Kaebauk Investimentu No Finansas, SA

Financial Statements for the year ended
December 31, 2023

KAEBAUK INVESTIMENTU NO FINANSAS, SA

DIRECTORS' REPORT

The Directors present their report on the affairs of the Kaebauk Investimentu No Finansas, SA ("the Company") for the year ended 31 December 2023.

The Company is an institution registered as joint stock company.

Information on Directors
The names of the directors in office at any time during or since the end of the period are:

Mr. Alvaro Menezes	1 January 2022 - 28 March 2022 29 March 2022 - Present	Board Director Chairman
Mr. Muhammad Shamim Khan	1 May 2020 - Present	Board Director
Mr. Mamadou Aliou Diallo	20 July 2022 - Present	Board Director
Mr. Neak Niporn	1 May 2022 - Present	Board Director
Mrs. Sara Lobo	24 April 2023 - 30 October 2023	Independent Board of Director
Mr.Angelo B.C Soares	11 September 2023 - Present	CEO -Executive Board Member

All directors have held their office from 1 January 2023 to the date of this report unless otherwise stated.

Insurance and Indemnification of Officers or Auditor
No insurance cover has been provided for the benefit of the auditor.

No indemnities have been given to the officers or auditor.

Principal Activities
The principal activities of the Company during the year were the provision of financial services to clients in the form of taking deposits and giving loans as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating Results
The net profit of the Company for the year was $ 2,047,813 (2022:$1,978,703)

Dividends
No Dividend has been declared for the year ended 31 December 2023 (2022: $1,644,790).

Options

No options over unissued shares or interests in the Company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

No shares have been issued as a result of the exercise of an option.

Significant Changes in State of Affairs

Apart from disclosures elsewhere in this report, there were no significant changes in the state of the affairs of the Company during the year.

KAEBAUK INVESTIMENTU NO FINANSAS, SA

DIRECTORS' REPORT

Events Subsequent to the End of the Reporting Period

No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of the Company in subsequent financial period.

Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of the Company or interfere in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the period.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2023 forms part of this report and a copy of this declaration is attached.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the State.

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

Director: Mr. Alvaro Menezes

Dated this 9 April 2024

Tel: +61 8 8981 7066
Fax: +61 8 8981 7493
www.bdo.com.au

72 Cavenagh St
Darwin NT 0800
GPO Box 4640 Darwin NT 0801
Australia

DECLARATION OF INDEPENDENCE BY CLIVE GARLAND TO THE DIRECTORS OF KAEBAUK INVESTMENTU NO FINANSAS, SA

As lead auditor of KAEBAUK INVESTMENTU NO FINANSAS, SA for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *International Ethics Standards Board of Accountants' Code of Ethics for Professional accountants (including independence standards)* in relation to the audit; and

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

This declaration is in respect of KAEBAUK INVESTMENTU NO FINANSAS, SA during the year ended 31 December 2023.

Clive Garland
Audit Partner

BDO Audit (NT)

Darwin, 23 April 2024

Kaebauk Investimentu No Finansas, SA
Director's Declaration
For the Year Ended 31 December 2023

The Directors of Kaebauk Investimentu No Finansas, SA ("the Company") declare that:

a) the financial statements, comprising the statement of profit and loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes:

   (i) Comply with instruction of Banco Central Timor Leste N. XX/2022 on reporting and publication; and

   (ii) Give a true and fair view of the Company's financial position as at 31 December 2023 and of the results of operations for the period then ended.

b) in the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Alvaro Menezes
Director

Date: April 9, 2024

Tel: +61 8 8981 7066
Fax: +61 8 8981 7493
www.bdo.com.au

72 Cavenagh St
Darwin NT 0800
GPO Box 4640 Darwin NT 0801
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Kaebauk Investimentu No Finansas, S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kaebauk Investimentu No Finansas, S.A. (the Company), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the Financial Statements, including material accounting policy information.

In our opinion the accompanying financial statements give a true and fair view of the Company's financial position as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with instruction of Banco Central Timor Leste N. XX/2022 on reporting and publication.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's Report but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statement does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statement, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Financial statement

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with of Banco Central Timor Leste N. XX/2022 on reporting and publication and for such internal control as management determines is necessary to enable the preparation and fair presentation of a Financial Statements that is free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 is 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 the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Statements.

As part of an audit in accordance with the International Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the Financial Statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.

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

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.

- Concludes on the appropriateness of those charged with governance'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 ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Audit (NT)

BDO

Clive Garland

Partner

Darwin, 23 April 2024.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	**31-Dec-23**	31-Dec-22
		-------- USD --------	-------USD-------
Interest Income	**2.1**	**8,482,237**	7,073,192
Interest Expense	**2.1**	**(1,176,012)**	(934,458)
Net Interest Income		**7,306,225**	6,138,734
Other revenue and income	**2.2**	**34,175**	284,240
Provisions and write-offs	**6.1**	**(79,037)**	(232,650)
Administrative Expenses		**(229,224)**	(294,528)
Repairs and maintenance		**(250,508)**	(231,975)
Fuel and oil		**(190,087)**	(181,728)
Employee salaries and benefits expense		**(3,445,730)**	(2,624,833)
Rent expense		**(2,033)**	(16,618)
Travel and lodging allowance		**(57,152)**	(58,492)
Utilities		**(147,873)**	(129,675)
Depreciation and amortisation expense		**(431,943)**	(383,487)
Other expenses	**3**	**(228,032)**	(90,603)
Profit before tax		**2,278,781**	2,178,385
Income tax expense	**25**	**(230,968)**	(199,682)
Profit after tax		**2,047,813**	1,978,703
Other Comprehensive Income for the year		**-**	-
Total Comprehensive Income for the year		**2,047,813**	1,978,703

