7,124,062	-	-	7,124,062
Land adjacent to NDB, Waigani	20,500,000	-	-	20,500,000
Land adjacent to TISA, Waigani	13,409,000	-	-	13,409,000
Alotau Lot 5, Section 10, Alotau	9,554,689	-	-	9,554,689
Office (Lae)	1,640,000	-	-	1,640,000
4 Unit Flat (Lae)	1,800,000	-	-	1,800,000
Residential (POM)	667,000	-	-	667,000
Total	**109,223,506**	**-**	**-**	**109,223,506**

	Society			
Property	**Fair Value 31-Dec-20**	**Additions/ Transfers**	**Gain/ (loss)**	**Fair Value 31-Dec-21**
	K	K	K	K
Tisa Haus, Waigani	**45,179,755**	**(45,179,755)**	**-**	**-**

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

The fair value of investment property was based on a desktop valuation carried out by Executive Management after making adjustments to the valuers' (The Professional Valuers of PNG Limited and Arthur Strachan Limited) assessment. The valuation methodology used to value majority of the assets was the income approach (capitalization) method and comparable sale of similar commercial properties.

The Group observes hierarchy for determinining and disclosing the fair value of investment assets by valuation techniques as disclosed in Note no. 26.5.

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

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Rental income	4,690,564	5,531,842	2,621,964	5,258,059
Operating expenses	(2,361,733)	(2,668,678)	(1,907,289)	(2,525,919)
Profit from investment property	2,328,831	2,863,164	714,675	2,732,140

14. Net loans to members and customers

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

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

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Loans and provisioning				
Loans receivable from members and customers	336,274,440	319,271,093	279,489,108	278,550,762
ECL Allowance for impairment losses	(15,064,435)	(10,445,028)	(12,971,012)	(9,262,679)
Net loans to members and customers	**321,210,005**	**308,826,066**	**266,518,096**	**269,288,083**

Notes to the Financial Statements as at 31 December 2021

14. Net loans to members and customers (continued)

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Allowance for impairment losses				
Opening balance	10,445,028	5,047,632	9,262,679	4,187,913
Increase/(Decrease) in provisions	6,789,341	7,284,138	4,261,447	6,301,480
Bad debts written off	(2,169,934)	(1,886,742)	(553,113)	(1,226,715)
Closing balance	**15,064,435**	**10,445,028**	**12,971,012**	**9,262,679**

15. Cash and cash equivalents and interest bearing deposits (IBD)

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Cash and cash equivalents				
Cash on hand and at bank	24,494,369	41,742,031	15,075,555	27,153,130
IBDs with maturities of less than 3 months	5,136,396	-	5,136,396	-
Total cash and cash equivalents	**29,630,765**	**41,742,031**	**20,211,951**	**27,153,130**
IBDs with maturities of more than 3 months	**6,148,427**	**-**	**16,375,832**	**5,000,000**

IBDs earn an interest ranging from 1.50% to 4.50% per annum. Investments in short term government treasury bills have been disclosed in Note 11d.

As at 31 December 2021, the Society had a combined total of K21,451,535 of IBD placement with its subsidiary TCF and other institutions.

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

Notes to the Financial Statements as at 31 December 2021

16. Rental and other receivables

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Rental and other receivables				
Rental debtors	1,268,611	3,553,178	-	3,553,178
Less: Allowance for rental debtors	-	(426,930)	-	(426,930)
Net rental debtors	**1,268,611**	**3,126,248**	**-**	**3,126,248**
Other debtors	10,520,431	2,052,274	69,876,788	33,620,590
Less: Allowance for other debtors	(34,589)	(34,589)	(34,589)	(34,589)
Net other debtors	**10,485,842**	**2,017,685**	**69,842,199**	**33,586,001**
Prepayments	2,088,546	1,281,821	1,728,096	909,923
Interest receivable	293,214	1,778,595	107,373	1,510,550
Subtotal prepayments, interest and member receivables	**2,381,760**	**3,060,417**	**1,835,469**	**2,420,472**
Total rental and other receivables	**14,136,213**	**8,204,349**	**71,677,668**	**39,132,722**

17. Employee provisions

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Employee provisions				
Annual leave	2,620,188	1,914,412	2,476,504	1,765,555
Long service leave	2,842,496	2,348,655	2,759,097	2,301,513
Total employee provisions	**5,462,684**	**4,263,067**	**5,235,601**	**4,067,068**

18. Savings and deposits

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Members' and customers' savings				
Members’ and customers' savings pre-additional interest	385,569,939	416,280,808	361,152,080	388,021,764
Additional interest distributed	23,088,840	24,771,649	23,088,840	24,771,649
Total members’ and customers' savings	**408,658,779**	**441,052,457**	**384,240,920**	**412,793,413**

Notes to the Financial Statements as at 31 December 2021

19. Creditors and accruals

	Consolidated Group		Society	
	2021	2020	2021	2020
Creditors and accruals	K	K	K	K
Intercompany - TCF *	-	-	74,641,483	124,075,783
Rental bonds	360,541	125,114	274,974	125,114
Goods and services tax	72,458	4,115	20,087	(32,168)
Group tax	176,759	(10,902)	-	(31,602)
Accrued expenses	2,628,794	9,018,021	1,510,557	6,806,919
Sundry creditors **	15,943,650	457,727	15,257,485	1,753,478
Lease liability	9,013,859	7,563,893	5,511,115	5,644,567
Rent received in advance	269,137	269,137	269,137	269,137
Total creditors and accruals	**28,465,198**	**17,427,105**	**97,484,837**	**138,611,228**

* The balance of K74,641,483 is made of up payables to subsidiary company. The payables largely relate to issued shares in the previous year.

