ANNUAL REPORT 2020

Secure, Local, Innovative

Kontiki Finance is a leading alternative to the major banks and finance companies.

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ABOUT **US**

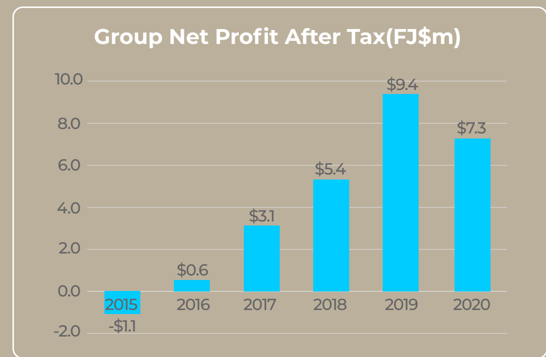
Children of the Mataqali Tikina Tokaimalo, with one of the two trucks financed by KFL to help transport them to school.

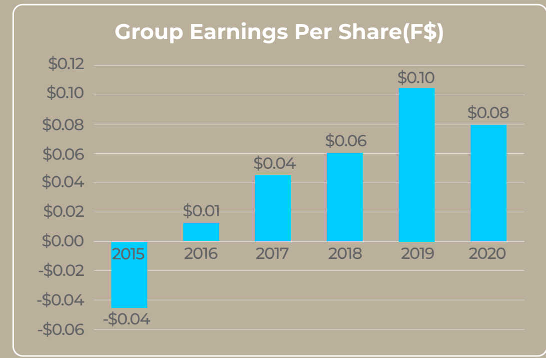
Kontiki Finance Limited is a Fijian majority owned company established in 2014 to provide Fijians with competitive and accessible financing for both consumers and small to medium size businesses. To support this, Kontiki Finance is open for business seven days a week and processes applications quickly, often the same day. When it comes to finance, Kontiki Finance is a leading alternative to the major banks and finance companies.

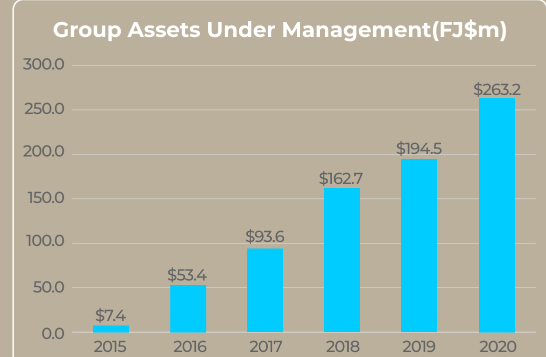
So whether you're purchasing a car or increasing the size of your vehicle fleet, organising a holiday, want to consolidate your debts, or use your motor vehicle as collateral, you can count on Kontiki Finance to work with you, and provide you with the solution that is right for you.

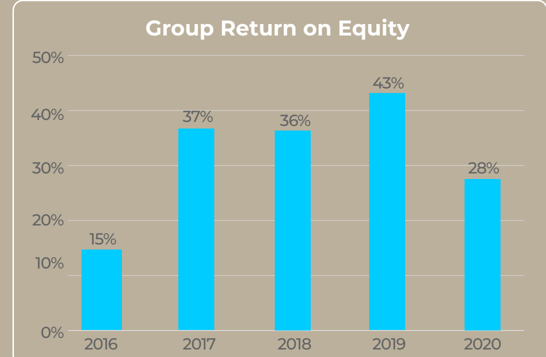
For our retail and motor vehicle dealer partners, Kontiki Finance is a full service provider of accessible and easy-to-understand financing solutions that allows it to better serve its client relationships by managing credit applications, credit authorisation, billing, remittance and customer service processing.

SNAPSHOT









MESSAGE FROM

THE CHAIRMAN

Dear Shareholders,

I am pleased to report a good profit result for the financial year ended 30 June 2020, given that the Group has significantly increased loan provisions in response to the effects of COVID-19.

Kontiki Finance continued its book build strategy through the first nine months of the year, which resulted in a 29% increase in revenue over the prior year. In response to the economic impacts of COVID-19, the Group has taken measures to further strengthen its foundations across the key areas of funding, liquidity, capital, cost management, and customer service.

Consolidated Group net profit after tax (NPAT) decreased by 22% from $9.4m to $7.3m, largely due to a $5.8m increase in loan provisions in response to COVID-19 impacts. The Group's return on equity for the year was 28%. This enabled us to return total dividends to our shareholders of 4.5 cents per share.

Total Group revenue increased by 29% from $26.8m to $34.7m, on the back of strong growth in Total Group assets, which increased by 35% from $194.6m to $263.2m.

COVID-19 has significantly affected the tourism and hospitality sectors in Fiji and the region. However, the Group has a relatively low exposure to these sectors, and as at 31 July 2020 only 10.8% of our customers have been given assistance due to the economic impact of COVID-19. The Group has assisted affected customers with loan repayment holidays. In addition, customers suffering involuntary unemployment have been able to access loan protection insurance.

Kontiki Finance has taken measures to control expenditure and re-align its business to the current economic environment. The management expense ratio decreased from 51.4% for FY 2019 to 49.7% for FY 2020.

The Directors have declared a final dividend of 2.0 cents per share for the year ended 30 June 2020, bringing the total for the financial year to 4.5 cents per share.

In August 2020 Kontiki Finance successfully completed a private Corporate Bond issue. The Bond issue, which raised an additional $10m in Tier 2 Regulatory Capital, was fully subscribed. The issue further strengthened Kontiki Finance's regulatory capital position, supporting further growth in the business in the coming year.

The Group's Liquidity remains strong, with the Group holding over $90m in liquid assets at this time.

Other highlights

Sponsorship included teams to the South Pacific Games, local tournaments like the Police Inter District Competition and Suva Lawn Bowls, fundraisers for Red Cross, WOW's Kids Fiji, Frank Hilton Special School, donations of laptops to Lifeline Fiji and many others.

A positive outlook for the year ahead.

Looking forward to the year ahead, we expect the challenging global economic environment to heavily impact economic activity in Fiji. Now more than ever, it is important to support each other, learn and survive these 'new normal' conditions. We at KFL are committed to providing continuous service and support to our customers while ensuring business moves forward.

Fijians are resilient and like our people, KFL will adapt, survive, and continue to derive results. We are confident that your involvement with Kontiki Finance will be rewarding, and I thank you for the faith you have shown our company.

Your sincerely,

Daryl Tarte, MF
Chairman

BUSINESS OVERVIEW

KFL is a full-service provider of accessible finance solutions targeted mainly at consumers and Small to Medium Enterprises (SME's). The Company commenced operations in October 2014 and opened its doors to customers in March 2015.

KFL is licensed by the Reserve Bank of Fiji as a 'Credit Institution' under the Banking Act, 1995. Under its Credit Institutions license, KFL is able to offer Term Deposits from members of the public and use those funds to make loans to clients.

The Company has a wholly owned subsidiary company, Platinum Insurance Limited, which provides Loan Protection Insurance to KFL loans clients and this is supervised by the Reserve Bank of Vanuatu.

KFL aims to offer innovative, flexible, and accessible finance solutions to the consumer and SME segments of the Market. KFL provides this through a highly experienced Management team leveraging intellectual property and business intelligence proven by them in other markets.

Products and Services

The Company provides a range of finance solutions to its clients including loans, term deposits and related products and services. These are detailed below:

Loans

KFL provides personal loans, vehicle financing loans and other credit products to clients using three main distribution channels:

- Small and Medium Business Enterprises (SME's)– KFL offers a range of finance solutions to assist SME type customers purchase vehicles, equipment or even working capital to manage their cashflow and grow their business.
- Retail Point of Sale (POS) – loan applications from customers referred to KFL by merchants. Typically, such loans are used to finance white goods, brown goods, furniture, and technology goods.
- New Business – loan applications received directly from customers for personal financing, new purchases, or re-financing of existing loans.

Critical to the provision of loans is KFL's rigorous credit analysis and approval systems that meet international best practice, managed by a highly experienced team of local and expatriate staff. KFL's experienced team also provides customers with valuable advice on structuring their loan portfolios including refinancing and consolidation.

Directors and teachers of Kids First Fiji; KFL helped Kids First Fiji finance their Lautoka and Nadi centres.

Term Deposits

Under its Credit Institution License, KFL is able to solicit and accept term deposits, which are the primary source of funding for KFL's loan book. Term Deposits are offered for fixed terms ranging from three months to ten years, and deposit rates paid by KFL are amongst the most competitive in the market.

Insurance

KFL also finances a range of insurance products to support its credit business, including motor, chattel, and loan protection insurance. These insurance products allow customers, with KFL's help, to tailor their loans and manage their risk exposure. These also reduce credit risk for KFL.

Loan protection insurance is provided through KFL's wholly owned captive insurer, Platinum Insurance Limited.

Insurance Premium Finance

KFL provides annual insurance premium funding by paying the Insurer the annual premium and the customer repays KFL by way of monthly instalments.

Service Support

KFL's services are provided through a flexible and accessible system. The Company constantly strives to streamline and simplify its processes for credit application, credit authorisation, billing, remittance, and customer service processing, to better serve clients.

- KFL currently operates at Tappoo City Building in Suva, with service centres in Lautoka and Labasa.
- Business can also be conducted by phone, online, via postal service or by mobile manager, reducing the need for customers to visit KFL's offices.
- Customers have seven-day access to customer service representatives, including after normal business hours.

COMMUNITY
ENGAGEMENT

As a locally owned business, Kontiki Finance takes pride in the ability to be involved with, assist, and enrich the Fijian community through several sponsorship activities, fund-raising, financial literacy programs and other community involvement.

In the past year Kontiki Finance has continued to assist Fiji Cancer Society with the donation of two fleet vehicles. These vehicles will be replaced this year with newer models to enable the Cancer Society to continue to reach those in need of assistance and to deliver medical supplies and aid to those not able to get to hospitals.

Kontiki Finance continues to assist Lifeline Fiji. Lifeline Fiji has been doing a remarkable work with very few resources. They are at the front line of support for literally thousands of people who call for help. Forty percent of all calls received are suicide related.

As a result of the Covid – 19 pandemic, Lifeline Fiji was unable to run a Gala event this year. This has had a significant impact on Lifeline Fiji, which has resulted in Lifeline not able to raise the very much needed funds required to keep this essential service going. Kontiki Finance, together with the Kontiki Finance Staff fund-raising will continue to support Lifeline Fiji to sponsor workshops across Fiji to teach skills and support, to assist with suicide prevention across the country.

Lifeline Fiji Northern Community Policing Mental Health Awareness Workshop

Fiji Va'a Men's Team to the 2019 Pacific Games

Lifeline Fiji Laptop Sponsership Handover

Fiji Women's Badminton Team to the 2019 Pacific Games

Kontiki Finance also supported a number of sporting events during the past year including, the South Pacific Games. Kontiki Finance assisted with flights for three athletes from the Badminton team. The Badminton team won the Team Gold medal as well as 2 Silver medals and 1 Bronze.

Kontiki Finance also donated $10,00.00 to the Fijian Vaa team. The Fiji Vaa team placed 3rd overall in the medal tally with 2 Silver and 4 Bronze.

Kontiki finance continues to support financial literacy through various media platforms and onsite visits. Kontiki Finance and its staff are both proud and privileged to be in a position to make a difference.

Kontiki Finance and its staff are both proud and privileged to be in a position to make a difference.

Fiji Cancer Society Vehicle Handover

Fiji Men's Badminton Team to the 2019 Pacific Games

Fiji Va'a Women's Team to the 2019 Pacific Games

OUR
PRODUCTS AND SERVICES

TERM DEPOSITS
We have among the best term deposit rates in the country since we started helping you grow your wealth to make living more comfortable and enjoyable. This investment is also capital guaranteed.