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	31-Dec-23	31-Dec-22
		------- USD ------	------- USD ------
ASSETS			
Cash and cash equivalents	**5**	**8,427,354**	5,557,231
Loans and advances	**6**	**27,651,592**	21,605,119
Property , plant and equipment	**8 & 9**	**1,456,752**	1,449,581
Other assets	**9**	**647,181**	421,522
TOTAL ASSETS		**38,182,879**	29,033,453
LIABILITIES			
Cash Collateral	**10**	**4,296,695**	3,631,526
Payables due to other financial institutions	**11**	**21,184,462**	13,811,355
Subordinated debt	**12**	**1,000,000**	900,000
Deposits	**13**	**851,543**	604,294
Lease Liability	**15**	**1,008,528**	1,071,688
Other payables	**14**	**1,661,256**	2,882,008
TOTAL LIABILITIES		**30,002,484**	22,900,871
NET ASSETS		**8,180,395**	6,132,582
EQUITY			
Share Capital		**2,000,000**	2,000,000
Retained Earnings		**5,886,925**	3,453,559
Reserves		**293,470**	679,023
TOTAL EQUITIES		**8,180,395**	6,132,582

The above statement of financial position should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	31-Dec-23	31-Dec-22
		------- USD -------	------ USD ------
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		**2,047,813**	1,978,703
Adjustments:			
Expected credit losses provision	**7.1**	**79,037**	232,650
Depreciation & Amortisation	**8 & 9**	**431,943**	383,487
Gain on sale of Property, plant and equipment		**(12,647)**	(11,425)
Changes in assets and liabilities:			
Loans & Advances		**(6,125,510)**	(4,807,960)
Prepayments and other receivables		**(225,659)**	(52,341)
Saving deposits and other accruals		**1,336,456**	1,177,107
Net cash generated from/(used in) operating activities		**(2,468,567)**	(1,099,779)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed term deposits		**-**	3,205,373
Payments for property, plant and equipment		**(433,609)**	(121,220)
Proceeds from sale of property, plant and equipment		**7,142**	11,425
Net cash generated from/(used in) investing activities		**(426,467)**	3,095,578
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans	**12 & 13**	**12,426,762**	11,757,826
Repayments of loans	**12 & 13**	**(4,953,655)**	(8,705,079)
Changes in Lease liability		**(63,160)**	(175,792)
Cash outflow in respect of previous year Dividend		**(1,644,790)**	(970,000)
Net cash generated from/(used in) financing activities		**5,765,156**	1,906,955
Net Increase in cash held		**2,870,123**	3,902,753
Cash at beginning of the financial year		**5,557,230**	1,654,477
Cash at the end of financial year		**8,427,354**	5,557,230

The above statement of cash flows should be read in conjunction with the accompanying notes.

KAEBAUK INVESTIMENTU NO FINANSAS, SA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	31-Dec-23				31-Dec-22			
	Share Capital	**Retained Earnings**	**Reserves**	**Total Equity**	Share Capital	Retained Earnings	Reserve	Total Equity
Balance at the beginning of the year	**2,000,000**	**3,453,559**	**679,023**	**6,132,582**	2,000,000	3,211,931	586,738	5,798,669
Profit for the year	**-**	**2,047,813**	**-**	**2,047,813**	-	1,978,703	-	1,978,703
Transfer Between Retained Earnings and Reserves		**385,553**	**(385,553)**	**-**		(92,285)	92,285	-
Dividend Declared	**-**	**-**	**-**	**-**	-	(1,644,790)	-	(1,644,790)
Balance at the end of the year	**2,000,000**	**5,886,925**	**293,470**	**8,180,395**	2,000,000	3,453,559	679,023	6,132,582

The above statement of changes in equity should be read in conjunction with the accompanying notes.

GENERAL INFORMATION

The financial statements cover KAEBAUK INVESTIMENTU NO FINANSAS, SA "Kaebauk or KIF or company" as an individual entity. Kaebauk is registered as joint stock company with Company registration No. 1242933A/MCIA/III/2016 with total share capital of USD 2,000,000, shareholders are Tuba Rai Metin ("TRM") -58.5%, BOPA Pte Ltd -16.5%, IFC- World Bank Group- 12.5% and Tuir Rasik Mehi (TURAME) -12.5% (to manage stocks of employees collectively). Kaebauk is the first Other Deposit Taking Institution 'ODTI' in the country.

Kaebauk is mainly promoted by Tuba Rai Metin which had its firm footing for over 15 years in the country with market leader status among MFIs. TRM has transferred its business to Kaebauk with effect from 1st March 2016. BOPA and IFC's equity with Kaebauk is their 1st investment in Timor Leste to strengthen the microfinance sector in the country running on commercial principles with social mission. Kaebauk had 22 branches to make the easy access to financial services.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements which have been prepared in accordance with instruction of Banco Central Timor Leste N. XX/2022 on reporting and publication.

The financial statements were authorised for issue in accordance with a resolution of the directors on 09 April 2024.

The financial statements have been prepared on an accrual basis and are based on historical cost except for financial assets available for sale that have been measured at fair value.

The presentation currency of the financial statements is United States Dollars, which is also the functional currency.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated

(a) Financial assets and financial liabilities

Introduction

(i) Initial recognition
The Company initially recognise loans and advances, deposits, on the date that they are originated. All other financial assets and financial liabilities (including financial assets and financial liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) De-recognition
The Company de-recognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Interest in transferred financial assets that is created or retained by the Company is recognise as a separate asset or a liability. The Company de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Off- setting
Financial assets and financial liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to off set the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

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

Cash and cash equivalents
Cash and cash equivalents include cash on hand, balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost. Interest is calculated on flat rate basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(a) Financial assets and financial liabilities (Cont.)

Deposits

Refer Note 1 (i) for details.

Borrowings

Refer Note 1 (j) for details.

(b) Revenue

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

Interest income and expense presented in the profit and loss statement include:

Interest on financial assets and liabilities at amortised cost on using effective interest rate basis

(c) Impairment - loans and advances

A provision for losses on impaired loans is recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which the credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those determined to be credit impaired, lifetime expected credit losses along with the interest income on a net basis are recognised. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden of the borrower. The critical assumptions used in the collections are set out in note 9. Note 22 details the credit risk management approach to loan impairment.