** The balance of K15,943,650 (consolidated) is made up of members and customers deposits and loan repayments which amuont to K10,082,899 as at 31 December 2021 that are yet to be allocated to members and customers accounts.

20. Members' Capital

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

By operation of the *Savings and Loan Societies Act 201* 5, the cost of capital of K61,939 (i.e 61,939 shareholders at nominal value of K1.00 per share) was taken out of retained earnings. The cost of capital as at 31 December 2020 was K61,855.

21. Asset revaluation reserve

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Asset revaluation reserve reconciliation				
Opening balance at 1 January	5,603,567	5,603,567	5,603,567	5,603,567
Transfers out to retained earnings	-	-	-	-
Change in fair value of land and buildings	-	-	-	-
Reserve balance at 31 December	**5,603,567**	**5,603,567**	**5,603,567**	**5,603,567**

22. General reserve

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
General reserve reconciliation				
Opening balance at 1 January	33,534,306	33,534,306	33,534,306	33,534,306
Transfers in from retained earnings				
Transfer out to additional interest reserve				
Reserve balance at 31 December	**33,534,306**	**33,534,306**	**33,534,306**	**33,534,306**

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

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

Notes to the Financial Statements as at 31 December 2021

23. Business Combination Reserve

	Consolidated Group		Society	
	2021	2020	2021	2020
	K	K	K	K
Business combination reconciliation				
Opening balance at 1 January	-	(16,849,175)	-	(16,849,175)
Transfers out to retained earnings	-	16,849,175	-	16,849,175
Reserve balance at 31 December	-	-	-	-

IFRS 3, B47 states that the acquirer in a combination of mutual entities shall recognise the acquiree's net assets as a direct addition to capital or equity in its statement of financial position.

24. Additional interest reserve reconciliation

	2021	2020	2021	2020
	K	K	K	K
Opening balance at 1 January	60,535,144	49,879,664	60,535,144	49,879,664
Transfers in from Retained Earnings	35,707,081	35,427,129	35,707,081	35,427,129
Transfer out to Members' Savings	(23,088,840)	(24,771,649)	(23,088,840)	(24,771,649)
Reserve balance at 31 December	**73,153,385**	**60,535,144**	**73,153,385**	**60,535,144**

The Board has resolved to declare an additional interest of 7% of members' general savings balance as at 31 December 2021 and credited to the members' transaction accounts. This amounts to K23,088,840 and was directly paid out of the Additional Interest Reserve (AIR). The Board further resolved to distribute 50% of the distributable profit's remaining balance, K12,612,240 to Additional Interest Reserve. The Additional Interest Reserve was then replenished with K35,707,081 from the distributable profit.

Notes to the Financial Statements as at 31 December 2021

25. Income tax

	Consolidated Group	
	2021	**2020**
	K	**K**
25.1 Income tax expense		
Current tax	2,572,186	1,064,741
Adjustments in the previous year	(349,861)	-
Deferred tax	(385,251)	(508,088)
	1,837,074	556,653
Accounting profit before taxation	63,747,573	41,991,324
Deductible expense - lease payments	(731,720)	-
	63,015,853	41,991,324
Tax on the profit for the year at 30%	18,904,756	12,597,397
Taxation effect of permanent differences		
- Non deductible items	297,003	232,317
- Non taxable items	(16,619,616)	(11,764,973)
Dividend rebate	(9,957)	-
Adjustments in the previous years	-	-
	2,572,186	1,064,741
25.2 Income tax payable		
Opening balance of income tax	922,983	-
Current tax payable	2,572,186	1,064,741
Adjustments in the previous years	(349,861)	131,258
Offset of withholding taxes	-	-
Offset against taxation loss	-	-
Payments during the year	(726,216)	(273,017)
Closing balance of income tax	**2,419,092**	**922,983**

25.3 Deferred tax balance

Deferred tax assets and deferred tax liabilities as at 31 December 2021 and 2020 are attributable to the items as in the table below:

		Consolidated Group	
	Asset	**Liability**	**Net**
As at 31 December 2021			
Provisions	712,615	-	712,615
Prepayments	-	(141,302)	(141,302)
TPL Taxation loss	322,026	-	322,026
Other	-	(10,664)	(10,664)
	1,034,641	**(151,966)**	**882,675**
As at 31 December 2020			
Provisions	413,505	-	413,505
Prepayments	-	(90,833)	(90,833)
TPL Taxation loss	185,417	-	185,417
Other	-	(10,664)	(10,664)
	598,922	(101,497)	497,425