DEBT CONSOLIDATION LOANS
Finance all your existing loans into one easy Kontiki Loan, making life that much easier for you.

CAR LOANS
We can help you access your new or used vehicle and workout a repayment to suit your budget, including lending out for longer, leaving you with more cash in your pocket at the end of the month.

EQUITY RELEASE
This product allows you to obtain a loan by using the capital value of your motor vehicle as security, even if you have an existing loan on the vehicle we can assess your application with that in mind.

LOAN PROTECTION INSURANCE
We offer loan protection insurance (LPI) which can protect you in times of involuntary unemployment, sickness, accident and death. This is another comprehensive service we have to make sure that you are looked after properly.

BOARD
OF DIRECTORS

DARYL TARTE
Chairman MF

A Fiji citizen and Member of the Order of Fiji, Daryl has worked in executive, advisory and governance roles over many years. He joined the sugar industry in 1968 and served as the Secretary of the Sugar Board & Advisory Council, then as Executive Vice Chairman. Other roles in the industry include being the first Industrial Commissioner of the Sugar Industry Tribunal.

Daryl previously chaired the Capital Markets Development Authority, Kontiki Growth Fund and MIOT Private Hospitals, and was the director of Air Terminal Services and Namale Plantation Resort. He was the long-serving Manager of the Sugar Cane Growers Fund Authority and recently retired as a director of Telecom Fiji.

Daryl is also an author, having written several successful novels as well as the Biography of Ratu Sir Penaia Ganilau and has been Hon. Consul for Federal Republic of Germany for 15 years. Daryl is an independent director of KFL.

FRANCIS CHUNG
Director BCom, CA(NZ) – Retired, CA (Fiji)

Francis is a Fiji citizen and brings many years of experience in accounting, taxation and management. After joining the then Ernst & Whinney in 1986, he became the sole Partner of the firm from 1988 to 1999, with a specialisation in tax and business advisory. Following the firm's international transition to Ernst & Young, he served as Managing Partner from 2000 until his retirement in 2011.

He is currently a director of several companies including Capital Insurance Fiji, Solander Pacific and Drone Services Fiji PTE Ltd. He is also the honorary Treasurer of the Fiji Red Cross Society and Champagnat Marist Education and a Trustee for United Trust.

Francis graduated from the University of Canterbury, New Zealand with a Bachelor of Commerce in 1974 and completed his Fiji accountancy qualification in 1986. He is a current member of the Fiji Institute of Accountants and recently retired from Chartered Accountants Australia & New Zealand.

Francis is an independent director of KFL.

LITIA NIUMATAIWALU
Director MCom, BBus, DipBank

Litia is a Fiji citizen, with over 18 years of experience in the banking and finance sector in Fiji with National Bank of Fiji / Colonial. Since leaving the banking industry, she has managed various family business interests whilst undertaking financial and business consulting work.

Litia has previously served in an advisory capacity for good governance, financial and risk management in various civil societies namely, The Fiji Young Women's Christian Association, Fiji Council of Social Services, Pacific Association of Non- Governmental Organizations (PIANGO), and Fiji Cancer Society.

Litia graduated with a Master of Commerce (Banking & Finance) and Bachelor of Business (Banking & Finance) from the University of Sydney and the University of South Australia respectively, in Australia. She also completed a Diploma in Banking from the University of the South Pacific in Fiji. Litia is an independent director of KFL

GLEN CRAIG
Director, MAICD

Glen is a Vanuatu citizen. He is the Managing Partner of the specialist South Pacific corporate advisory firm, Pacific Advisory. He is a Licensed Securities Dealer and holds a CSP Licence from the Vanuatu Securities Commission.

Glen has on extensive private sector background in Climate Finance, Policy Development, Tourism, Agriculture and Property Industry with practical hands on knowledge of the intricacies of doing business in a Pacific context. He offers a broad range of advisory and strategic services to Governments, Financial Institutions, Corporates, Regional Agencies, and Institutional Investors.

Glen has resided in Vanuatu for 16 years and sits on numerous Private and Public Boards and Committees including the current Chairperson of the Vanuatu Business Resilience Council and on the Board of the Vanuatu Surfing Association. Glen is passionate about driving development in the South Pacific through direct Investment in sustainable industries.

GRIFFON EMOSE
Director BCom, Grad Dip App Fin & Inv., CFA

A Fiji citizen, Griffon is the Managing Director of Kontiki Capital. He was previously the Manager Public Awareness & Investor Education at the Capital Markets Development Authority and an economist at the Ministry of Finance where he served with the Economic Policy Analysis Unit and the Financial Management Reform Project. He is licensed by the RBF as an Investment Adviser Representative and serves on several other boards.

Past directorships include for the South Pacific Stock Exchange and Pleass Global. Griffon graduated with a Bachelor of Commerce from the University of Auckland, New Zealand and completed the Graduate Diploma in Applied Finance & Investment through the Securities Institute of Australia (now the Financial Services Institute of Australasia). He is a member of the CFA Institute and earned the CFA Charter in 2005.

BARRY WHITESIDE
Director CF, MA, BA, FAICD

A Fiji citizen, Barry served as Governor of the Reserve Bank of Fiji from May 2011 to May 2017 and prior to that as Deputy Governor from October 2009. He has a career spanning just over 40 years across all core areas of the Central Bank including Economics/ Research, Financial Markets, Financial Institutions Supervision and Currency and Corporate Services.

As Governor, he was a member of the National Anti-Money Laundering Council, National MSME Taskforce and Fiji Institute of Bankers Council. He chaired several key external and internal committees including the Macroeconomic Policy Committee, National Capital Markets Taskforce, National Financial Inclusion Taskforce, National Secured Transactions Taskforce, the RBF Board, and various policy committees of the Reserve Bank including Financial Systems Development, Financial Institutions, Financial Markets, Currency & Corporate Services and Economics.

Barry graduated with a Bachelor of Arts (Economics/Administration) from the University of the South Pacific and a Master of Arts (Economics) from Simon Fraser University in Vancouver, Canada. He is a Fellow of the Australian Institute of Company Directors and the Fiji Institute of Bankers.

He currently serves as a Director with the Pacific Catastrophe Risk Insurance Company and as a Director/Trustee of the JP Bayly Trust. Barry is an independent Director of KFL.

SENIOR

MANAGEMENT TEAM

Gregory Cathcart | Group Chief Executive Officer, Head of Credit Dip Bus (Finance), F Fin

Greg is a Fiji citizen with over 39 years' experience as a finance executive in several geographies including Australia, New Zealand, Fiji, Papua New Guinea, Indonesia, Kuwait, and Bahrain. He has a record of successfully delivering performance outcomes, onboarding and managing large multi-partnered deals, launching and managing retail deposit and loan products, and negotiating and managing wholesale funding facilities.

Greg has previously held senior and executive positions with listed entities and major corporates abroad. These include Executive Director and Chief Executive Officer of Pacific Retail Finance Group (division of NZX-listed PRG, later sold to NYSE-listed GE), Head of Business Development & Support at Australian Guarantee Corporation (division of ASX-listed Westpac) and Group Credit Manager at NZX-listed Fisher & Paykel Finance (later sold to ASX-listed FXL).

Greg has a Post Graduate Diploma in Business with a Finance major from the Business School at Auckland University, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA). He was elected Chairman of the Finance Companies Association, the professional industry body for Licensed Credit Institutions in Fiji, in 2016 and again in 2020. He also served previously on the Accounting, Law and Finance Committee at Unitec in Auckland, New Zealand for seven years until 2006.

David Oliver | Group Chief Financial Officer, Head of Treasury, Head of Risk. BA (Hons) Econ, Grad Dip App Fin & Inv.,F Fin, FRM

David is a Fiji citizen with over 25 years of investment banking experience in New Zealand, Fiji, and the Pacific. He is highly experienced in financial risk management, evaluating business feasibility, acquisition, divestiture, valuation, due diligence and financing transactions.

David was previously Manager, Corporate Advisory at Macquarie Bank in New Zealand. Prior to that, he managed the Department of Public Enterprises in Fiji, where he oversaw the development and implementation of Fiji's public enterprise reform programme. He has extensive experience as a business and economic analyst, having previously filled this role at Telecom New Zealand, New Zealand Treasury and Shell Oil (NZ).

David holds a Bachelor of Arts (First Class Honours) in Economics from Victoria University of Wellington, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA), having completed the Graduate Diploma in Applied Finance & Investment. He is a member of the Global Association of Risk Professionals (GARP) and is certified with the Financial Risk Manager (FRM) designation. He is licensed by the RBF as an Investment Adviser and Broker Dealer Representative.

Phillip Lacey | Group Head of Products and Distribution

A New Zealand citizen, Phillip has over 31 years of financial services experience, specialising in relationship-managed sales in direct and intermediary channels. He was previously General Manager of NYSE-listed GE Capital's NZ Mortgage business and ran credit, collections and loss-recoveries functions for Pacific Retail Finance. He also served as Head of Collections for AGC Finance (owned by Westpac Bank) managing a human resource of 60 employees.

Phillip assisted with establishing Simply Insurance for Pacific Retail Finance, which achieved a maiden NPBT of NZ$8.9m in its first full year of operations. At PRF, he conducted risk analysis of Direct Channel products and processes and detailed process approval of all distribution collateral including TV campaigns, radio, direct mail and print media. He also ran and owned a three-branch Wizard Home Loans franchise, writing loans of NZ$96m and won Wizard Home Loans performance awards in multiple years.

Audit &

RISK COMMITTEE

The Audit and Risk Committee assists the Board of Directors in fulfilling its responsibility to ensure that management achieves organisational objectives by providing independent oversight of KFL's internal controls and operations.

Responsibilities of the Committee include but are not limited to:

- Providing oversight of the internal and external auditors.
- Reviewing Internal, External and Regulatory Audits and Regulatory Onsite Reports.
- Ensuring that Senior Management addresses control weaknesses and other compliance issues identified by auditors in a timely manner.
- Reviewing Risk Management strategies, Risk Appetite and Risk Tolerance levels of KFL.
- Reviewing and assessing the adequacy of KFL's Risk Management Framework and policies and the extent to which these are operating effectively.
- Ensuring the appropriate infrastructure, resources and systems are in place for risk management.

Reviewing key risk management and compliance reports.

The Committee, which is chaired by an Independent Director, consists of three Directors, however other Directors are invited to sit in during meetings if they wish. The Committee meets quarterly, and more frequently as needed.

At every Board Meeting, the Committee Chairman provides other Board members a brief update of the Committee's Meetings, matters requiring the attention of the Board and any recommendations requiring Board approval.

Providing oversight of the internal and external auditors.

Renumeration and
NOMINATIONS COMMITTEE

The RENOM Committee assists the Board in discharging its responsibility for the design and operation of KFL's remuneration system. The Committee also reviews the nomination, selection and remuneration of the CEO, Senior Management, Heads of Control Functions and any material risk-taker of KFL.

Responsibilities of the Committee include but are not limited to:

- Assisting the Board in discharging its responsibility for the design and operations of KFL's remuneration system.
- Making recommendations to the Board in respect of the remuneration package for KFL's Senior Management, Heads of Control Functions, and any other material risk takers.
- Identifying and recommending to the Board, any individuals suitably qualified to become Directors, Senior Management, Head of Control Functions and Company Secretary.
- Making recommendations to the Board on the appointment or re-appointment of Directors.
- Undertaking succession planning for the Board and the Senior Management.
- Regularly reviewing the efficiency and effectiveness of the functioning of the Board.

The Committee, led by a Chair other than the Board Chairman, consists of three Directors. The Committee meets at least twice a year and more frequently as needed.