Bad debts are written off as determined by management and the Board, when it is reasonable to expect that the recovery of the loan is unlikely. All write-offs are on case by case basis, taking into the account the exposure at the date of the write-off. On secured loans, the write-off take place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where impairment has previously been recognised in relations to a loan. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in profit or loss.

Renegotiated loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons to related to financial difficulties of the member or group of members.

(d) Income Tax

Under the scheme of Trade Invest, the Company has been exempted from Income Tax with effect from February 01, 2017 until the 31 January 2022. Starting from February 2022 the Company started to pay the Income tax as the tax exemption has expired.

(e) Property, plant and equipment

Each class of property, plant and equipment is carried out at cost less any accumulated depreciation and impairment losses.

Depreciation

The depreciable amount of all property, plant and equipment, including buildings, is depreciated over their useful lives to the Company commencing from the time asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight line basis.

A summary of rates used is:

Buildings	10 - 33.3%	Furniture, Fixtures and Office Equipment	20.0 - 33.3%
Leasehold improvements	20.0 - 33.3%	Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These gains and losses are included in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Impairment of assets (excluding financial assets)
At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of asset, being the higher of asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss (except for items carried at revalued amount).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Derecognition of Property, plant and equipment
An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(h) Intangible assets
Computer Software
Items of computer software which are not integral to the computer hardware owned by the Company are classified as an intangible asset with a finite life. Computer software has a finite life and, accordingly, is amortised on a straight line basis over the expected useful life of the software. These lives range from 2 - 5 years.

(i) Deposits
Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposit is recognised on an accrual basis. Interest accrued at the end of the reporting date is shown as a part of deposits.

(j) Borrowings
Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Company chooses to carry the liabilities at fair value through the profit or loss. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

(k) Accounting estimates and judgements
The key assumptions concerning the future and other key sources of estimations at reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities with in a next financial year are discussed below:

(i) **Impairment of non-financial assets**
The Company assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. When an impairment trigger

exists, the recoverable amount of the asset is determined. Value-in-use calculation performed in assessing recoverable amount incorporate a number of key estimates.

No impairment has been recognised in respect of property, plant and equipment for the year ended 31 December 2023.

(ii) **Provision for impaired loans**
The provision for impaired loans assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the expected credit loss model, credit risk and the specific knowledge of the individual borrower's financial position. The provision amounted to $797,318.01 as at 31 December 2023 (2022: $1,016,093).

(l) Reserves
If the Bank's loss allowance based on the Expected Credit Loses is less than the regulatory amount determined using the standard percentage method, then the Bank's allowance shall be considered to be inadequate, and the difference shall be treated as an appropriation of retained earnings and placed in a non-distributable regulatory loan loss reserve, not charging the income statement. Additional reserve was recognised during the year in accordance with terms and conditions agreed with a specific lender.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) New and Amended Accounting Policies Adopted by the Company

Leases

The majority of the Company's accounting policies for leases are set out in Note 18.

Identifying Leases
The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Company obtains substantially all the economic benefits from use of the asset; and
(c) The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits. In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre- determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

		31-Dec-23	31-Dec-22
		…….USD……	…….USD……
2.1	**INTEREST INCOME AND INTEREST EXPENSE**		
	(a) Interest Income		
	Assets at amortised cost		
	Loans and advances	**7,712,267**	6,666,267
	Fee and commission	**769,970**	406,925
	Total Interest Income	**8,482,237**	7,073,192
	(b) Interest Expense		
	Liabilities at amortised cost		
	Borrowings	**1,093,556**	836,405
	Lease Liability	**81,494**	96,778
	Deposits	**962**	1,275
	Total Interest Expense	**1,176,012**	934,458
2.2	**OTHER REVENUE AND INCOME**		
	Interest on Term Deposits	**10,055**	13,945
	Gain on disposal of assets	**12,647**	11,425
	Others	**11,473**	258,870
	Total other revenue and income	**34,175**	284,240
3	**OTHER EXPENSES**		
	Bank Charges	**8,048**	7,586
	Misc Expenses	**2,457**	2,255
	Meals for staff	**76,946**	68,762
	Research & Development Expenses	**140,581**	12,000
	Total Other Expenses	**228,032**	90,603

4 RELATED PARTIES

4.1 In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties.

		31-Dec-23	31-Dec-22
Transactions occurred during the year			
TRM	Cash outflow in respect of previous year Dividend	**962,202**	567,450
	Rental expense	**188,647**	183,733
	Interest Expense on Sub-debt and saving deposits	**89,247**	85,000
	Commission Income	**-**	176
TURAME	Dividend paid	**-**	121,250
Balances as at 31 December			
TRM	Sub Debt	**1,000,000**	900,000
	Payable	**-**	3,177
	Saving deposit	**-**	-
	Dividend payable	**-**	962,202
TURAME	Dividend payable	**-**	205,599
	Saving deposit	**25,681**	17

4.2 *Compensation of KMPs in total and for each of the following categories was as follows:*

	31-Dec-23	31-Dec-22
Short-term employee benefits	**908,295**	741,605
Post-employment benefits	**114,913**	93,263
Total	**1,023,208**	834,868

		Note	31-Dec-23	31-Dec-22
			…….USD……	…….USD……
5	**CASH AND CASH EQUIVALENT**			
	Cash on hand		**87,050**	44,627
	Banks			
	Current		**8,340,304**	5,512,604
			8,427,354	5,557,231

The effective interest rate on short-term bank deposits is 0% and having maturity of less than three months.