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management

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

Financial risk factors

Risk management is carried out by executive management under policies approved by the individual Group entities' Board of Directors. TISA caters for the funding of its members and invests to cater for this. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

26.1 Credit risk

Credit risk relates to potential loss of principal and interest, disruption of cash flows and increased collection costs stemming from a borrower's failure to repay a loan. The Society manages this risk carefully by applying a strict set of criteria to financing and investments, confining its dealings to institutions of high creditworthiness and ensuring exposures to counterparties are appropriately secured. As unsecured lending grows with the introduction of other new products to the core service become the main source of income, the Society is prepared to accept a moderate level of exposure in this area.

Deposits are only made with banks known to have sound financial standing. Loans and advances are made after appropriate credit and security checks and they are monitored and reviewed.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Consolidated Group		**Society**	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Assets bearing credit risk				
Cash and cash equivalents	29,630,765	41,742,031	20,211,951	27,153,130
Interest bearing deposits	6,148,427	-	16,375,832	5,000,000
Rental and other receivables	14,136,213	8,204,349	71,677,668	39,132,722
Net Loans to members and customers	321,210,005	308,826,066	266,518,096	269,288,083
Total assets	**371,125,409**	**358,772,447**	**374,783,547**	**340,573,935**

Loans to members and customers:

The Society's policy requires all loans to be either fully or partially secured by members' savings. In cases where loans are partially secured, additional security may be deemed necessary in accordance with the Rules of the Society.

	Consolidated Group		**Society**	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Member and customer loans				
Loans backed by deposits and collaterals	239,984,516	242,007,585	228,912,813	242,007,585
Loans without deposit backing	96,289,923	77,263,509	50,576,296	36,543,177
Total member and customer loans	**336,274,440**	**319,271,094**	**279,489,108**	**278,550,762**

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (Continued)

26.1 Credit risk (Continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets

	Consolidated Group		**Society**	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Stage 1 - 12 month ECL	284,962,185	277,304,876	232,732,711	239,147,723
Stage 2 - Life time ECL	38,606,376	31,909,714	36,974,013	31,145,779
Stage 3 - Life time ECL	12,705,879	10,056,504	9,782,384	8,257,260
Gross carrying amount	336,274,440	319,271,093	279,489,108	278,550,762
Allowance for credit loss	(15,064,435)	(10,445,028)	(12,971,012)	(9,262,679)
Net carrying amount	321,210,005	308,826,066	266,518,096	269,288,083

The followng table shows reconciliations from opening to the closing balances of the allowance for credit loss. The basis for determining transfers due to changes in credit risk is set out in the accounting policy, see Note 7, (e), (vi)

	Consolidated Group			
2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	K	**K**	**K**	**K**
Balance as at 1 January 2021	5,825,007	2,123,826	2,496,195	10,445,028
Transfer to Stage 1	277,546	(642,530)	(134,623)	(499,607)
Transfer to Stage 2	1,745,531	163,848	(39,290)	1,870,088
Transfer to Stage 3	2,012,307	280,448	498,117	2,790,872
Net remeasurements	**4,035,383**	**(198,234)**	**324,203**	**4,161,353**
New financial assets purchased or originated	2,422,337	2,569,827	554,327	5,546,491
Write offs and transfers from savings	(1,604,020)	1,849,883	5,110,729	5,356,592
Balance as at 31 December 2021	**4,853,700**	**4,221,475**	**5,989,260**	**15,064,435**

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	K	**K**	**K**	**K**
Balance as at 1 January 2020	1,564,074	706,179	2,777,379	5,047,632
Transfer to Stage 1	1,314,847	(42,289)	(244,636)	1,027,922
Transfer to Stage 2	1,213,157	240,193	41,465	1,494,816
Transfer to Stage 3	654,635	149,676	970,450	1,774,760
Net remeasurements	(1,531,054)	(641,815)	815,772	(1,357,096)
New financial assets purchased or originated	2,609,348	1,711,882	127,432	4,448,662
Write offs and transfers from savings	-	-	(1,991,667)	(1,991,667)
Balance as at 31 December 2020	**5,825,007**	**2,123,826**	**2,496,195**	**10,445,028**

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.1 Credit risk (continued)

	Society			
2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	K	**K**	**K**	**K**
Balance as at 1 January 2021	5,311,683	2,031,269	1,919,726	9,262,679
Transfer to Stage 1	(173,786)	(648,570)	(140,391)	(962,747)
Transfer to Stage 2	1,514,010	144,512	(54,952)	1,603,570
Transfer to Stage 3	1,201,827	151,899	343,709	1,697,435
Net remeasurements	**2,542,051**	**(352,160)**	**148,367**	**2,338,258**
New financial assets purchased or originated	1,936,606	2,494,509	444,803	4,875,918
Write offs and transfers from savings	(573,828)	1,737,291	4,593,373	5,756,836
Balance as at 31 December 2021	**3,904,829**	**3,879,640**	**5,186,543**	**12,971,012**