At every Board Meeting, the Committee Chairman provides other Board members a brief update of the Committee's Meetings, matters requiring the attention of the Board and any recommendations requiring Board approval.

Regularly reviewing the efficiency and effectiveness of the functioning of the Board.

Corporate

GOVERNANCE STATEMENT

KFL is committed to developing and maintaining corporate governance policies that are consistent with industry best-practice. To this end, the Company supports the Reserve Bank of Fiji's Corporate Governance Code for the Capital Markets. The Code's principles, and how these are implemented within KFL, are detailed below.

Principle 1 - Establish Clear Responsibilities for Board Oversight

The Company's Corporate Governance Policy clearly defines the role of the Board and its committees, namely the Audit & Risk Committee, the Renumeration and Nominations Committee (RENOM) and the Asset and Liability Committee (ALCO). The Board has overall responsibility for the company, including approving and overseeing the implementation of its business objectives, risk strategy, financial soundness, corporate governance and corporate values.

The Board is also guided by the Board Charter which includes, amongst other things:

- a commitment to ensure compliance of the Company's legal and regulatory obligations to respective stakeholders;
- the roles, functions, obligations, rights, responsibilities and powers of the Board;
- the policies, practices and procedures the Board must follow in carrying out its duties, functions and responsibilities; and
- a commitment to review, ratify, monitor and implement systems of risk management and internal control, as well as corporate governance.

Principle 2 - Constitute an Effective Board

Candidates for directorship may be nominated by shareholders in a general meeting or appointed by the Board on a temporary basis. Directors appointed by the Board may only hold the position until the next Annual General Meeting.

The Board Charter sets the guidelines that directors should meet. In particular:

- Proposed Board members must meet the fit and proper criteria as defined by the RBF Banking Supervision Policy Statement No 10: Fit and Proper Requirements for Licensed Financial Institutions in Fiji.
- Directors should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of KFL.
- The Board should possess, both as individuals and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.
- The Board should have an adequate mix of core competencies in finance, accounting, financial services, business or management experience, industry knowledge, legal, strategic planning and risk management.
- The Board Charter also requires that the Company must have policies and practices for the selection, approval, renewal and succession of directors. New directors must also be provided sufficient time to familiarise themselves with KFL's business and risk profile, risk management, governance practices and internal controls. In practice, this includes the provision of an information pack containing all relevant documents upon appointment and briefings by senior management.
- The Board reviews and reassesses the adequacy of the Board Charter regularly.

Director	Position	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
		A	B	A	B	A	B
Daryl Tarte	Chairman	10	10	5	5	-	-
Francis Chung	Member	10	10	5	5	-	-
Glen Craig	Member	10	10	-	-	5	5
Griffon Emose	Member	10	10	5	5	5	5
Litia Niumataiwalu	Member	10	10	-	-	-	-
Barry Whiteside	Member	10	10	-	-	5	5

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

Corporate
GOVERNANCE STATEMENT *(continued)*

Principle 3 - Appointment of Chief Executive Officer

The Corporate Governance Policy clearly defines the roles and responsibilities of the CEO. The CEO's contract of employment also details the duties, functions and responsibilities of the position.

The Board is responsible for selecting the CEO and having in place an appropriate succession plan. The Board also provides oversight of the CEO, in particular:

- monitoring to ensure the CEO's actions are consistent with the strategy and policies approved by the Board;
- setting formal performance standards consistent with the long-term objectives, strategy and financial soundness of the Company, and monitoring performance against these standards; and
- ensuring that the CEO's knowledge and expertise remain appropriate given the nature of the business and the institution's risk profile.
- The Board ensures that the Company's organisational structure facilitates effective decision making and good governance.

Principle 4 - Appointment of Board and Company Secretary

The Shareholders are responsible for selecting the Board. The Board is responsible for appointing a competent Company Secretary who is the administrative link between the Board and management. The Company Secretary also monitors statutory requirements and board policies and procedures and ensures that they are followed in a timely manner.

Principle 5 - Timely and Balanced Disclosure

The Company has a policy of informing shareholders promptly of any events that might significantly affect the value of the Company. This is a requirement under the SPX Listing Rules, which KFL is required to follow as a listed company.

In addition, annual reports are provided to shareholders and annual general meetings are held annually to provide shareholders the opportunity to have their queries answered and be updated on the Company's performance and plans.

The Company also welcomes contact with shareholders at any time should they have pressing concerns or queries.

Principle 6 - Promote Ethical and Responsible Decision-Making

The Corporate Governance Policy is designed to promote sound corporate governance practices within KFL. The Policy promotes principles of transparency, accountability, responsibility and relevant disclosure. It also emphasises the separate responsibilities of directors and Senior Management and has been written considering all relevant legislative and regulatory requirements.

Other policies and procedures have been put in place to cascade the core corporate governance principles contained in the Policy down to all aspects of the Company's operations.

Principle 7 - Register of Interests

The Corporate Governance Policy sets out principles governing conflicts of interest of employees. In particular, employees are required to declare any position or interest outside KFL that could lead to a conflict of interest, as well as communicate any potential conflicts of interest to the CEO for proper management of the conflict.

Similarly, the Board Charter sets out principles governing conflicts of interest for directors. The minutes of board meetings reflect any declarations of conflicts of interest and how the conflict was managed. A register of interests for directors is also maintained.

Principle 8 - Respect Rights of Shareholders

All shareholder queries may be directed to the Company Secretary who is responsible for replying to and addressing them. Aside from attendance at the AGM, shareholders are able to submit written questions for the AGM via the Company Secretary. KFL also has a website which is regularly updated with significant events that may be of interest to shareholders.

Principle 9 - Accountability and Audit

The Company has an external auditor to serve as an independent evaluator of the Company's financial reporting.

This function is supported by an Internal Audit function involving an independent party.

The Company has an Audit Committee in place that meets quarterly, or more often as needs dictate. The committee, amongst other things, is tasked with overseeing the external and internal audit functions.

Principle 10 - Recognise and Manage Risk

The Company has a comprehensive risk management framework of policies and procedures. The Audit Committee oversees the risk function.

FOR THE YEAR ENDED 30 JUNE 2020

Kontiki Finance Limited and its Subsidiary

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DIRECTORS REPORT

In accordance with a resolution of the Board, the Directors present their report on the entities consisting of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") as at 30 June 2020.

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

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

Principal Activities

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

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

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

Review and Results of Operations

The operating Group profit for the year was $7,284,837 (2019: $9,375,985) after allowing for an income tax expense of $547,777 (2019: $1,192,223). The operating profit of the Company for the year was $5,830,681 (2019: $7,720,676) after taking into account an income tax expense of $547,777 (2019: $1,192,223).

Our Values

The core values of our business are:
- Accountability
- Innovation
- Integrity
- People

Our Strategy

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

Our Priorities This Year

The key priority of the Group for the 2020 financial year was to continue building its loan portfolio.

Key Statistics

Key statistics as at 30 June 2020	Group	Company
Total number of employees	174	174
Total funds under management	263,156,037	251,270,951
Total operating income	46,815,758	43,360,173
Net profit after tax	7,284,837	5,830,681
Earnings per share	$0.08	$0.06

The Future

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

Bad and Doubtful Debts

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

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

Non-Current Assets

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

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

Significant event - Impact of the Coronavirus(COVID-19) outbreak

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Company has remained operational since this declaration and continues to engage in receiving deposits and extending of credit and related services with its customers. We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy, and the operations of our business.

The scale and duration of these developments remain uncertain as at the date of this report however they are having an impact on our earnings, cash flow and financial condition. The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Group and the Company has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the Group and the Company could become liable; and

(iii) no contingent liabilities or other liabilities of the Group and the Company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations as and when they fall due.

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

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

Basis of Accounting

The Directors believe that the basis of the preparation of the financial statements is appropriate and the Group and the Company will be able to continue its operation for at least twelve months from the date of this statement. Accordingly the Directors believe the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate.
All related party transactions have been adequately recorded in the books of the Group and the Company.

Dividends

A final dividend of 2.7 cents per share, totaling to $2,453,215, was declared and paid in 2019 from profits recorded for the 2019 financial year. In addition, an interim dividend of 2.5 cents per share, totaling to $2,286,505, was declared and paid during the year 2020.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group and the Company during the year ended 30 June 2020.

Events occurring after the end of the financial period

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

Details of Directors and Executives

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

Daryl Tarte (Chairman)
Francis Chung
Glen Craig
Griffon Emose
Litia Niumataiwalu
Barry Whiteside

Details of Directors direct and indirect shareholdings in the Company as at 30 June 2020 are shown in the table below:

Name	Position	Company
Daryl Tarte	Chairman	352,582
Francis Chung	Director	925,974
Glen Craig	Director	4,541,730
Griffon Emose	Director	1,719,110
Barry Whiteside	Director	105,051

Auditor Independence

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

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

Dated this 31st day of August 2020.

Name:

Chairman:

DIRECTORS DECLARATION

This Directors Declaration is required by the Companies Act 2015.

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

a) in the Directors opinion, the financial statements and notes of the Company and the Group for the financial year ended 30 June 2020:

   i) give a true and fair view of the financial position of the Company and the Group as at 30 June 2020 and of the performance of the Company and the Group for the year ended 30 June 2020.

   ii) have been made out in accordance with the Companies Act 2015.

b) they have received declarations as required by Section 395 of the Companies Act 2015.

c) at the date of this declaration, in the Directors opinion, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

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

Dated this 31st day of August 2020.

Name:

Chairman:

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

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Fax: +679 330 0612
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Auditor's Independence Declaration to the Directors of Kontiki Finance Limited

As lead auditor for the audit of Kontiki Finance Limited ("the Holding Company") and its subsidiary (collectively "the Group") for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young
Suva, Fiji

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

31 August 2020

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Independent Audit Report

To the members of Kontiki Finance Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Kontiki Finance Limited ("the Company") and its subsidiary company (collectively "the Group"), which comprise the statement of financial position of the Company and the Group as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

Key Audit Matters

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

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

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Key Audit Matters *continued*

Provision for credit loss

Why significant	How our audit addressed the key audit matter
As described in Note 2.4 (d) Impairment of financial assets, Note 7 Receivable from customers and Note 25 Financial risk management, the provisions for expected credit losses ("ECL") are determined under application of IFRS 9 Financial Instruments. This is a key audit matter as significant judgement is involved to determine the expected credit losses. Key areas of judgement included: – the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company and the Group's expected credit loss model; – the identification of exposures with a significant deterioration in credit quality; – assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. gross domestic product growth) as disclosed in Note 25 Financial risk management and Note 2.4 (d) Impairment of financial assets; – the need to apply additional overlays to reflect current or future external factors, such as the impact of COVID-19, that are not appropriately captured by the expected credit loss model; and – the impact of COVID-19 on the recoverability of receivables from customers. The Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic and the associated customer support packages provided. The assessment of the estimated impact of COVID-19 requires significant judgement, especially as it is not directly comparable to any recent similar events and the impact will depend on certain factors such as government measures and the spread of the virus.	In obtaining sufficient appropriate audit evidence we: ▸ Assessed the modelling techniques and methodology used against the requirements of IFRS 9 Financial Instruments. ▸ Assessed and tested the design and operating effectiveness of the controls over the: – data used to determine the provisions for doubtful debts, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data in data warehouses and interfaces to the expected credit loss model; and – expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. ▸ Assessed key modelling assumptions with a focus on the: – financial condition of the counterparties and expected future cashflows; – sensitivity of the collective provisions to changes in modelling assumptions; and – current changes in circumstances resulting from the impact of COVID-19 pandemic and the relief packages offered to borrowers. ▸ Examined a sample of exposures and performed procedures to evaluate the: – timely identification of exposures with a significant deterioration in credit quality; and – expected loss calculation for collective provisioning. ▸ Used industry knowledge and information published by regulators and other bodies, for example recently published gross domestic product growth data, to assess the impact of market and regulatory changes due to COVID-19 on the ECL model's assumptions. In doing so we assessed whether the probability weighting assigned to customers provided with relief measures, and so who have an expected "Significant Increase in Credit Risk", and the resultant provisioning calculated in relation to these risks was in line with the requirements of IFRS 9. ▸ Involved IT specialists in areas that required specific expertise (including data reliability and the expected credit loss model). ▸ Assessed whether the financial statement disclosures appropriately reflect the Company and the Group's exposure to credit risk and provide disclosures of the impact of COVID-19 on the overall ECL assessment.