		Note	31-Dec-23	31-Dec-22
6	**LOANS AND ADVANCES**			
	Loans and advances to customers		**28,448,910**	22,786,707
	Gross loan portfolio		**28,448,910**	22,786,707
	Impairment of Loans and advances	**6.1**	**(797,318)**	(1,181,588)
	Net Loans and advances		**27,651,592**	21,605,119

Loans outstanding by geographical location:

	31-Dec-23	31-Dec-22
Aileu	**935,659**	853,583
Ainaro	**659,003**	475,234
Atauro	**351,309**	308,331
Atsabe	**561,075**	482,527
Batugade	**1,335,381**	977,727
Baucau	**1,588,220**	1,528,022
Bazartete	**1,105,713**	946,913
Becora	**2,263,682**	1,782,105
Colmera/ Aitarak Laran	**2,029,082**	1,556,847
Comoro	**3,529,856**	3,191,063
Ermera	**748,127**	598,993
Laclubar/ Natarbora	**576,086**	383,960
Liquica	**1,380,330**	1,010,794
Lospalos	**1,702,692**	1,178,057
Maliana	**1,783,534**	1,365,129
Manatuto	**723,756**	566,144
Maubisse	**567,808**	509,664
Oecusse	**1,645,435**	1,182,879
Same	**1,490,079**	1,024,220
Suai	**1,497,628**	1,277,688
Viqueque	**1,199,052**	981,617
Zumalai	**775,403**	605,210
	28,448,910	22,786,707

6 LOANS AND ADVANCES (continued)

Loans accounts by geographical location:
(by number of account holders)

	31-Dec-23	31-Dec-22
Aileu	**852**	771
Ainaro	**650**	453
Atauro	**388**	331
Atsabe	**451**	364
Batugade	**868**	760
Baucau	**876**	798
Bazartete	**876**	777
Becora	**1,208**	1,194
Colmera/ Aitarak Laran	**962**	898
Comoro	**1,599**	1,627
Ermera	**531**	494
Laclubar/ Natarbora	**558**	408
Liquica	**1,184**	968
Lospalos	**1,181**	877
Maliana	**1,053**	933
Manatuto	**571**	492
Maubisse	**526**	492
Oecusse	**981**	837
Same	**1,103**	796
Suai	**829**	695
Viqueque	**718**	624
Zumalai	**499**	389
	18,464	15,978

6.1 Impairment of loans and advances

	31-Dec-23	31-Dec-22
	…….USD……	…….USD……
Provision for impairment		
Opening balance	**1,181,588**	1,016,093
Bad debts written off	**(500,372)**	(102,654)
Recoveries from written off	**37,065**	35,499
Charge for the year	**79,037**	232,650
Closing Balance	**797,318**	1,181,588

Details of credit risk management
are set out in Note 22.

Key assumptions in determining the provision for impairment

In the course of the preparation of the financial statements, the Company has determined the likely impairment loss on loans and overdrafts which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of impairment such as bankruptcy, industrial restructuring, job losses or economic circumstances.

In identifying the impairment arising from these events, the Company is required to estimate the impairment, using the length of time the loan is in arrears, the historical losses arising in past years and increase in expected credit losses from significant customer credit deterioration. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses.

6.1 Impairment of loans and advances (Cont.)

Ageing Analysis

As at 31 December 2022, the aging analysis and credit classification of loans to customers was as follows:

Credit Classification	*Days past due*	**31-Dec-23**	31-Dec-22
		---------USD---------	---------USD---------
Standard	0	**27,463,988**	21,451,125
Substandard	1-60	**266,252**	147,728
Doubtful	61-90	**18,823**	52,192
Loss	>90	**699,847**	1,135,662
Closing Balance		**28,448,910**	22,786,707

The ageing analysis of loans to customers by branch is as follows:

As at 31 December 2023

Branches	**Accounts**				
	Standard	**Sub Standard**	**Doubtful**	**Loss**	**Total**
	…….USD……	**…….USD……**	**…….USD……**	**…….USD……**	**…….USD……**
Aileu	**913,396**	**9,747**	**798**	**11,718**	**935,659**
Ainaro	**644,062**	**1,153**	**-**	**13,788**	**659,003**
Atauro	**349,753**	**986**	**-**	**570**	**351,309**
Atsabe	**533,821**	**6,640**	**458**	**20,156**	**561,075**
Batugade	**1,304,671**	**2,889**	**5,360**	**22,461**	**1,335,381**
Baucau	**1,529,746**	**-**	**-**	**58,474**	**1,588,220**
Bazartete	**1,098,566**	**6,332**	**-**	**815**	**1,105,713**
Becora	**2,095,709**	**48,534**	**1,604**	**117,835**	**2,263,682**
Colmera/ Aitarak Laran	**1,895,424**	**14,246**	**50**	**119,362**	**2,029,082**
Comoro	**3,233,793**	**118,331**	**7,726**	**170,006**	**3,529,856**
Ermera	**737,804**	**1,045**	**492**	**8,786**	**748,127**
Laclubar/Natarbora	**568,826**	**3,941**	**-**	**3,319**	**576,086**
Liquica	**1,350,183**	**16,211**	**474**	**13,462**	**1,380,330**
Lospalos	**1,691,795**	**766**	**-**	**10,131**	**1,702,692**
Maliana	**1,757,547**	**10,197**	**554**	**15,236**	**1,783,534**
Manatuto	**722,913**	**185**	**-**	**658**	**723,756**
Maubisse	**563,939**	**2,577**	**-**	**1,292**	**567,808**
Oecusse	**1,632,908**	**-**	**-**	**12,527**	**1,645,435**
Same	**1,488,943**	**-**	**-**	**1,136**	**1,490,079**
Suai	**1,475,218**	**930**	**-**	**21,480**	**1,497,628**
Viqueque	**1,124,083**	**20,247**	**775**	**53,947**	**1,199,052**
Zumalai	**750,888**	**1,295**	**532**	**22,688**	**775,403**
Total	**27,463,988**	**266,252**	**18,823**	**699,847**	**28,448,910**