2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	K	**K**	**K**	**K**
Balance as at 1 January 2020	1,215,554	614,054	2,358,305	4,187,913
Transfer to Stage 1	1,364,187	(9,068)	(187,556)	1,167,563
Transfer to Stage 2	1,157,663	244,191	(42,768)	1,359,086
Transfer to Stage 3	284,242	57,480	887,373	1,229,095
Net remeasurements	(1,017,933)	(577,486)	185,028	(1,410,391)
New financial assets purchased or originated	2,307,970	1,702,099	108,105	4,118,174
Write offs and transfers from savings			(1,388,761)	(1,388,761)
Balance as at 31 December 2020	**5,311,683**	**2,031,269**	**1,919,726**	**9,262,679**

26.2. Liquidity risk

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

The Group is restricted by the exchange controls of BPNG in terms of offshore investments (BPNG has imposed limits on amounts that can be invested offshore). As PNG's capital market is not mature, the majority of the Group's local investments do not have any significant sizable trading activities. These investments include PNG Government and quasi government securities which are held to maturity and there is very little opportunity for the Group to dispose or trade these investments.

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

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.2 Liquidity risk (Continued)

The table below summaries the maturity profile of the Group's financial assets and liabilities as at 31 December 2021 and 31 December 2020 based on contractual repayment obligations.

	Consolidated Group						
	Total	**At Call**	**0-3 mnths**	**3 mnths-1 Yr**	**1-5 Yrs**	**More than 5 Yrs**	**Weighted Average Rate p.a**
	K	**K**	**K**	**K**	**K**	**K**	**%**
2021							
Assets							
Cash and cash equivalents	29,630,765	24,494,369	5,136,396	-	-	-	1.88%
Interest bearing deposits	6,148,427	-	6,148,427	-	-	-	2.75%
Rental and other receivables	14,136,213	11,754,453	2,381,760	-	-	-	nil
Net Loans	321,210,005	-	-	232,806,356	81,953,718	5,956,559	25.70%
Quoted shares	270,148,415	270,148,415	-	-	-	-	nil
Unquoted shares	12,315,364	12,315,364	-	-	-	-	nil
Government debt securities	48,094,031	-	11,747,079	22,819,230	6,527,722	7,000,000	5.05%
Total undiscounted cash inflows	**701,683,219**	**318,712,601**	**25,413,661**	**255,625,586**	**88,481,441**	**12,956,559**	
Liabilities							
Deposits & Savings*	(408,658,779)	(177,758,778)	(5,657,930)	(39,091,950)	(163,072,003)	(290,919)	4.52%
Creditors and accruals	(28,465,198)	-	(28,465,198)	-	-	-	nil
Employee provisions	(5,462,684)	-	-	(2,620,188)	(2,842,496)	-	nil
Total undiscounted cash outflows	**(442,586,660)**	**(177,758,778)**	**(34,123,128)**	**(41,712,138)**	**(165,914,499)**	**(290,919)**	

	Consolidated Group						
	Total	**At Call**	**0-3 mnths**	**3 mnths-1 Yr**	**1-5 Yrs**	**More than 5 Yrs**	**Weighted Average Rate p.a**
2020	**K**	**K**	**K**	**K**	**K**	**K**	**%**
Assets							
Cash and cash equivalents	41,742,031	41,742,031	-	-	-	-	2.00%
Interest bearing deposits	-	-	-	-	-	-	5.00%
Rental and other receivables	8,784,873	-	8,784,873	-	-	-	nil
Net Loans	308,638,191	-	4,778,617	20,758,114	283,101,460	-	26.00%
Quoted shares	267,291,343	-	-	-	-	267,291,343	nil
Unquoted shares	9,825,176	-	-	-	-	9,825,176	nil
Government debt securities	78,439,955	-		57,380,990	21,058,965	-	11.00%
Total undiscounted cash inflows	**714,721,569**	**41,742,031**	**13,563,490**	**78,139,104**	**304,160,425**	**277,116,519**	

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.2 Liquidity risk (continued)

2020							
Liabilities							
Deposits and Savings	(423,857,809)	(161,826,816)	(186,229)	(27,910,156)	(233,934,608)	-	4.52%
Creditors and accruals	(17,427,105)	-	(17,427,105)	-	-	-	nil
Employee provisions	(4,263,067)	-	-	(1,914,412)	(1,409,193)	(939,462)	nil
Total undiscounted cash outflows	**(445,547,981)**	**(161,826,816)**	**(17,613,334)**	**(29,824,568)**	**(235,343,801)**	**(939,462)**	
Net surplus/(explosure) 2021	**259,096,559**	**140,953,823**	**(8,709,466)**	**213,913,449**	**(77,433,058)**	**12,665,640**	
Net surplus/(explosure) 2020	**269,173,588**	**(120,084,785)**	**(4,049,844)**	**48,314,536**	**68,816,624**	**276,177,057**	