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Key Audit Matters *continued*

Estimation of insurance liabilities

Why significant	How our audit addressed the key audit matter
The subsidiary company has significant insurance liabilities, including the provision for reported claims by policyholders, incurred but not reported claims reserve ("IBNR") and unearned premium reserves totalling to $10,581,053 as of 30 June 2020. The provision for reported claims by policyholders comprises the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. The IBNR recorded represents an estimate of the liability for claim-generating events that have taken place during the year but have not yet been reported to the subsidiary company as of 30 June 2020. IBNR is recorded at the reporting date based on the computations performed by an external actuary appointed by management, after considering historical claim trends, empirical data and current assumptions that may include a margin for adverse deviations. Specific to the current environment, COVID-19 has caused significant disruption across Fiji and Vanuatu. The assessment of the impact of COVID-19 on the estimation of insurance liabilities requires significant judgement as claims activity through the period may not be representative of future claims activity and greater judgement is required when considering the use of recent experience to determine outstanding claims liabilities. Judgement is also required to assess the Group's estimation of the probability of claims arising from circumstances connected with COVID-19 including interpretation of policy wording, estimation of potential losses on a probability-weighted basis and the probable timing of emergence of potential claims. Due to the magnitude of the balances and the increased estimation uncertainty and subjectivity involved in the assessment of these reserves due to the COVID-19 pandemic, in particular the ultimate total settlement amount of the insurance contract liabilities, we consider this to be a key audit matter. The Group's disclosures regarding policyholder liabilities are included in Notes 16 and 17 to the financial statements.	In obtaining sufficient appropriate audit evidence we: ▸ Tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. ▸ Evaluated the provision for claims reported by policyholders by considering the loss reports, internal policies and the assumptions made by management. ▸ Evaluated the Group's assessment of COVID-19 on insurance liabilities including key judgements in relation to potential claims arising from circumstances connected with the COVID-19 pandemic. ▸ Evaluated the objectivity and expertise of the actuary appointed by management. ▸ Considered the data provided by the Group to the external actuary on which the actuarial valuation was based and assessed the completeness and accuracy of this data. ▸ Involved our internal actuarial specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparison to generally accepted industry practices. ▸ Assessed the adequacy and completeness of the disclosures in relation to policyholder liabilities considering the requirements of the accounting standards and the changes in the assumptions used to estimate and measure insurance liabilities due to the impact of the COVID-19 pandemic.

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Other Information

The Directors and management are responsible for other information. The other information comprises the information in the Company and the Group's Annual Report for the year ended 30 June 2020, but does not include the financial statements and the Auditor's Report thereon.

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

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

Responsibilities of the Directors and management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors and management.

- Conclude on the appropriateness of the Directors' and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We are also required to provide the Directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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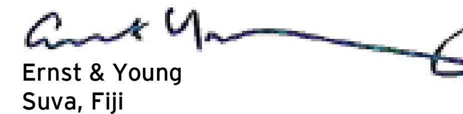
Report on Other Legal and Regulatory Requirements

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

i) we have been given all information, explanations and assistance necessary for the conduct of the audit; and

ii) the Company and the Group has kept financial records sufficient to enable the financial statements to be prepared and audited.



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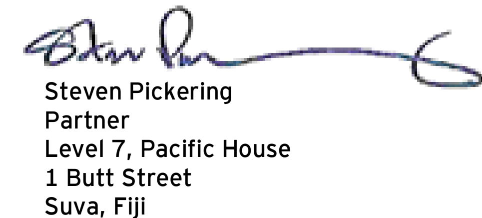

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31 August 2020

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KONTIKI FINANCE LIMITED and its Subsidiary

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Revenue					
Interest revenue calculated using the effective interest method	3.1	42,363,735	34,081,070	41,958,807	33,784,650
Interest expense calculated using the effective interest method	4.1	(11,749,921)	(9,345,754)	(11,749,921)	(9,345,754)
Other interest and similar expense	4.2	(367,870)	-	(367,870)	-
Net interest income		30,245,944	24,735,316	29,841,016	24,438,896
Fee income	3.2	804,937	168,635	804,937	168,635
Premium income	16	2,095,908	1,528,776	-	-
Non-trading income	3.3	1,551,178	429,636	596,429	98,661
Total Revenue		34,697,967	26,862,363	31,242,382	24,706,192
Less: Expenses					
Movements in expected credit loss	7	(9,606,350)	(2,479,667)	(9,606,350)	(2,479,667)
Personnel expenses	4.3	(8,989,867)	(7,916,440)	(8,989,867)	(7,916,440)
Depreciation of plant and equipment and right-of-use assets		(1,994,373)	(610,622)	(1,994,373)	(610,622)
Amortisation of intangible assets		(289,430)	(236,130)	(289,430)	(236,130)
Other operating expenses	4.4	(5,985,333)	(5,051,296)	(3,983,904)	(4,550,434)
Total operating expenses		(26,865,353)	(16,294,155)	(24,863,924)	(15,793,293)
Operating profit before tax		7,832,614	10,568,208	6,378,458	8,912,899
Income tax expense	5	(547,777)	(1,192,223)	(547,777)	(1,192,223)
Net profit after tax		7,284,837	9,375,985	5,830,681	7,720,676
Other comprehensive income		-	-	-	-
Total comprehensive income for the year, net of tax		7,284,837	9,375,985	5,830,681	7,720,676
Earnings per share	22	$ 0.08	$ 0.10	$ 0.06	$ 0.09

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

KONTIKI FINANCE LIMITED and its Subsidiary

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Issued capital					
Balance at the beginning of the year		12,793,281	10,884,772	12,793,281	10,884,772
Issue of share capital	21	984,467	1,908,509	984,467	1,908,509
Balance at the end of the year		13,777,748	12,793,281	13,777,748	12,793,281
Retained earnings					
Balance at the beginning of the year		11,831,257	7,982,674	11,328,206	9,134,932
Impact of adopting IFRS 9		-	(607,473)	-	(607,473)
Net profit for the year		7,284,837	9,375,985	5,830,681	7,720,676
Dividends		(4,739,720)	(4,919,929)	(4,739,720)	(4,919,929)
Balance at the end of the year		14,376,374	11,831,257	12,419,167	11,328,206
Total equity		28,154,122	24,624,538	26,196,915	24,121,487

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

KONTIKI FINANCE LIMITED and its Subsidiary

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Group		Company	
		2020 $	2019 $	2020 $	2019 $
ASSETS					
Cash and cash equivalents	6	12,245,511	8,001,095	12,227,400	7,980,326
Financial assets at fair value through profit or loss	9	6,531,238	877,045	-	-
Debt financial assets at amortised cost	8	77,033,000	54,089,000	71,188,000	45,983,000
Receivable from customers	7	153,733,993	126,331,263	153,648,361	126,316,957
Prepayments and other assets	10	2,660,779	2,271,225	3,040,674	2,202,140
Investment in subsidiary	11	-	-	215,000	215,000
Plant and equipment	13	2,329,647	1,776,437	2,329,647	1,776,437
Right-of-use assets	19	6,786,270	-	6,786,270	-
Intangible assets	14	648,592	729,329	648,592	729,329
Deferred tax asset	5	1,187,007	467,580	1,187,007	467,580
Total assets		263,156,037	194,542,974	251,270,951	185,670,769
EQUITY AND LIABILITIES					
Due to customers	12	213,034,175	159,375,520	213,034,175	159,375,520
Trade and other payables	15	2,058,859	1,727,168	2,425,766	1,971,647
Current tax liability		23,133	70,724	23,133	70,724
Employee benefit liability	18	31,285	131,391	31,285	131,391
Unearned premium	16	9,345,090	8,362,279	-	-
Provisions	17	949,696	251,354	-	-
Lease liabilities	19	6,959,677	-	6,959,677	-
Debt issued and other borrowed funds	20	2,600,000	-	2,600,000	-
Total liabilities		235,001,915	169,918,436	225,074,036	161,549,282
SHAREHOLDERS EQUITY					
Issued capital	21	13,777,748	12,793,281	13,777,748	12,793,281
Retained earnings		14,376,374	11,831,257	12,419,167	11,328,206
Total equity		28,154,122	24,624,538	26,196,915	24,121,487
TOTAL EQUITY AND LIABILITIES		263,156,037	194,542,974	251,270,951	185,670,769

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

KONTIKI FINANCE LIMITED and its Subsidiary

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020	2019	2020	2019
		Inflows/ (Outflows) $	Inflows/ (Outflows) $	Inflows/ (Outflows) $	Inflows/ (Outflows) $
Operating activities					
Interest income received		41,343,515	32,543,576	40,938,587	32,247,157
Interest expense paid		(11,763,955)	(9,345,754)	(11,763,955)	(9,345,754)
Interest paid on lease liabilities		(353,836)	-	(353,836)	-
Non interest income received		894,066	267,296	894,066	267,296
Premium income received		3,264,377	5,930,556	-	-
Payments to suppliers and employees		(16,154,188)	(12,219,154)	(14,423,654)	(11,902,144)
Payments for claims		(544,936)	(937,214)	-	-
Net customer loans granted		(34,690,828)	(28,986,976)	(34,690,827)	(28,986,976)
Term deposits received		53,658,655	23,952,992	53,658,655	23,952,992
Income taxes paid		(1,215,227)	(1,098,295)	(1,215,227)	(1,098,295)
Net cash flows from Operating Activities		34,437,643	10,107,027	33,043,809	5,134,276
Investing activities					
Acquisition of plant and equipment		(1,414,554)	(868,484)	(1,414,554)	(868,484)
Proceeds from sale of plant and equipment		84,351	25,401	84,351	25,401
Acquisition of intangible asset		(208,693)	(385,274)	(208,693)	(385,274)
Acquisition of debt financial instruments		(21,208,000)	(7,947,846)	(25,205,000)	(2,577,846)
Net proceeds from sale/acquisition of financial asset through profit or loss		(4,947,191)	329,248	-	-
Dividends received		53,699	38,238	500,000	-
Proceeds from issuance of corporate bond		2,600,000	-	2,600,000	-
Net cash used in Investing Activities		(25,040,388)	(8,808,717)	(23,643,896)	(3,806,203)
Financing activities					
Capital contribution from shareholders		984,467	1,908,509	984,467	1,908,509
Dividends paid		(4,739,720)	(4,919,929)	(4,739,720)	(4,919,929)
Lease payments		(1,397,586)	-	(1,397,586)	-
Net cash used in Financing Activities		(5,152,839)	(3,011,420)	(5,152,839)	(3,011,420)
Net increase/(decrease) in cash and cash equivalents		4,244,416	(1,713,110)	4,247,074	(1,683,348)
Cash and cash equivalents at 1 July		8,001,095	9,714,205	7,980,326	9,663,674
Cash and cash equivalents at 30 June	6	12,245,511	8,001,095	12,227,400	7,980,326

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

1. CORPORATE INFORMATION

The Financial Statements of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 31 August 2020. The entity owners have the power to amend the financials after issue, if applicable.