As at 31 December 2022

Branches	Accounts				
	Standard	Sub Standard	Doubtful	Loss	Total
	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……
Aileu	813,307	4,824	2,109	33,343	853,583
Ainaro	452,848	915	-	21,471	475,234
Atauro	306,531	-	-	1,800	308,331
Atsabe	456,142	12,863	1,001	12,521	482,527
Batugade	948,702	556	268	28,201	977,727
Baucau	1,407,952	2,622	4,373	113,075	1,528,022
Bazartete	945,784	-	-	1,129	946,913
Becora	1,583,297	22,987	1,771	174,050	1,782,105
Colmera/ Aitarak Laran	1,401,969	21,537	3,295	130,046	1,556,847
Comoro	2,760,928	42,860	22,793	364,482	3,191,063
Ermera	566,654	1,429	224	30,686	598,993
Laclubar/ Natarbora	371,494	3,753	1,081	7,632	383,960
Liquica	993,738	4,464	1,231	11,361	1,010,794
Lospalos	1,171,387	-	-	6,670	1,178,057
Maliana	1,333,437	5,345	-	26,347	1,365,129
Manatuto	556,219	2,087	6,404	1,434	566,144
Maubisse	505,623	1,438	-	2,603	509,664
Oecusse	1,156,121	5,251	-	21,507	1,182,879
Same	1,010,115	-	-	14,105	1,024,220
Suai	1,236,216	625	-	40,847	1,277,688
Viqueque	905,117	8,507	6,354	61,639	981,617
Zumalai	567,544	5,665	1,288	30,713	605,210
Total	21,451,125	147,728	52,192	1,135,662	22,786,707

7 Property and equipment

31-Dec-23

	Cost				Accumulated Depreciation				Net Book value as at December 31, 2023	Rate of depreciation
	As at January 01, 2023	Additions	Disposals	As at December 31, 2023	As at January 01, 2023	Charge for the period	(Disposals)	As at December 31, 2023		
	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	
Buildings & Leasehold improvement on leasehold land	**324,774**	**-**	**-**	**324,774**	**112,631**	**52,889**	**-**	**165,520**	**159,254**	**10-33.3%**
Right-of-use assets	**1,446,163**	**215,458**	**(71,190)**	**1,590,431**	**464,834**	**252,786**	**(22,544)**	**695,076**	**895,355**	**10-33.3%**
Furniture and fixtures and Office equipment	**865,711**	**223,036**	**(288,329)**	**800,418**	**673,848**	**90,815**	**(289,886)**	**474,776**	**325,641**	**20-33.3%**
Vehicles	**191,200**	**44,900**	**(28,000)**	**208,100**	**126,954**	**35,453**	**(28,000)**	**134,407**	**73,693**	**20%**
	2,827,848	**483,394**	**(387,519)**	**2,923,723**	**1,378,267**	**431,943**	**(340,430)**	**1,469,780**	**1,453,943**	

31-Dec-22

	Cost				Accumulated Depreciation				Net Book value as at December 31, 2021	Rate of depreciation
	As at January 01, 2021	Additions	Disposals	As at December 31, 2022	As at January 01, 2021	Charge for the year	(Disposals)	As at December 31, 2022		
	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	
Buildings on leasehold land	60,324	264,450	-	324,774	60,324	52,307	-	112,631	212,143	10-33.3%
Right-of-use assets	1,411,765	34,398	-	1,446,163	252,012	212,822	-	464,834	981,329	10-33.3%
Furniture and fixtures and Office				-				-	-	
equipment	762,497	116,471	(13,257)	865,711	606,987	80,118	(13,257)	673,848	191,863	20-33.3%
Vehicles	226,150	-	(34,950)	191,200	123,664	38,240	(34,950)	126,954	64,246	20%
	2,460,736	415,319	(48,207)	2,827,848	1,042,987	383,487	(48,207)	1,378,267	1,449,581	

8 Intangible assets

31-Dec-23

	Cost				**Accumulated Amortisation**				**Net Book value as at December 31, 2023**	**Rate of depreciation**
	As at January 01, 2023	**Additions**	**Disposals**	**As at December 31, 2023**	**As at January 01, 2023**	**Charge for the period**	**(Disposals)**	**As at December 31, 2023**		
	.......USD......	**.......USD......**	**.......USD......**	**.......USD......**	**.......USD......**	**.......USD......**	**.......USD......**	**.......USD......**	**.......USD......**	
Computer Software	**43,302**	**2,809**	**-**	**46,111**	**43,302**	**-**	**-**	**43,302**	**2,809**	**33.3%**
	43,302	**2,809**	**-**	**46,111**	**43,302**	**-**	**-**	**43,302**	**2,809**	

31-Dec-22

	Cost				Accumulated Amortisation				Net Book value as at December 31, 2022	Rate of depreciation
	As at January 01, 2021	Additions	Disposals	As at December 31, 2022	As at January 01, 2021	Charge for the period	(Disposals)	As at December 31, 2022		
	.......USD......	.......USD......	.......USD......	.......USD......	.......USD......	.......USD......	.......USD......	.......USD......	.......USD......	
Computer Software	43,302	-	-	43,302	43,302	-	-	43,302	-	33.3%
	43,302	-	-	43,302	43,302	-	-	43,302	-	

(a) Work In Process

	31-Dec-23	31-Dec-22
	............USD...........	
Opening Balance	**-**	259,701
Add : Lease hold improvements	-	4,749
Transfer to Leasehold Improvements	-	(264,450)
	-	-

		Note	**31-Dec-23**	31-Dec-22
		Note	**…….USD……**	…….USD……
9	**OTHER ASSETS**			
	Advances to vendors and staff		**76,149**	15,755
	Accrued Interest Receivables		**496,913**	401,083
	Prepayments		**74,119**	4,684
			647,181	421,522
10	**Cash Collateral**			
	Cash Collateral	10.1	**4,296,695**	3,631,526
			4,296,695	3,631,526

10.1 The Cash Collateral represents the compulsory deposits required from loan customers.

Cash Collateral balances by geographical location:

	31-Dec-23	31-Dec-22
Aileu	**145,970**	130,333
Ainaro	**95,248**	72,066
Atauro	**56,452**	47,342
Atsabe	**83,799**	75,714
Batugade	**191,000**	153,937
Baucau	**256,838**	235,208
Bazartete	**167,315**	140,380
Becora	**344,142**	287,440
Colmera/ Aitarak Laran	**295,549**	231,139
Comoro	**549,012**	542,616
Ermera	**116,560**	99,250
Laclubar/ Natarbora	**79,006**	56,796
Liquica	**198,380**	163,495
Lospalos	**255,012**	180,657
Maliana	**274,856**	232,801
Manatuto	**112,324**	92,854
Maubisse	**92,538**	83,328
Oecusse	**225,232**	182,562
Same	**221,218**	162,585
Suai	**223,151**	198,931
Viqueque	**191,302**	164,567
Zumalai	**121,790**	97,525
	4,296,695	3,631,526

11 PAYABLE DUE TO OTHER FINANCIAL INSTITUTIONS

	31-Dec-23					
	Balance as at 1-Jan-23	**Loans received during the year**	**Loans repaid during the year**	**Balance as at 31-Dec-23**	**Current Loans**	**Non-Current Loans**
European Investment Bank-EIB	**1,558,200**	**-**	**(445,460)**	**1,112,740**	**445,460**	**667,280**
KIVA	**753,155**	**100,733**	**(233,195)**	**620,693**	**465,520**	**155,173**
Incofin	**3,000,000**	**3,000,000**	**(1,000,000)**	**5,000,000**	**1,500,000**	**3,500,000**
Triple Jump	**500,000**	**2,500,000**	**(500,000)**	**2,500,000**		**2,500,000**
Mandiri Bank	**-**	**-**	**-**	**-**	**-**	**-**
International Financial Corporation-IFC	**3,000,000**	**-**	**(875,000)**	**2,125,000**	**1,500,000**	**625,000**
Symbiotics S A	**3,000,000**	**1,000,000**	**(1,000,000)**	**3,000,000**	**500,000**	**2,500,000**
BNCTL - Credit Line	**1,000,000**	**2,000,000**	**-**	**3,000,000**	**3,000,000**	**-**
Tuba Rai Metin - Credit Line	**-**	**500,000**	**-**	**500,000**	**500,000**	**-**
Lendahand	**-**	**326,029**	**-**	**326,029**	**-**	**326,029**
Bank Im Bistum Essen eG	**-**	**1,000,000**	**-**	**1,000,000**	**-**	**1,000,000**
Cordaid	**1,000,000**	**1,000,000**	**-**	**2,000,000**	**1,000,000**	**1,000,000**
	13,811,355	**11,426,762**	**(4,053,655)**	**21,184,462**	**8,910,980**	**12,273,482**

	31-Dec-22					
	Balance as at 1-Jan-21	Loans received during the year	Loans repaid during the year	Balance as at 31-Dec-21	Current Loans	Non-Current Loans
European Investment Bank-EIB	2,003,660	-	(445,460)	1,558,200	445,460	1,112,740
KIVA	734,948	277,826	(259,619)	753,155	564,866	188,289
Incofin	2,000,000	2,000,000	(1,000,000)	3,000,000	1,000,000	2,000,000
Triple Jump	1,000,000	-	(500,000)	500,000	500,000	-
Mandiri Bank	2,020,000	4,480,000	(6,500,000)	-	-	-
International Financial Corporation-IFC	3,000,000	-	-	3,000,000	625,000	2,375,000
Symbiotics S A	-	3,000,000	-	3,000,000	-	3,000,000
BNCTL	-	1,000,000	-	1,000,000	1,000,000	-
Cordaid	-	1,000,000	-	1,000,000	-	1,000,000
	10,758,608	11,757,826	(8,705,079)	13,811,355	4,135,326	9,676,029

The Symbiotics SA, loan is issued to finance micro, small, or medium enterprises and/or low and middle income households. The loan agreement requires that Kaebauk Investimentu No Finansas, SA to maintain a Capital Adequacy ratio of not less that 20% and all other Regulatory Prudential Ratios.

The KIVA Micro funds represents small loans obtained from KIVA web based business which allows website user throughout the world to connect with local lenders that provide small loans to individuals or groups in developing countries.

The purpose of European Investment Bank (EIB)'s loan is to provide funds to KIF to support micro and small enterprises, self employed entrepreneurs and sole proprietorships in urban and rural areas and also low-income house hold to improve housing & sanitation.

The Incofin loan is intended for KIF to follow its set growth pattern and consolidate its existing activities of extending small loans to micro-entrepreneurs. The loan term is for 2 years, among others, the loan agreement requires that KIF shall at all times maintain a capital adequacy ratio of not less than 20%, risk coverage ratio of not less than 100% and liquidity ratio of a minimum of 20%.

The loan from "MicroBuild I.B.V (represented by "Triple Jump B.V.)" aims to support the on-lending activities of the Borrower aimed at improving housing condition of low income families in home country. The loan term is for two years from the date of disbursement.

BNCTL loan represents amounts withdrawn for the revolving loan facility to provide support for capital funding of Kaebauk Investimentu no Finansas, SA. The term for this loan is 3 years.

The Stichting Cordaid loan is intended to finance micro-credit loans to expand the microfinance portfolio. The loan is provided for the period of 3 years. The loan agreement requires that Kaebauk Investimentu No Finansas, SA to maintain a Capital Adequacy ratio of not less that 20%.

The purpose of the IFC Loan is to provide the borrower with funding to be used by the borrower for financing its lending operations to micro and small enterprises in the Country. The loan term is for four years from the date of disbursement.

Lendahand is a crowdfunding lender where this institution provided the loan with amount of USD 1,500,000 to Kaebauk Investimentu no Finansas S.A.

Bank Im Bistum Essen eG (BIB) loan is to provide the assistance to micro credit clients. In order to support this micro credit, BIB has provided the loans with amount of USD 2,000,000 to Kaebauk Investimentu no Finansas S.A.