	Society						
	Total	**At Call**	**0-3 mnths**	**3 mnths-1 Yr**	**1-5 Yrs**	**More than 5 Yrs**	**Weighted Average Rate p.a**
	K	**K**	**K**	**K**	**K**	**K**	**%**
2021							
Assets							
Cash and cash equivalents	20,211,951	15,075,555	5,136,396	-	-	-	1.88%
Interest bearing deposits	16,375,832	-	-	16,375,832	-	-	3.86%
Rental and other receivables	14,136,213	-	14,136,213	-	-	-	nil
Net loans	266,518,096	-	-	116,366,356	150,151,741	-	17.00%
Quoted shares	269,308,414	-	-	-	-	269,308,414	nil
Unquoted shares	242,890,980	-	-	-	-	242,890,980	nil
Government debt securities	30,418,126	-	2,816,436	13,601,690	6,527,722	7,000,000	5.92%
Total undiscounted cash inflows	**859,859,612**	**15,075,555**	**22,089,045**	**146,343,878**	**156,679,463**	**519,199,393**	
Liabilities							
Deposits and Savings*	(384,240,920)	(177,758,778)	-	(11,378,771)	(164,920,359)	(290,919)	4.67%
Creditors and accruals	(97,484,837)	-	(17,057,265)	-	(80,427,572)	-	6.25%
Employee provisions	(5,235,601)	-	-	(2,476,504)	(2,759,097)	-	nil
Total undiscounted cash outflows	**(486,961,358)**	**(177,758,778)**	**(17,057,265)**	**(13,855,275)**	**(248,107,027)**	**(290,919)**	

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.2 Liquidity risk (continued)

	Society						
	Total	**At Call**	**0-3 mnths**	**3 mnths-1 Yr**	**1-5 Yrs**	**More than 5 Yrs**	**Weighted Average Rate p.a**
	K	**K**	**K**	**K**	**K**	**K**	**%**
2020							
Assets							
Cash and cash equivalents	32,153,130	27,153,130	5,000,000	-	-	-	2.00%
Interest bearing deposits	-	-	-	-	-	-	5.00%
Rental and other receivables	39,132,722	-	39,132,722	-	-	-	nil
Net Loans	269,288,083	-	4,778,617	20,758,114	243,751,353	-	17.00%
Quoted shares	266,451,342	266,451,342	-	-	-	-	nil
Unquoted shares	242,890,980	242,890,980	-	-	-	-	nil
Government debt securities	59,157,265	-	-	38,098,300	21,058,965	-	10.00%
Total undiscounted cash inflows	**909,073,522**	**536,495,452**	**48,911,339**	**58,856,414**	**264,810,318**	**-**	
Liabilities							
Deposits and Savings*	(395,185,055)	(161,826,816)	-	-	(233,358,239)	-	2.00%
Creditors and accruals	(138,611,228)	-	(138,611,228)	-	-	-	nil
Employee provisions	(4,067,067)	-	-	(1,765,555)	(1,362,051)	(939,462)	nil
Total undiscounted cash outflows	**(537,863,350)**	**(161,826,816)**	**(138,611,228)**	**(1,765,555)**	**(234,720,290)**	**(939,462)**	
Net Surplus/ (exposure) 2021	**371,210,172**	**374,668,636**	**(89,699,889)**	**57,090,859**	**30,090,028**	**(939,462)**	
Net Surplus/ (exposure) 2020	**372,898,254**	**(162,683,223)**	**5,031,780**	**132,488,603**	**(91,427,564)**	**518,908,474**	

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

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

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At reporting date, the interest rate profile of the Society's interest-bearing financial instruments was:

Fixed rate instruments (financial assets)

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Treasury bills	34,566,309	76,393,192	16,890,404	63,854,630
Government inscribed stock	14,000,000	21,750,000	14,000,000	21,750,000
Loans to members	321,210,005	251,301,835	266,518,096	227,411,045
Total interest-bearing assets	**369,776,314**	**349,445,027**	**297,408,500**	**313,015,675**

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

Fixed rate instruments (financial liabilities)

	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Member savings	408,658,779	441,052,457	384,240,920	412,793,413
Total interest-bearing liabilities	**409,946,800**	**441,052,457**	**400,248,200**	**412,793,413**

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

26.4 Other market price risk

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

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

(a) Sensitivity analysis:

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

(i) Financial instrument	Consolidated Group		Society	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
+ 5% change in fair value	13,465,421	13,322,567	13,465,421	13,222,567
- 5% change in fair value	(13,465,421)	(13,322,567)	(13,465,421)	(13,322,567)

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

(ii) Investment	Consolidated Group Effect on Profit or Loss Increase/(Decrease)		Society Effect on Profit or Loss Increase/(Decrease)	
	2021	**2020**	**2021**	**2020**
	K	**K**	**K**	**K**
Increase of 1% in capitalisation rates	(2,383,887)	(4,875,971)	-	(3,928,674)
10% increase in rentals	469,056	557,019	-	557,019
10% increase in sales prices and/or replacement costs	4,501,600	4,501,600	-	-

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

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.5 Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash, deposits, investments and loans to members - the carrying amount of these is equivalent to their fair value;
- For investments refer note 5;
- Member deposits are recognized at inception at fair value and subsequently at amortized cost.