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value. The financial statements are presented in Fijian dollars (FJD).

Statement of compliance

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

Separate financial statements

The financial statements prepared for Kontiki Finance Limited are separate (non-consolidated) financial statements for the purposes of distribution to various stakeholders. As permitted by IAS 27 Consolidated and Separate Financial Statements, the financial statements have not been consolidated to account for the Company's investment in its subsidiary. The Company has elected to account for the investment in subsidiary at cost. The Company applies the same accounting for each category of investments. Dividends from the subsidiary are recognised in the profit or loss in the financial statements when the Company's right to receive the dividend is established.

Presentation of financial statements

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

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

Basis of consolidation

The Financial Statements comprise the financial statements of Kontiki Finance Limited ('the Company') and its Subsidiary as at 30 June 2020.

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

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

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

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2.1. Significant accounting judgments, estimates and assumptions

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

Estimations and assumptions

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

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, assessment of significant increase in credit risk, measurement of lifetime expected credit losses and forward-looking assumptions. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

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

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

Measurement of insurance liabilities

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

2.2. CHANGE IN ACCOUNTING POLICY

New and Amended Standard Adopted by the Group and the Company

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

2.2. CHANGE IN ACCOUNTING POLICY *continued*

New and Amended Standard Adopted by the Group and the Company *continued*

IFRS 16 - Leases *continued*

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Assets				
Right-of-use assets	5,726,325	-	5,726,325	-
Total Assets	5,726,325	-	5,726,325	-
Liabilities				
Lease Liabilities	5,726,325	-	5,726,325	-
Total Liabilities	5,726,325	-	5,726,325	-
Total adjustment on equity	-	-	-	-
Retained earnings	-	-	-	-

The Company has lease contracts for office spaces and repossession storage yard. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

• Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

• Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:
• Used a single discount rate to a portfolio of leases with reasonably similar characteristics
• Relied on its assessment of whether leases are onerous immediately before the date of initial application
• Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
• Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 July 2019:
• Right-of -use assets of $5,726,325 were recognised and presented separately in the statement of financial position.
• Lease liabilities of $5,726,325 were recognised.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2020

2.2. CHANGE IN ACCOUNTING POLICY *continued*

New and Amended Standard Adopted by the Group and the Company *continued*

IFRS 16 - Leases *continued*

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

Assets	**$**
Operating lease commitments as at 30 June 2019	6,251,330
Weighted average incremental borrowing rate as at 1 July 2019	6.1%
Discounted operating lease commitments as at 1 July 2019	5,726,325

2.3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

Amendments to IFRS 3: Definition of a Business

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

2.3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS *continued*

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currencies

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

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

On consolidation, the assets and liabilities of foreign operations are translated at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

b) Plant and equipment

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

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

	Rate
Office equipment	20%
Furniture & fittings	20%
Motor vehicles	20%

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments

Recognition and initial measurement

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

Except for loans and advances that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
The Group only measures Cash and cash equivalents, Due to customers of financial assets, Receivables from customers and Non-listed financial assets and liabilities at amortised cost.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified and measured at amortised cost; fair value through other comprehensive income (FVOCI) – debt investments, fair value through other comprehensive income – equity investments, or fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments - *continued*

Classification and subsequent measurement of financial assets - continued

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

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

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

Business model assessment

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

The SPPI test

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

Classification and subsequent measurement of financial liabilities

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

Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

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

c) Financial instruments - *continued*

Derecognition other than for substantial modification

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

Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Debt issued/dues to customers and other borrowed funds

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

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

Financial liabilities

Interest bearing loans and borrowings

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

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

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

Financial liabilities at fair value through profit or loss

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

c) Financial instruments - *continued*

Derecognition of financial liabilities

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

d) Impairment of financial assets

Measurement of Expected Credit Loss (ECL)

As described in Note 2.1 and Note 25, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 July 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

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

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

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

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

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

- Stage 1 – 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. Stage 1 financial assets also include financial assets where the credit risk has improved, and the asset has been reclassified from Stage 2. The ECL is computed using a 12 month probability of default (PD) and the estimated loss given default (LGD).

- Stage 2 – When a financial asset experiences a SICR subsequent to origination, but is not credit impaired, it is considered to be in Stage 2. This Stage also includes assets where the credit risk has improved, and the financial instrument has been reclassified from Stage 3. The ECL is computed using the lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset, and the estimated LGD.

- Stage 3 – Financial assets considered credit impaired are included in this stage. Similar to Stage 2, the credit loss allowance continues to be based on the LTECL. The ECL is computed using a 100% PD and the estimated LGD.

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2020

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Impairment of financial assets - *continued*

Measurement of Expected credit Loss (ECL) - continued

Calculation of expected credit loss

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

The key elements of the ECL calculation are outlined below:

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

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

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

The mechanics of the ECL method are summarised below:

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

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

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

Forward-looking information

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

Assessment of significant increase in credit risk (SICR)

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life of the loan. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

d) Impairment of financial assets - *continued*

Measurement of Expected Credit Loss (ECL) - continued

Expected life

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

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

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

Definition of default

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

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

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

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

Write-off policy

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

e) Cash and cash equivalents

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

f) Prepayments and other assets

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

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

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2020

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

g) Employee entitlements

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

h) Provisions

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

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

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

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

i) Unearned premiums

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

j) Deferred acquisition cost and commissions income

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

k) Income tax

Current tax

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

k) Income tax continued

Deferred tax

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

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

Income tax for the Subsidiary Company

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

l) Intangible assets

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

The useful lives of intangible assets for the Group are assessed to be finite.

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

l) Intangible assets *continued*

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

m) Trade and other payables

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

n) Revenue recognition

Interest income and expense

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

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

Other interest income/expense includes all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate.
Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.
The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

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

Fee income

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

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

Insurance administrative fee

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

Underwriting activities

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

o) Impairment of non-financials assets

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

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

p) Comparative figures

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

q) Earnings per share

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

r) Dividends

Dividends are recorded in the Group's financial statements in the year in which the directors approve them.

s) Segment information

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

(a) Geographical segment

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

(b) Business segment

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

t) Determination of fair values

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

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

t) Determination of fair values *continued*

- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

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

	Group		Company	
	2020	2019	2020	2019
3. REVENUE	$	$	$	$
3.1 Interest revenue calculated using the effective interest method				
Debt financial assets at amortised cost	3,351,880	3,016,017	2,946,951	2,719,597
Receivables from customers	39,011,855	31,065,053	39,011,856	31,065,053
	42,363,735	34,081,070	41,958,807	33,784,650
3.2 Fees Income				
Fees and charges	804,937	168,635	804,937	168,635
	804,937	168,635	804,937	168,635
3.3 Non-Trading Income				
Unrealised gains on financial assets	1,401,050	292,737	-	-
Dividend income	53,699	38,238	500,000	-
Bad debts recovered	89,129	98,661	89,129	98,661
Gain on disposal of fixed assets	7,300	-	7,300	-
	1,551,178	429,636	596,429	98,661
4. EXPENSES				
Included in expenses are:				
4.1 Interest expense calculated using the effective interest method				
Term deposits	11,749,921	9,345,754	11,749,921	9,345,754
	11,749,921	9,345,754	11,749,921	9,345,754
4.2 Other interest and similar expense				
Debt issued and other borrowed funds	14,034	-	14,034	-
Interest expense on lease liabilities (Note 19)	353,836	-	353,836	-
	367,870	-	367,870	-

	Group 2020	Group 2019	Company 2020	Company 2019
	$	$	$	$
4.3 Personnel Expenses				
Salaries and wages	7,928,087	6,713,266	7,928,087	6,713,266
FNPF employer contribution	721,630	684,195	721,630	684,195
FNU Levy	84,094	72,317	84,094	72,317
Others	256,056	446,662	256,056	446,662
	8,989,867	7,916,440	8,989,867	7,916,440
4.4 Other operating expenses				
Accounting fees	84,047	77,300	79,380	73,880
Auditors remuneration	55,165	55,165	40,058	40,058
Bank charges	25,973	25,242	24,219	23,998
Directors fees and allowances	264,375	241,867	264,375	241,867
Other operating expenses	5,555,773	4,651,722	3,575,872	4,170,631
	5,985,333	5,051,296	3,983,904	4,550,434

5. INCOME TAX EXPENSE

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

	Group 2020	Group 2019	Company 2020	Company 2019
Accounting profit before income tax	7,832,614	10,568,208	6,378,458	8,912,899
Prima facie income tax on the operating profit*	783,261	1,056,821	637,846	891,290
Other income exempted	(145,415)	(165,531)	-	-
Over provision from prior year caused by variation in non-deductible differences	(41,509)	-	(41,509)	-
Change in tax rate	-	284,730	-	284,730
Tax effect of non-deductible differences	(48,560)	16,203	(48,560)	16,203
Income tax expense reported in the statement of profit and loss and other comprehensive income	547,777	1,192,223	547,777	1,192,223

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

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

	Group 2020	Group 2019	Company 2020	Company 2019
Allowance for impairment losses	1,126,051	424,488	1,126,051	424,488
Accelerated depreciation for book purposes	48,348	29,953	48,348	29,953
Difference between right-of-use assets and lease liabilities	17,341	-	17,341	-
Employee benefit liability	3,129	13,139	3,129	13,139
Other	(7,862)	-	(7,862)	-
	1,187,007	467,580	1,187,007	467,580

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6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and at bank. Cash and cash equivalents included in the Statements of Cash Flows

	Group 2020	Group 2019	Company 2020	Company 2019
	$	$	$	$
Cash on hand	3,968	3,968	3,968	3,968
Cash at bank	4,870,798	4,215,812	4,852,687	4,201,741
Demand deposits	7,370,745	3,781,315	7,370,745	3,774,617
	12,245,511	8,001,095	12,227,400	7,980,326

7. RECEIVABLE FROM CUSTOMERS

	Group 2020	Group 2019	Company 2020	Company 2019
Credit contracts	154,425,335	117,419,038	154,425,335	117,419,038
Hire purchase	11,326,544	13,642,014	11,326,544	13,642,014
Insurance premium	85,632	14,306	-	-
	165,837,511	131,075,358	165,751,879	131,061,052
Less: Interest suspense	(843,010)	(499,201)	(843,010)	(499,201)
Receivables gross carrying value	164,994,501	130,576,157	164,908,869	130,561,851
Less: Allowance for ECL	(11,260,508)	(4,244,894)	(11,260,508)	(4,244,894)
Net receivable from customers	153,733,993	126,331,263	153,648,361	126,316,957

Maturity analysis

	Group 2020	Group 2019	Company 2020	Company 2019
Not longer than 3 months	668,235	4,193,279	582,603	4,178,973
Longer than 3 months but not longer than 12 months	4,274,318	13,309,601	4,274,318	13,309,601
Longer than 12 months but not longer than 5 years	86,680,523	100,100,536	86,680,523	100,100,536
Longer than 5 years	74,214,435	13,471,942	74,214,435	13,471,942
	165,837,511	131,075,358	165,751,879	131,061,052

ECL for loans and advances to customers

As at 30 June 2020, trade receivables with an initial value of $11,260,508 (2019: $4,244,894) were impaired and provided for. See next page for the movements in the ECL.