Tuba Rai Metin also provided a USD 1,000,000 revolving loan facility to Kaebauk to support the capital funding of Kaebauk Investimentu no

Finansas S.A. The term of the loan is 1 year.

12 SUB ORDINATED DEBT

	31-Dec-23					
	Balance as at January 01, 2022	**Loans received during the year**	**Loans repaid during the year**	**Balance as at December 31, 2022**	**Current Loans**	**Non-Current Loans**
Tuba Rai Metin-TRM	**900,000**	**1,000,000**	**(900,000)**	**1,000,000**	**1,000,000**	**-**
	900,000	**1,000,000**	**(900,000)**	**1,000,000**	**1,000,000**	**-**

	31-Dec-22					
	Balance as at January 01, 2021	Loans received during the year	Loans repaid during the year	Balance as at December 31, 2021	Current Loans	Non-Current Loans
Tuba Rai Metin-TRM	900,000	-	-	900,000	900,000.00	-
	900,000	-	-	900,000	900,000	-

13 DEPOSITS

	31-Dec-23	31-Dec-22
	.......USD......	.......USD......
Demand Deposits	**851,543**	604,294
	851,543	604,294
Deposit balances by geographical location:		
Aileu	**103,742**	93,917
Ainaro	**9,132**	9,240
Atauro	**343**	315
Atsabe	**4,518**	3,806
Batugade	**61,190**	44,321
Baucau	**55,352**	45,952
Bazartete	**11,395**	9,212
Becora	**57,070**	40,398
Colmera/ Aitarak Laran	**21,463**	7,308
Comoro	**158,477**	60,825
Ermera	**31,223**	31,925
Laclubar/ Natarbora	**2,019**	1,746
Liquica	**26,464**	13,567
Lospalos	**10,110**	13,458
Maliana	**59,699**	42,136
Manatuto	**29,400**	18,869
Maubisse	**13,299**	13,483
Oecusse	**56,306**	37,294
Same	**36,404**	33,802
Suai	**86,442**	51,054
Viqueque	**15,235**	29,703
Zumalai	**2,263**	1,963
	851,543	604,294

14 OTHER PAYABLES

Dividend payable	**-**	1,644,790
Sundry creditors and accruals	**1,661,256**	1,237,218
	1,661,256	2,882,008

15 LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:
•Leases of low value assets; and
•Leases with a duration of 12 months or less.
IFRS 16 was adopted 1 January 2020 with restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2020, see Note 1. The following policies apply subsequent to the date of initial application, 1 January 2020.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:
•amounts expected to be payable under any residual value guarantee;
•the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
•any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

•if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
•in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
•if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The Company leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or in others to be reset periodically to market rental rates. In some jurisdictions' property leases the periodic rent is fixed over the lease term. The Company leases buildings under agreements of between one to ten years which in some cases include options to extend. On renewal, the lease terms are renegotiated.

Right-of-Use Assets (Net)	**Building**	**Total**
	USD	**USD**
As at 1 January 2023	981,329	981,329
Additions	215,458	215,458
Amortisation	(252,786)	(252,786)
Lease terminated	(48,646)	(48,646)
As at 31 December 2023	895,355	895,355

Lease Liabilities

	Building	**Total**
	USD	**USD**
As at 1 January 2023	1,071,688	1,071,688
Additions	215,458	215,458
Paid during the year	(224,179)	(224,179)
Lease terminated	(54,439)	(54,439)
As at 31 December 2023	1,008,528	1,008,528

	2023
Short-term and low value lease expense	2,033
Expense relating to variable lease payments not included in the measurement of lease liabilities	-

Financial Liability

	31-Dec-23	31-Dec-22
Current		
Lease liabilities	**226,486**	176,083
Non-current		
Lease liabilities	**782,042**	895,605

Total lease liabilities	**1,008,528**	1,071,688

16 COMMITMENTS

The Company has no commitment as at 31 December 2023.

17 BORROWING FACILITIES

The Company has the following borrowing facilities :

	Approved Facility	**Used at Reporting Date**	**Net Available**
	…….USD……	**…….USD……**	**…….USD……**
2023			
Pre-approved loan facility			
BNCTL (Credit Line Facility)	**3,000,000**	**3,000,000**	**-**
Lendahand (Unsecured Term Loan)	**1,500,000**	**326,029**	**1,173,971**
Bank Im Bistum Essen eG (Unsecured Term Loan)	**2,000,000**	**1,000,000**	**1,000,000**
	6,500,000	**4,326,029**	**2,173,971**

Kaebauk has signed a credit line facility agreement with amount of USD 3,000,000 From Banco Nacional Commercio de Timor Leste (BNCTL). However, in our current Bank Balance, USD 1 million has been locked as a collateral for this Credit Line Facility

	Approved Facility	Used at Reporting Date	Net Available
	…….USD……	…….USD……	…….USD……
2022			
Pre-approved loan facility			
BNCTL (Credit Line Facility)	3,000,000	1,000,000	2,000,000
Cordaid (Unsecured Term Loan)	2,000,000	1,000,000	1,000,000
	5,000,000	2,000,000	3,000,000

18 CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2023.

19 RISK MANAGEMENT POLICY AND OBJECTIVES

Introduction
The risk philosophy of KIF is to establish a robust risk management system in the organisation, with a view to inculcate risk culture, enhance stakeholder value and comply with regulatory guidelines.
The board of Directors (the Board) has endorsed a policy of compliance and risk management and Risk appetite to suit the risk profile of the Company.

Key risk management policies encompassed in the overall risk management framework include:
- Interest rate risk management
- Liquidity risk management
- Credit risk management
- Operations risk management including data risk management

Authority flows from the Board to the risk management committee and from there to the audit committee which are integral to the management of risk.

The main elements of risk governance are as follows:

(i) Board
This is the primary governing body and approves the level of risk to which the Company is exposed and the framework for reporting and mitigating those risks.