The Society uses the following hierarchy for determining and disclosing the fair value of financial instruments and investment assets by valuation techniques:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs)

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

	Consolidated Group					
	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Quoted shares (Note 11.a)	270,148,415	-	-	267,291,343	-	-
Unquoted shares (Note 11.b)	-	12,315,364	-	-	8,099,036	-
Investment properties (Note 13)	-	-	109,223,506	-	-	109,223,506
Totals	**270,148,415**	**12,315,364**	**109,223,506**	**267,291,343**	**8,099,036**	**109,223,506**

	Society					
	2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Quoted shares (Note 11.a)	269,308,414	-	-	266,451,342	-	-
Unquoted shares (Note 11.b)	-	-	-	-	9,825,176	-
Investment properties (Note 13)	-	-	-	-	-	45,179,755
Totals	**269,308,414**	**-**	**-**	**266,451,342**	**9,825,176**	**45,179,755**

There has been no observed movements in the fair value hierarchy within the group of assets. The sensitivity analysis for Investment Properties is disclosed on Note 26.4 Other Market Price Risk (a) (ii).

Notes to the Financial Statements as at 31 December 2021

26. Financial instruments and risk management (continued)

26.6 Capital risk management

The Company is required to comply with various prudential standards issued by the Bank of Papua New Guinea (BPNG), the official authority for the prudential supervision of banks and similar institutions in Papua New Guinea. One of the most critical prudential standards is the capital adequacy requirement. All banks and financial institutions are required to maintain at least the minimum acceptable measure of capital to risk-weighted assets to absorb potential losses. BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord. The BPNG revised prudential standard 1/2003, Capital Adequacy, prescribes ranges of overall capital ratios to measure whether the financial institution is under, adequately or well capitalised and also applies the leverage capital ratio.

As at 31 December 2021, the Company's total adequacy ratio and leverage capital ratio satisfied the capital adequacy criteria for "well capitalised". The minimum capital adequacy requirements set out under the standard are: Tier 1 8%, total risk based capital ratio 12% and the leverage ratio 6%. The measure of capital used for the purpose of the prudential supervision is referred to as base capital. Total base capital varies from the balance of capital shown on the Statement of Financial Position and is made up of Tier 1 capital (core) and Tier 2 capital (supplementary). Tier 1 is obtained by deducting from equity capital and audited retained earnings (or losses), intangibles assets including deferred tax assets. Tier 2 capital cannot exceed the amount of Tier 1 capital and can include subordinated loan capital, specified asset revaluation reserves, un-audited profits (or losses) and a small percental of general loan loss provisions. The leverage capital ratios is calculated as Tier 1 capital divided by total assets on the balance sheet.

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

The capital of the Society is represented by the net assets available to pay benefits to its members. The amount of net assets available to pay benefits to its members can change significantly as the Society receives contributions and pays benefits to members on a daily basis. The Society’s objective when managing capital is to safeguard the Society’s ability to continue as a going concern in order to provide returns and benefits to its members and to maintain a strong capital base to support the development of the investment activities of the Society.
In order to maintain or adjust the capital structure, the Society’s policy is to monitor the level of monthly contributions income and benefits payable relative to the assets it expects to be able to liquidate and adjust the amount for investments and interest credited to the members account at the end of each reporting period. The Board members and executive management monitor capital on the basis of the value of net assets available to pay benefits.

27. Employees

The number of people employed by the Society as at 31 December 2021 is 271 (2020: 321).
The number of people employed by the Group as at 31 December 2021 is 310 (2020: 351).

Notes to the Financial Statements as at 31 December 2021

28. Retirement benefits

The group total contribution remitted to a superannuation fund was K1,447,750 (2020: K1,342,583). The Society contributed a total of K1,184,598 to Nambawan Super Limited (NSL) in 2021 and a total of K1,182,538 to National Superannuation Fund (NSF) in 2020. The subsidiary, TISA Community Finance Limited contributed a total of K263,152 (2020: K245,401) to National Superannuation Fund. The employer contribution rate is 12%.

29. Related parties

Member and client loans that are made to staff and directors are in accordance with the Group's Rules. The total value of these loans at 31 December 2021 is K 1,719,751 (2020: K 1,766,560). The interest rate, security and repayment terms on these loans are in arms length basis and consistent with the normal terms extended to members who are not either directors or staff.

As disclosed in Note 11c, TISA owns 100% of the share capital in subsidiary TCF. Intercompany transactions totalled to K74,641,483. A deposit of K10,227,406 (2020: K5,000,000) was made from TISA to TCF.