The following table provides information about the exposure to credit risk and ECL for receivables from customers as at 30 June 2020:

30 June 2020	Gross carrying value	Loss allowance	Expected weighted average loss	Credit Impaired
	$	$		
Stage 1	138,423,235	6,945,406	5.02%	No
Stage 2	20,721,614	1,672,294	8.07%	No
Stage 3	6,692,662	2,642,808	39.49%	Yes
Overall	**165,837,511**	**11,260,508**	**6.79%**	

7. RECEIVABLE FROM CUSTOMERS *continued*

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

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

30 June 2019	Gross carrying value	Loss allowance	Expected weighted average loss rate	Credit Impaired
	$	$		
Stage 1	108,935,376	1,708,629	1.57%	No
Stage 2	18,380,988	1,101,386	5.99%	No
Stage 3	3,758,994	1,434,879	38.17%	Yes
Overall	**131,075,358**	**4,244,894**	**3.24%**	

30 June 2019	Movements in ECL	Total allowance for ECL	Reconciliation of Movement in allowance for impairment losses
	$	$	$
Opening balance as at 1 July 2018 after IFRS 9 initial application	3,400,201	3,400,201	-
Loss allowance equal to 12m ECL/increase in provisions	54,127	2,411,670	2,411,670
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	302,589	(1,456,679)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	487,977	(110,298)	(110,298)
Direct write-off	-	-	178,295
Closing balance	4,244,894	4,244,894	2,479,667

Collateral security for loans and advances is mainly motor vehicles.

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

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	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
8. DEBT INSTRUMENTS AT AMORTISED COST				
Term deposits	53,845,000	41,570,000	48,000,000	35,000,000
Government debt securities - bonds and bills	23,188,000	12,519,000	23,188,000	10,983,000
	77,033,000	54,089,000	71,188,000	45,983,000
9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Quoted equity shares	6,531,238	877,045	-	-

As at 30 June 2020, the Group had $6,531,238 of equity shares. The fair value of the equity shares is determined by reference to published price quotations in an active market. During the year, the Group purchased $4,318,556 of shares, sold $65,413 of shares and had an unrealised gain of $1,401,050.

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

	Carrying Amount	Fair Value			
30-Jun-20		**Level 1**	**Level 2**	**Level 3**	**Total**
Quoted equity shares	6,531,238	6,531,238	-	-	6,531,238
30-Jun-19					
Quoted equity shares	877,045	877,045	-	-	877,045

10. PREPAYMENTS AND OTHER ASSETS	$	$	$	$
Other debtors	2,038,396	1,689,905	2,038,396	1,546,348
Prepayments	622,383	581,320	716,011	574,220
Receivable from related party (Note 24)	-	-	286,267	81,572
	2,660,779	2,271,225	3,040,674	2,202,140

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
11. INVESTMENT IN SUBSIDIARY				
Shares in Subsidiary Company:				
- Platinum Insurance Limited	-	-	215,000	215,000

The Company holds 100% of the ordinary shares of Platinum Insurance Limited (PIL). The results of PIL have been consolidated in these financial statements

12. DUE TO CUSTOMERS

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

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Term deposits	213,034,175	159,375,520	213,034,175	159,375,520
Sector concentration				
Individual	134,111,685	107,107,204	134,111,685	107,107,204
Private sector business	25,221,148	14,720,952	25,221,148	14,720,952
Public enterprises	31,865,322	23,072,112	31,865,322	23,072,112
Non-profit institution	14,184,500	6,559,900	14,184,500	6,559,900
Non-bank financial institutions	7,531,520	5,290,574	7,531,520	5,290,574
Non-residents	120,000	2,624,778	120,000	2,624,778
	213,034,175	159,375,520	213,034,175	159,375,520
Maturity analysis				
Not longer than 3 months	24,787,419	13,790,166	24,787,419	13,790,166
Longer than 3 months and not longer than 12 months	71,344,217	39,960,972	71,344,217	39,960,972
Longer than 12 months and not longer than 5 years	108,179,985	100,998,978	108,179,985	100,998,978
Longer than 5 years	8,722,554	4,625,404	8,722,554	4,625,404
	213,034,175	159,375,520	213,034,175	159,375,520

13. PLANT AND EQUIPMENT

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Furniture and fittings				
Cost:				
At 1 July	802,017	698,083	802,017	698,083
Additions	355,087	103,934	355,087	103,934
At 30 June	1,157,104	802,017	1,157,104	802,017
Depreciation:				
At 1 July	382,817	231,810	382,817	231,810
Depreciation charge for the year	180,886	151,007	180,886	151,007
At 30 June	563,703	382,817	563,703	382,817
Net written down value as at 30 June	593,401	419,200	593,401	419,200

13. PLANT AND EQUIPMENT *continued*

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Office equipment				
Cost:				
At 1 July	1,418,544	1,065,645	1,418,544	1,065,645
Additions	596,787	363,300	596,787	363,300
Disposal	(74,568)	(10,401)	(74,568)	(10,401)
At 30 June	1,940,763	1,418,544	1,940,763	1,418,544
Depreciation:				
At 1 July	649,230	374,234	649,230	374,234
Depreciation charge for the year	352,371	277,183	352,371	277,183
Disposal	(70,090)	(2,187)	(70,090)	(2,187)
At 30 June	931,511	649,230	931,511	649,230
Net written down value as at 30 June	1,009,252	769,314	1,009,252	769,314
Motor vehicles				
Cost:				
At 1 July	972,297	629,676	972,297	629,676
Additions	462,680	401,250	462,680	401,250
Disposal	(133,650)	(58,629)	(133,650)	(58,629)
At 30 June	1,301,327	972,297	1,301,327	972,297
Depreciation:				
At 1 July	384,374	224,839	384,374	224,839
Depreciation charge for the year	243,959	182,432	243,959	182,432
Disposal	(54,000)	(22,897)	(54,000)	(22,897)
At 30 June	574,333	384,374	574,333	384,374
Net written down value as at 30 June	726,994	587,923	726,994	587,923
Net book value as at 30 June	2,329,647	1,776,437	2,329,647	1,776,437

14. INTANGIBLE ASSETS

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Software costs				
Cost:				
At 1 July	1,307,258	921,984	1,307,258	921,984
Additions	208,693	385,274	208,693	385,274
At 30 June	1,515,951	1,307,258	1,515,951	1,307,258
Amortisation and impairment:				
At 1 July	577,929	341,799	577,929	341,799
Amortisation	289,430	236,130	289,430	236,130
At 30 June	867,359	577,929	867,359	577,929
Net written down value as at 30 June	648,592	729,329	648,592	729,329

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
15. TRADE AND OTHER PAYABLES				
Trade payables	376,586	497,559	355,167	479,626
Payable to related party (Note 24)	22,083	21,875	126,650	256,052
Accrued and other liabilities	1,660,190	1,207,734	1,943,949	1,235,969
	2,058,859	1,727,168	2,425,766	1,971,647

Terms and conditions of the above financial liabilities are as follows:
- Trade payables are non-interest bearing and are normally settled as and when due.

16. UNEARNED PREMIUM

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Opening balance	8,362,279	6,233,513	-	-
Gross premiums written	4,808,883	7,779,757	-	-
Less premiums cancelled	(1,672,745)	(4,076,479)	-	-
Less premiums earned	(2,153,327)	(1,574,512)	-	-
	9,345,090	8,362,279	-	-
Premiums earned	2,153,327	1,574,512	-	-
Reinsurance revenue	(57,419)	(45,736)	-	-
Premium income*	2,095,908	1,528,776	-	-

*Premium income includes premium earned and net reinsurance revenue.

17. PROVISIONS

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
a) Outstanding claims	26,277	-	-	-

Outstanding claims are based on assessments of all claims received by the Subsidiary prior to finalising the financial statements.

b) Claims incurred but not reported (IBNR)

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
At 1 July	251,354	82,725	-	-
Loss reserve movement	672,065	168,629	-	-
At 30 June	923,419	251,354	-	-
Total provisions as at 30 June	949,696	251,354	-	-

COVID-19 impact on insurance liabilities

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

17. PROVISIONS *continued*

COVID-19 impact on insurance liabilities *continued*

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

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

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
18. EMPLOYEE BENEFIT LIABILITY				
Annual leave	31,285	131,391	31,285	131,391

19. LEASES

Company as a lessee

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

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

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
As at 1 July 2019	5,726,325	-	5,726,325	-
Additions	2,277,102	-	2,277,102	-
Depreciation expense	(1,217,157)	-	(1,217,157)	-
As at 30 June 2020	6,786,270	-	6,786,270	-

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

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
As at 1 July	5,726,325	-	5,726,325	-
Additions	2,277,102	-	2,277,102	-
Accretion of interest	353,836	-	353,836	-
Payments	(1,397,586)	-	(1,397,586)	-
As at 30 June 2020	6,959,677	-	6,959,677	-

The following are the amounts recognised in profit or loss:

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Depreciation expense of right-of-use assets	1,217,157	-	1,217,157	-
Interest expense on lease liabilities	353,836	-	353,836	-
Total amount recognised in profit or loss	1,570,993	-	1,570,993	-

The Company had total cash outflows for leases of $1,397,586 in 2020. The Company had non-cash additions to right-of-use assets and lease liabilities of $Nil during the financial period.

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

	Group		Company	
	2020 $	2019 $	2020 $	2019 $

20. DEBT ISSUED AND OTHER BORROWED FUNDS

	2020 $	2019 $	2020 $	2019 $
Tier 2 Capital Bond	2,600,000	-	2,600,000	-

As at 30 June 2020, Kontiki Finance Limited has issued $2.6 million worth of Tier 2 Capital Bonds with an interest rate of 7.5% per annum, payable quarterly. The bonds have a term of 7 years and are repaid in equal annual installments over the last 5 years of the Term of the Bond (20% of the Principal amount each year from year 3 to year 7). The Bond issue, which closes on 14 August 2020, is for a total of $10 million.

21. SHARE CAPITAL

Issued and paid up capital

	2020 $	2019 $	2020 $	2019 $
Ordinary shares fully paid	13,777,748	12,793,281	13,777,748	12,793,281

During the year, the Company raised share capital totaling to $984,467 (2019: $1,908,509). The total number of shares at the end of the year was 91,816,200 (2019: 90,859,817).

22. EARNINGS PER SHARE

	2020 $	2019 $	2020 $	2019 $
Profit attributable to ordinary shares for basic earnings	7,284,837	9,375,985	5,830,681	7,720,676
Weighted average ordinary shares at end of financial year	90,835,960	89,855,720	90,835,960	89,855,720
Basic earnings per share ($)	$ 0.08	$ 0.10	$ 0.06	$ 0.09

23. COMMITMENTS AND CONTINGENT LIABILITIES

	2020 $	2019 $
a) Contingent liabilities	Nil	Nil
b) Capital commitments	1,984,740	1,773,000

Capital expenditure commitment of $1,984,740 is budgeted for the purchase of motor vehicles, IT hardware and software, office furniture, fittings and equipment.

24. RELATED PARTY TRANSACTIONS

(a) **Directors**

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

Daryl Tarte (Chairman)
Francis Chung
Glen Craig
Griffon Emose
Litia Niumataiwalu
Barry Whiteside

(b) Owing by/(to) related parties	Transaction type	Company 2020 $	Company 2019 $
- Platinum Insurance Limited	Insurance premiums	(104,567)	(234,177)
- Platinum Insurance Limited	Insurance claims	286,267	81,572
- Directors	Directors fees	(22,083)	(21,875)

24. RELATED PARTY TRANSACTIONS *continued*

(c) Other related party transactions were as follows:		Company 2020 $	Company 2019 $
Expenses			
- Platinum Insurance Limited	Income refund	-	578,659
- Kontiki Stockbroking Pte Limited	Referral and broking fee	21,649	21,188
- Kontiki Capital Pte Limited	Advisory and managerial services	47,408	47,960
- Compensation of key management personnel	Directors fees and other benefits	264,375	241,867
	Short term employee benefits	1,610,727	1,477,247
Income			
- Platinum Insurance Limited	Dividend	500,000	-

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

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

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

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

	Group 2020	Group 2019	Company 2020	Company 2019
Cash and cash equivalents	12,245,511	8,001,095	12,227,400	7,980,326
Receivable from customers	153,733,993	126,331,263	153,648,361	126,316,957
Debt financial assets at amortised cost	77,033,000	54,089,000	71,188,000	45,983,000
Prepayments and other assets	2,660,779	2,271,225	3,040,674	2,202,140
Financial assets at fair value through profit or loss	6,531,238	877,045	-	-
	252,204,521	191,569,628	240,104,435	182,482,423

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk *continued*

Impairment assessment

Definition of default and cure

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

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

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

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

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

Individually assessed allowances

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

Collectively assessed allowance

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

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

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk *continued*

Impairment assessment continued

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

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

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

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

At 30 June 2020, $5,753,849 of the credit loss allowance relates to the increase in the allowance for credit losses recognized as a result of the worsened economic outlook arising from COVID-19 pandemic.