The directors of the Group had an aggregate savings balance of K656,553 (2020: K615,564), and aggregate loan balance of K1,536,356 (2020: K1,778,550). The directors are subject to the normal lending policy requirements of the Group. Total savings by directors and staff amounted to K1,719,751 (2020: K1,861,150).

29.1 Key management personnel remuneration

The number of employees or former employees, not being directors of the company, whose total remuneration and the value of other benefits receive, exceeded K100,000, falls within each relevant K50,000 band of income as follows:

	Group		Society	
	2021	**2020**	**2021**	**2020**
	No.	**No.**	**No.**	**No.**
K100,000 – K149,999	3	-	1	-
K150,000 – K199,999	1	1	1	-
K200,000 – K249,999	2	2	2	1
K250,000 – K299,999	1	4	1	4
K300,000 – K349,999	-	1	-	1
K350,000 – K399,999	6	1	4	1
K400,000 – K449,999	1	2	1	2
K450,000 – K499,999	-	-	-	-
K500,000 – K549,999	2	1	2	1
K550,000 – K999,999	1	3	1	2
K1,000,000 and above	1	1	1	1
	17	16	14	13

Notes to the Financial Statements as at 31 December 2021

29.2 Key management personnel

The specified executives of the Society during the year were:

- Mr Michael Koisen – Chief Executive Officer
- Mr Luke Kaul – Chief Operating Officer
- Mr Igimu Momo – Chief Strategic Officer
- Mr John Topal - Chief Risk Officer
- Ms Regina Epoa - Chief Finance Officer, joined on 15 June 2021
- Ms Andu Rawali - Chief of People and Culture, joined on 08 September 2021
- Ms Aileen Watangia - Head of Information Technology, joined on 06 December 2021
- Mr Frans Kootte - Executive Manager, Retail Financial Services, joined on 19 March 2021
- Mr Philip Hehonah – Head of Legal and Company Secretary
- Ms Anna Leidimo – Head of Human Resource
- Mr Viktor Bezkorovaynyy -Head of Payment and Settlement
- Ms Georgina Ahwong - Head of E-Channel, joined on 19 April 2021
- Ms Alu Kala - Head of Product Management, joined on 02 August 2021
- Mr Akinyemi Olatunji - Senior Project Manager, joined on 30 March 2021

The specified Directors of TISA during the year were:

- Mr. Gabriel Tai (Chairman)
- Mr. Sam Nalong (Vice Chairman)
- Mr. Francis Samoak, resigned on 28 July 2021
- Mr. William Varmari
- Dr. Peter Mason
- Mr. Michael Koisen, appointed on 19 August 2021
- Mr. Simon Woolcott, appointed on 27 October 2021
- Ms. Lucy Sabo- Kelis, appointed on 27 October 2021

29.3 Key management personnel remuneration

Specified executives and directors' remuneration in aggregate:

	Primary			**Post-employment**			**Equity**	**Other**	
	Salary & fees	Bonus	Non-monetary	Superannuation	Prescribed benefits	Other	Options	Benefits	**Total**
	K	K	K	K	K	K	K	K	K
Specified Executives									
2021	4,699,539	-	-	379,339	912,154	-	-	-	5,991,032
2020	5,044,471	-	-	605,337	1,066,800	-	-	-	6,716,608
Specified Directors									
2021	197,673	-	-	-	-	-	-	-	197,673
2020	194,586		-	-	-	-	-	35,550	230,136

30. Segment information

The Group operates as one segment and in one geographical location being PNG.

Notes to the Financial Statements as at 31 December 2021

31. Contingencies and capital commitments

The Group has received a number of claims arising in the ordinary course of business. The Group has disclaimed liability and is defending the action. The estimated contingent liability is not deemed material for the purposes of the financial statements.

32. Subsequent events

The Group continues to monitor Papua New Guinea's economic condition and outlook as the global COVID-19 pandemic enters its second year.

Papua New Guinea's development partners, particularly Australia, continues to provide the significant support through public health strengthening and economic reforms to address the negative impact of COVID-19 and improve the country's growth prospects.

Although the Group has not experienced any direct significant impact of the pandemic, the Group's risk provisions, including the ECL loan loss provisioning, have been heightened to ensure greater resilience and to provide much needed support to its clients going forward.

The Group has increased its attention on credit portfolio management by consolidating and strenthening its back office functions with the establishment of a dedicated credit portfolio management, payroll collection and debt recoveries team.

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

End of Group Financial Statements

Thank you

On behalf of the Board of Directors, Management and Team of Teachers' Savings and Loan Society Limited, I would like to thank our members and mutual shareholders nationwide for the trust and the support which we received during 2021 and which stimulates us greatly to continue in 2022 to 'Build, Transform and Grow' TISA with the objective to fulfill the wish of our members to become a commercial bank.

Since we want to become a bank in line with our current DNA and providing products and services for the ordinary Papua New Guineans, we met with many mutual stakeholders to give us direction. Based on their advice, in combination with our years of experience in financial services, we have started a major transformation process with investing in our people, systems, processes, and changing the organization structure to create for you the service which you deserve through our extensive and growing branch network and through an array of digital services.