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

Information about the Group and the Company's exposure to credit risk and ECL for receivables as at 30 June 2020 is set out in Note 7.

The summary of the Group and the Company's exposure to credit risk is as follow:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Stage 1 - not credit impaired and no SICR*	138,423,235	108,935,376	138,337,603	108,921,070
Stage 2 - SICR but not credit impaired	20,721,614	18,380,988	20,721,614	18,380,988
Stage 3 - Credit impaired	6,692,662	3,758,994	6,692,662	3,758,994
Gross Credit Exposure	165,837,511	131,075,358	165,751,879	131,061,052
Less: allowance for ECL/impairment losses	(11,260,508)	(4,244,894)	(11,260,508)	(4,244,894)
Less: interest suspense	(843,010)	(499,201)	(843,010)	(499,201)
Net Credit Exposure	153,733,993	126,331,263	153,648,361	126,316,957

*Stage 1 for Group includes insurance premium receivable of $85,632 (2019: $14,306).

Credit risk concentration

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Individual	150,198,772	121,262,869	150,198,772	121,262,869
Professional and business services	5,145,426	3,044,576	5,145,426	3,044,576
Agriculture	2,216,162	120,228	2,216,162	120,228
Building and construction	1,626,679	986,367	1,626,679	986,367
Transport, communication and storage	6,564,840	5,647,012	6,564,840	5,647,012
	165,751,879	131,061,052	165,751,879	131,061,052
Insurance premium receivable	85,632	14,306	-	-
	165,837,511	131,075,358	165,751,879	131,061,052

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk concentration continued

The principal risk the subsidiary company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the subsidiary company is to ensure that sufficient reserves are available to cover these liabilities. The subsidiary company manages this risk by having reinsurance placed with counterparties that have a good credit rating that are subject to regular reviews. The concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy. There has not been material differences between the actual claims compared with estimates recorded in the accounts.

Liquidity risk

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

Maturity analysis of financial assets and liabilities

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

30 June 2020

ASSETS	Less than 3 months	3 -12 months	12 months - 5 years	More than 5 Years	Total
Cash and cash equivalents	12,245,511	-	-	-	12,245,511
Financial assets at fair value through profit or loss	6,531,238	-	-	-	6,531,238
Debt financial assets at amortised cost	37,800,000	14,345,000	6,400,000	18,488,000	77,033,000
Receivable from customers	668,235	4,274,318	86,680,523	74,214,435	165,837,510
EQUITY AND LIABILITIES					
Due to customers	24,787,419	71,344,217	108,179,985	8,722,554	213,034,175
Trade and other payables	2,058,859	-	-	-	2,058,859
Employee benefit liability	31,285	-	-	-	31,285
Unearned premium	2,870	199,255	4,890,114	4,252,851	9,345,090
Debt issued and other borrowed funds	-	-	1,560,000	1,040,000	2,600,000

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Maturity analysis of financial assets and liabilities continued

30 June 2019

ASSETS	Less than 3 months	3 -12 months	12 months - 5 years	More than 5 Years	Total
Cash and cash equivalents	8,001,095	-	-	-	8,001,095
Financial assets at fair value through profit or loss	877,045	-	-	-	877,045
Debt financial assets at amortised cost	30,266,851	8,500,000	-	15,322,149	54,089,000
Receivable from customers	4,193,279	13,309,601	100,100,536	13,471,942	131,075,358
EQUITY AND LIABILITIES					
Due to customers	13,790,166	39,960,972	100,998,978	4,625,404	159,375,520
Trade and other payables	1,727,168	-	-	-	1,727,168
Employee benefit liability	131,391	-	-	-	131,391
Unearned premium	2,549	62,436	2,691,035	5,606,259	8,362,279

Operational risk

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

26. CAPITAL MANAGEMENT

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

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

Capital management is under constant review by the Board.

Regulatory capital	Company	
	2020	**2019**
Tier 1	22,070,254	21,216,665
Tier 2	8,275,263	8,326,537
Total capital	30,345,517	29,543,202
Risk weighted assets	187,687,113	142,819,695
Tier 1 capital ratio	12%	15%
Total capital ratio	16%	21%

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

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

27. Significant event - Impact of the Coronavirus(COVID-19) outbreak

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Company has remained operational since this declaration and continues to engage in receiving deposits and extending of credit and related services with its customers. We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy, and the operations of our business.

The scale and duration of these developments remain uncertain as at the date of this report however they are having an impact on our earnings, cash flow and financial condition. The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

28. PRINCIPAL BUSINESS ACTIVITY

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

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

29. COMPANY DETAILS

Registered office

Level 5 Tappoo City Building
GPO Box 12508
Suva

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

The Company is listed on the South Pacific Stock Exchange.

Places of business

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

Number of employees at the end of the year	2020	2019
Executive	4	4
Finance	27	22
Products and distribution	78	79
Lending and compliance	57	46
Other	8	6
	174	157

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

KONTIKI FINANCE LIMITED and its Subsidiary
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2020

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

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

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

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
•What is meant by a right to defer settlement
•That a right to defer must exist at the end of the reporting period
•That classification is unaffected by the likelihood that an entity will exercise its deferral right
•That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE *continued*

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

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

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

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

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

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

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

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

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

31. SEGMENT INFORMATION

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

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

31. SEGMENT INFORMATION *continued*

(a) Geographic Segments

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

2020 **Revenue**	**Fiji** **$**	**Vanuatu** **$**	**Inter Segment** **$**	**Total** **$**
Interest revenue calculated using the effective interest method	41,958,807	404,928	-	42,363,735
Interest expense calculated using the effective interest method	(11,749,921)	-	-	(11,749,921)
Other Interest and similar expense	(367,870)			(367,870)
Net interest income	29,841,016	404,928	-	30,245,944
Fee income	804,937	-	-	804,937
Premium income	-	2,095,908	-	2,095,908
Non-trading income	596,429	954,749	-	1,551,178
Total revenue	31,242,382	3,455,585	-	34,697,967
Less: expenses				
Movements in expected credit loss	(9,606,350)	-	-	(9,606,350)
Personnel Expenses	(8,989,867)	-	-	(8,989,867)
Depreciation of property, plant and equipment	(1,994,373)	-	-	(1,994,373)
Amortisation of intangible assets	(289,430)	-	-	(289,430)
Other operating expenses	(3,983,904)	(2,072,397)	70,968	(5,985,333)
Total operating expenses	(24,863,924)	(2,072,397)	70,968	(26,865,353)
Operating profit before tax	6,378,458	1,383,188	70,968	7,832,614
Profit before tax				
Income tax expense	(547,777)	-	-	(547,777)
Net profit after tax	5,830,681	1,383,188	70,968	7,284,837
Total assets	251,270,951	12,235,418	(350,332)	263,156,037
Total liabilities	225,074,036	9,774,411	153,468	235,001,915
Cash flows from operating activities	33,043,809	1,393,835	-	34,437,643
Cash flows from investing activities	(23,643,896)	(1,396,492)	-	(25,040,388)
Cash flows from financing activities	(5,152,839)	-	-	(5,152,839)

31. SEGMENT INFORMATION *continued*

2019 Revenue	Fiji $	Vanuatu $	Inter Segment $	Total $
Interest revenue calculated using the effective interest method	33,784,650	296,420	-	34,081,070
Interest expense calculated using the effective interest method	(9,345,754)	-	-	(9,345,754)
Net interest income	24,438,896	296,420	-	24,735,316
Fee income	168,635	-	-	168,635
Premium income	-	1,528,776	-	1,528,776
Non-trading income	98,661	330,975	-	429,636
Total revenue	24,706,192	2,156,171	-	26,862,363
Less: expenses				
Movements in allowance for impairment losses	(2,479,667)	-	-	(2,479,667)
Personnel Expenses	(7,916,440)	-	-	(7,916,440)
Depreciation of property, plant and equipment	(610,622)	-	-	(610,622)
Amortisation of intangible assets	(236,130)	-	-	(236,130)
Other operating expenses	(4,550,434)	(1,250,599)	749,737	(5,051,296)
Total operating expenses	(15,793,293)	(1,250,599)	749,737	(16,294,155)
Operating profit before tax	8,912,899	905,572	749,737	10,568,208
Profit before tax				
Income tax expense	(1,192,223)	-	-	(1,192,223)
Net profit after tax	7,720,676	905,572	749,737	9,375,985
Total assets	185,670,769	9,919,258	(1,047,053)	194,542,974
Total liabilities	161,549,282	8,713,135	(343,981)	169,918,436
Cash flows from operating activities	5,134,276	4,972,751	-	10,107,027
Cash flows from investing activities	(3,806,203)	(5,002,514)	-	(8,808,717)
Cash flows from financing activities	(3,011,420)	-	-	(3,011,420)

31. SEGMENT INFORMATION *continued*

(b) Business Segment

The following summary describes the operations of each business segment.

Business segments	Operations
Finance	Receiving deposits and extending of credit and related services
Insurance	Underwriting of loan protection insurance

The geographical and business segment information is the same for 2020 and 2019 as per Note 31a.

South Pacific Stock Exchange

– Listing Requirements (Other Information)

Shareholdings of those persons holding twenty (20) largest blocks of shares as required under rule 51.2(v) of the Listing Rules.			
Top 20 Shareholders			
	Shareholder Name	**Number of Shares**	**Percenatge Holding**
1	Impala Investments Pte Limited	18,243,206	19.87%
2	Corbett Holdings Pte Limited	14,757,745	16.07%
3	Retail Holdings Limited	4,541,730	4.95%
4	Melanesian Capital (Fiji) Pte Limited	3,751,468	4.09%
5	Chen Hui Lin	3,287,070	3.58%
6	Estate of George Niumataiwalu	3,000,776	3.27%
7	Chen Li Lan	2,408,100	2.62%
8	Lau Wai Yuk	1,836,719	2.00%
9	Rodney Wicks	1,836,290	2.00%
10	Mitchell Family Trust	1,799,535	1.96%
11	Griffon Ian Emose	1,719,110	1.87%
12	Desmond and Philippa Kearse	1,575,975	1.72%
13	Jayne Craig	1,451,150	1.58%
14	Bus Behind Limited	1,375,430	1.50%
15	Ludwigson Holdings Pty Limited	1,221,365	1.33%
16	Jugu Development Corporation Limited	1,185,579	1.29%
17	Liu Shih Pei	1,129,773	1.23%
18	Chen Huei-Shr	1,111,790	1.21%
19	Chai Huei Chen	1,087,747	1.18%
20	Lee Wen Xi	1,068,460	1.16%
	Others	23,427,182	25.52%
	Total Shares on Issue	**91,816,200**	**100.00%**

Distribution schedule of each class of equity security setting out the number of holders and percentage as required under rule 51.2(vi) of the Listing Rules.		
No. of Shareholders	**Shareholding**	**Total Percentage holding**
26	0-500	0.01%
70	501-5,000	0.18%
24	5,001-10,000	0.21%
20	10,001-20,000	0.30%
11	20,001-30,000	0.30%
12	30,001-40,000	0.45%
4	40,001-50,000	0.21%
24	50,001-100,000	2.10%
51	100,001-1,000,000	20.63%
21	>1,000,000	75.63%
263	**Total**	**100%**

Statement of interest (direct and indirect) of Directors and senior management in the share capital of the Company as at 30 June 2020 under rule 51.2(iv) of the Listing Rules.			
Name	**Position**	**No.of Shares Held Directly**	**No. of Shares Held Indirectly**
Daryl Tarte	Director	352,582	0
Francis Chung	Director	925,974	0
Glen Craig	Director	0	4,541,730
Griffon Emose	Director	1,719,110	0
Litia Niumataiwalu	Director	0	0
Barry Whiteside	Director	105,051	0
Greg Cathcart	Senior Manager	0	14,757,745
David Oliver	Senior Manager	226,837	18,243,206
Phillip Lacey	Senior Manager	955,184	0

Disclosure on the trading results of each subsidiary under rule 51.2(x) of Listing Rules.	
Period Ended 30 June 2020	
Name of Subsidiary	Platinum Insurance Limited
Principal Country of Operation	Vanuatu
Country of Incorporation	Vanuatu
Turnover	$2,152,315
Other Income	$1,867,690
Depreciation and Amortisation	Nil
Interest Expense	Nil
Income Tax	Nil
Other Expenses	$2,265,118
Net Profit after Tax	$1,754,887
Assets	$13,094,219
Liabilities	$10,633,209
Shareholders Funds	$2,461,009

Group Five Years Financial Performance under rule 51.2 (xiv) of Listing Rules.					
Year ended 30 June	**2016**	**2017**	**2018**	**2019**	**2020**
Net profit after tax	567,887	3,119,565	5,365,448	9,375,985	7,284,837
Assets	53,386,394	93,608,757	162,798,468	194,624,546	263,156,037
Liabilities	46,958,346	83,091,345	143,931,022	170,000,008	235,001,915
Shareholders' equity	6,428,048	10,517,412	18,867,446	24,624,538	28,154,122

Share register, registered and principal administrative office and company secretary

Registered and principal administrative office
Kontiki Finance Limited
Level 5 Tappoocity Building
Thomson Street
Suva
Fiji
Telephone (679) 330 3400
Email : enquiries@kontikifinance.com
Website: www.kontikifinance.com

Registry Office
Central Share Registry Pte Limited
Shop 1 and 11 Sabrina Building
Victoria Parade, Suva.
GPO Box 11689
Suva
Fiji
Telephone (679) 330 4130

The company is incorporated in Fiji with limited liability and is listed on the South Pacific Stock Exchange.

Company Secretary
The Company Secretary is Beatrice Wong.

Disclosure on shares under rule 51.2(xv) of the Listing Rules					
Per share information					
Year ended 30 June	**2016**	**2017**	**2018**	**2019**	**2020**
Earnings per share	0.09	0.04	0.06	0.10	0.08
Dividends per share (cents)	-	-	-	0.055	0.052
Net tangible assets per share	1.05	0.14	0.21	0.27	0.31
Highest market price per share ($)				1.25	1.30
Lowest market price per share ($)				0.94	0.97
Market price per share at end of financial year ($)				1.00	0.98

ANNEXURE P : Annual Compliance Report on Corporate Goverance

Corporate Governance Report required under rule 62 and 51.2.xix of the SPX Listing Rules.

Principle	Requirement	Compliance Status	Details
1. Establish clear responsibilities for board oversight	Separation of duties: Clear separation of duties between Board and Senior Management.	Yes	In place and included in KFL Board Charter.
	Board Charter: Adopt a Board charter detailing functions and responsibilities of the Board.	Yes	Board Charter is in place.
2. Constitute an effective Board	Board Composition: Balanced Board Composition with Executive and Non-Executive directors of which 1/3rd of total number of directors to be independent directors.	Yes	In compliance. Board comprises of 6 directors with 4 Independent Directors.
	Gender Diversity: Do you have a policy for promoting gender diversity at Board level and have you achieved your policy goals?	Yes	As an Equal Opportunity Employer, the board promotes gender diversity, however appointment is done on merit, competence and performance to build a diversified and inclusive board.
	Nomination Committee: Selection, approval, renewal and succession of Directors to be conducted by Nomination Committee in accordance with Articles of Association of the Company and Fit and Proper Policy of Reserve Bank.	Yes	KFL has a Renumeration and Nominations Committee who review not only the nomination, selection and remuneration of Senior Executives/ Heads of Control Functions/Material risk-takers of KFL but of Directors as well. Rotation and Nomination of directors is done in accordance with KFL's Articles of Association and RBF's Supervision Policy Statement 10 (Fit & Proper Requirements for LFI's). Appointments are approved at the AGM.
	Board Evaluation: Process of evaluation of performance of the Board, its Committees and individual directors. Evaluation to be linked to key performance indicators of the listed entity.	Yes	The Board has 'Meeting' Assessments after every Ordinary Meeting and an Annual Assessment of Individual Directors.
	Directors Training: Directors' training and induction procedure to be in place to allow new directors to participate fully and effectively.	Yes	In place.
	Board Sub-committees: Board must have sub-committees which must at a minimum include - • Audit Committee • Risk Management Committee; and • Nomination Committee/ Recruitment Committee.	No	Due to its size, KFL has a combined the Audit & Risk Commiittee. KFL also has a Renumeration and Nominations Committee (RENOM).

ANNEXURE P : Annual Compliance Report on Corporate Goverance

Corporate Governance Report required under rule 62 and 51.2.xix of the SPX Listing Rules.

Principle	Requirement	Compliance Status	Details
3. Appointment of Chief Executive Officer/Managing Director	CEO: To appoint a suitably qualified and competent Chief Executive Officer/ Managing Director	Yes	In Compliance and included in the Board Charter and RENOM Charter. Also in accordance with RBF's Fit & Proper Assessments.
4. Appointment of a Board and Company Secretary	Company Secretary: Board to appoint a suitably qualified and competent Company Secretary, who is accountable to the Board, through Chair, for all compliance and governance issues.	Yes	In Compliance. Governered by the RENOM Committee Charter, the Committee identifies and assess proposed canidates for the role and then make their recommendation to the Board for approval.
5. Timely and balanced disclosure	Annual Reports: Timely and accurate disclosures are made in Annual reports as per Rule 51 of Listing Rules.	Yes	In Compliance and as per SPX listing rules.
	Payment to Directors and Senior management: Sufficient information to be provided to shareholders on remuneration paid to Directors and Senior management.	Yes	Disclosure is made in the Annual Financial Statements and Annual Report.
	Continuous Disclosure: General disclosures or company announcements to be made in a timely manner. The disclosures should be factual without omitting material information and to be expressed in a clear and objective manner to shareholders.	Yes	In compliance with SPX Listing Rules.
6. Promote ethical and responsible decision- making	Code of Conduct: To establish a minimum Code of Conduct of the listed entity applicable to directors, senior management and employees and conduct regular trainings on the same.	Yes	In Compliance. Code of Conduct for directors and employees is noted in the Corporate Goverance Policy. This is also relayed to them during Induction training.
7. Register of Interests	Conflicts of Interest: Transactions with related parties resulting in conflict of interest are disclosed and a register is maintained for this purpose.	Yes	In Compliance. Register of Interest in place for directors and is tabled at every Meeting. For employees, it is noted in the Corporate Goverance Policy.
8. Respect the rights of shareholders	Communication with shareholders: To design communication strategy to promote effective communication with shareholders and encourage their participation. Examples: Communication through Annual Reports, Annual General Meetings, or any other means of electronic communication.	Yes	Communication with shareholders done via Market Announcements, emails to individual shareholders, Annual Reports and General Meetings.
	Website: To create and maintain a Website of the listed entity to communicate effectively with shareholders and other stakeholders. All matters of importance to be updated regularly on the Website.	Yes	Website : www.kontikifinance.com
	Grievance Redressal Mechanism: To establish a Grievance Redressal Mechanism for Shareholders to address shareholders complaints and grievances.	Yes	In Compliance. Shareholder Grievance Policy in place.
	Shareholders' Complaints: To provide the number of shareholders' complaints received and attended to during the year. Provide reasons if any complaint is unresolved or unattended.	Yes	No complaints received during the year.
	Corporate Sustainability: To adopt a business approach that creates long-term shareholder value by embracing opportunities, managing risks, maximising profits and minimising negative social, economic, and environmental impacts.	Yes	In Compliance. This is noted in the Corporate Governance Policy.

ANNEXURE P : Annual Compliance Report on Corporate Goverance

Corporate Governance Report required under rule 62 and 51.2.xix of the SPX Listing Rules.

Principle | Requirement | Compliance Status | Details

ANNEXURE P : Annual Compliance Report on Corporate Goverance

Corporate Governance Report required under rule 62 and 51.2.xix of the SPX Listing Rules.

Principle	Requirement	Compliance Status	Details
9. Accountability and audit	Internal Audit: To appoint an internal auditor or an alternative mechanism to achieve the objectives of risk management, control and governance.	Yes	Appointed by the Audit & Risk Committee.
	External Audit: To appoint an external auditor who reports directly to the Board Audit Committee.	Yes	Appointed at the AGM by shareholders through the Audit and Risk Committee.
	Rotation of External Auditor: To appoint the external auditor for a fixed term requiring senior partner of the audit firm to rotate once in every three or less financial years.	Yes	The board conducts review of the auditor engagement on an annual basis; and confirmed at the AGM.
	Audit Committee: To establish an Audit Committee comprising of at least 3 members of which majority are independent and Chair is not Chair of the Board.	Yes	In compliance. The Audit & Risk Committee is made up of 3 members, all of which are independent. Chairman of the Board is not Chair of any of the Board Sub-Committees.
10. Risk Management	Risk Management Policy: To establish a Risk Management Policy to address risk oversight, risk management and internal control. The Policy to clearly define the roles and responsibilities of the Board, Audit committee, management and internal audit function.	Yes	Risk Management Policy in place and in compliance of requirements stated.
	Whistle Blower Policy: As part of risk management strategy, establish a Whistle Blower Policy by creating a mechanism of reporting concerns of unethical behavior, actual or suspected fraud or violation of the listed entity's code of conduct or ethics policy, SPX Rules or Companies Act. [Refer Rule 68 of the Listing Rules]	Yes	In Compliance. KFL has a Whistle Blower Policy (for reporting of unethical behaviour) and the Insider Trading Policy (for prevention of Insider Trading).

Company Details	Name: Kontiki Finance Limited Date of Incorporation: 26 July 2006 Place of Incorporation: Suva Company No. 18908 TIN No: 50-51838-0-2 Head Office: Level 5, TappooCity Building, Thomson Street, Suva Phone: 330 3400 Fax: 330 3401 Email: enquiries@kontikifinance.com
External Auditor	Ernst & Young Level 7, Pacific House 1 Butt Street Suva
Solicitors	Munro Leys Lawyers Level 3, Pacific House 1 Butt Street Suva
Investment Advisor & Listing Manager	Kontiki Capital Pte Limited Level 2, Plaza 1, FNPF Boulevard 33 Ellery Street Suva
Capital Markets and Financial Markets Regulator	Reserve Bank of Fiji Tower 4, RBF Building Pratt Street Suva
Securities Exchange	South Pacific Stock Exchange Shop 1 and 11 Sabrina Building Victoria Parade, Suva. GPO Box 11689 Suva, Fiji
Share Registry	Central Share Registry Shop 1 and 11 Sabrina Building Victoria Parade, Suva. GPO Box 11689 Suva, Fiji