I am also pleased to inform that the new TISA Rua Building (next to TISA Haus) located in Waigani, National Capital District is being constructed now and we are very happy with the progress so far. The 9-story building will be one of the state-of-the-art building in the area which would house on the ground floor retail spaces, a couple restaurants spaces on Level 1, offices spaces will occupy Level 2 to Level 8, and off-course we have three units pent-houses for potential residential tenants on Level 9. The new TISA Rua Building is scheduled to finish in 2023.

Moreover, we started this year with the preparation for TISA's 50th Anniversary which will take place in 2023 and looking forward to a big celebration with and for you since you as our valued members, made that possible.

To commemorate this Golden Jubilee, your Board of Directors and TISA Management have decided to publish a book of this very special milestone. For this book, we have traveled to Vanimo, Lae, Kokopo, Kavieng, Alotau, Kiunga, Wabag and Goroka to conduct interviews with long term members and staff who shared various and sometimes emotional memories, experiences, and great anecdotes, which we expect you will enjoy when the book will be published.

Meanwhile we are looking forward for your continued support while we 'Build, Transform and Grow' our Business and finally resulting in becoming Your Bank.

Sincerely Yours,

TISA

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

Martina Malana Tepita (TISA Member Kokopo), Headmistress. St. Leo Iawakaka Primary School, East New Britain Province

Tirah Cyprian (TISA Member Alotau), Acting Executive Officer, Milne Bay Provincial Administration, Milne Bay Province

John Yaka (TISA Member Vanimo), Teacher, Dupa Primary School, Sandaun Province

Shirley Lalen (TISA Member Kavieng), Medical Officer In-Charge of Eye Clinic, Kavieng Hospital, New Ireland Province

Maria Kimala (TISA Member Wabag), Headmistress, Yarulam Primary School, Enga Province

Robert Pomeleu (TISA Member Goroka), Head of Health & Wifery Department, University of Goroka, Eastern Highlands Province

Port Moresby Head Office
PO Box 319, Waigani
National Capital District
T: (+675) 300 2200
F: (+675) 325 9003
E: POM@tisa.com.pg

Kavieng Branch
PO Box 510, Kavieng
New Ireland Province
T: (+675) 984 1177
F: (+675) 984 1178
E: KVG@tisa.com.pg

Lae Branch
PO Box 1186, Lae
Morobe Province
T: (+675) 472 4368
F: (+675) 472 5819
E: LAE@tisa.com.pg

Kiunga Branch
PO Box 195, Kiunga
Western Province
T: (+675) 649 1092
F: (+675) 649 1092
E: KGA@tisa.com.pg

Manus Branch
PO Box 129, Lorengau
Manus Province
T: (+675) 970 9198
F: (+675) 970 9485
E: MAN@tisa.com.pg

Madang Branch
PO Box 810, Madang
Madang Province
T: (+675) 422 2305
F: (+675) 422 1107
E: MDG@tisa.com.pg

Goroka Branch
PO Box 1222, Goroka
Eastern Highlands Province
T: (+675) 532 3511
F: (+675) 532 3170
E: GKA@tisa.com.pg

Vanimo Branch
PO Box 318, Vanimo
Sandaun Province
T: (+675) 457 1398
E: VAN@tisa.com.pg

Wewak Branch
PO Box 1083, Wewak
East Sepik Province
T: (+675) 456 1179
F: (+675) 456 1140
E: WWK@tisa.com.pg

Popondetta Branch
PO Box 124, Popondetta
Oro Province
T: (+675) 629 7406
F: (+675) 629 7406
E: POP@tisa.com.pg

Alotau Branch
PO Box 663, Alotau
Milne Bay Province
T: (+675) 641 0461
F: (+675) 641 1546
E: ALO@tisa.com.pg

Mt. Hagen Branch
PO Box 787, Mt. Hagen
Western Highlands Province
T: (+675) 542 1324
F: (+675) 542 1367
E: HGN@tisa.com.pg

Kokopo Branch
PO Box 1333, Kokopo
East New Britain Province
T: (+675) 982 8256
F: (+675) 982 8255
E: KPO@tisa.com.pg

Ialibu Branch
PO Box 195, Mendi
Western Highlands Province
T: (+675) 540 1758
F: (+675) 540 1889
E: IBU@tisa.com.pg

Kimbe Branch
PO Box 989, Kimbe
West New Britain Province
T: (+675) 983 4045
F: (+675) 983 4066
E: KBE@tisa.com.pg

Wabag Branch
PO Box 78, Wabag
Enga Province
T: (+675) 547 1117
F: (+675) 547 1116
E: WBG@tisa.com.pg

Buka Branch
PO Box 255, Buka
AROB
T: (+675) 973 9400
F: (+675) 973 9195
E: BKA@tisa.com.pg

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www.tisa.com.pg

TISA
TEACHERS SAVINGS AND LOAN SOCIETY LIMITED