19 RISK MANAGEMENT POLICY AND OBJECTIVES (Cont.)

(ii) Audit Committee

As part of the integrated risk framework, a three line defence mechanism has been implemented. Business as the first line of defence defines and adheres to controls. Risk and compliance units act as the second line to monitor and enhance controls. The Internal Audit Department as the third line of defence provides oversight and independent assurance on the effectiveness of the design and operations of the risk control framework.

Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with controls, and provides feedback to the Risk Management Committee for their consideration.

(iii) Internal Audit

Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee. On periodic basis Audit Committee reviews reports and recommends for action.

(iv) Risk Management Committee

This is a key body in the control of risk. It has three representatives from the Board and reports are put up by the Company 's Risk Manager. CEO is not present in the meetings to keep independence of risk reporting. The Risk Management Committee does not form a view on the acceptability of risks but instead reviews risks and controls that are used to mitigate those risks. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Risk Management Committee through monthly review of operational reports. Control assignments are reviewed by the Risk Management Committee monthly to confirm whether risks are within the parameters outlined by Board.

The Risk Management Committee carries out a regular review of all operational areas to ensure that operational risks, credit risks and other risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. The Risk Management Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Arrears are strictly controlled. The size of loan book is such that it is possible to monitor each individual exposure to evaluate whether provisions are necessary and adequate. A dedicated credit control team, which reports to the committee, implements the Company credit risk policy.

The Company has undertaken the following strategies to minimise the risks arising from financial instruments.

(v) Risk Manager

Risk Manager has responsibility for both liaising with the operational function to ensure timely production of information for the Risk Committees and ensuring that instructions passed down from the Board via the Risk Committee are implemented.

(vi) Asset and Liability Committee (ALCO) - IRR and Liquidity Risk

This committee meets monthly as financial market in the country is not very dynamic yet and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP. The monthly scrutiny of liquidity position in different time buckets to ensure liquidity risk is well monitored.
The management of market risk is the responsibility of the ALCO Committee whose reports go to the audit committee of the Board and on a monthly basis to Risk Management Committee.

(vii) Interest rate Risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to changes in interest rates. Most ADIs are exposed to interest rate risk within their Treasury operations but in Timor Leste financial market and control measures are still at infancy stage and local currency is also USD. KIF is putting all interest on fixed rate for lending as well as borrowing. ALCO reporting needs to keep pace of market dynamics as per growth of vibrancy.

A. Credit Risk

Credit risk is the risk that customers, financial institutions and other counterparties will be unable to meet to their obligations to the Company which may result in financial losses. Credit risk arises principally from the Company's loan book and investment assets.

19 RISK MANAGEMENT POLICY AND OBJECTIVES (Cont.)

A. Credit risk - loans and advances
The maximum credit risk exposure in relation to loans is discussed in Note 23. Concentrations are discussed below.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before loans are approved and close monitoring of defaults in the repayment of loans thereafter on a regular basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit-worthy (capable of meeting loans repayments).

The Company has established policies over the:
- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the individual borrowers, ending and concentrations of geographic groups considered a high risk of default;
- Reassessing and review of the credit exposures on loan and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

(i) Past due and impairment loans
A loan is past due when the counterparty has failed to make payment when contractually due. Past due does not means that a counter-party will never pay but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings.
Reports monitor loan repayments or detect delays in repayments and recovery action is undertaken regularly. For loans where repayments are doubtful recovery action is undertaken once the loan is in arrears. The exposures to losses arise predominantly in the personal loans.

Provisions are maintained at a level that the management deems sufficient to absorb probable incurred losses in the Company's loan portfolio from homogenous portfolios of assets and individually identified loans.

(i) Concentration risk - individuals
Concentration risk is a measurement of the Company's exposure to an individual counterparty.

The Company minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers and different sectors. Sector wise portfolio's division is as follows:

Agriculture Water & Forestry	15.76%
Construction/Housing	9.80%
Individuals	1.72%
Manufacturing	0.19%
Others	0.04%
Services	14.30%
Trade & Finance	57.79%
Transport & Communication	0.39%

B. Liquidity Risk
Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. borrowing repayments or member withdrawal demands. It is the policy of the Board that treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Company manages liquidity risk by:
- Continuously monitoring actual cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and financial liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The maturity profile of financial liabilities based on the contractual repayment terms is set out in Note 23.

20 MATURITY PROFILE OF FINANCIAL LIABILITIES

The table below shows the periods in which the financial liabilities mature. Contractual cash flows relating to the principal amount are shown in the table at undiscounted values.

	Carrying amount	Total Cash Flows	Within 1 month	2 - 6 months	7 - 12 months	1 - 5 years	Over 5 years
	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD…
2023							
Cash Collateral	4,296,695	4,296,695	343,736	1,675,711	1,374,942	902,306	-
Payables due to other financial institutions	22,184,462	22,171,793	250,000	1,500,000	7,216,683	13,205,110	-
Lease liability	1,008,528	1,008,528	18,874	94,369	113,243	782,042	-
Other payables	1,661,256	1,675,038	1,384	1,353,428	320,226	-	-
Deposits	851,543	851,543	85,154	136,247	204,370	425,771	-
	30,002,484	30,003,597	699,149	4,759,755	9,229,464	15,315,229	-
2022							
Cash Collateral	3,631,526	3,631,526	290,523	1,416,295	1,162,088	762,620	-
Payables due to other financial institutions	14,711,355	14,711,355	14,711,355	-	-	-	-
Lease liability	1,071,688	1,071,688	14,673	73,368	88,042	895,605	
Other payables	2,882,008	2,882,008	541,936	1,967,532	186,269	186,270	-
Deposits	604,294	604,294	60,429	96,687	447,178		-
	22,900,871	22,900,871	15,618,916	3,553,882	1,883,577	1,844,495	-

To manage liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents. These assets are readily available to meet liquidity requirements.

21 INTEREST RATE RISK

The Company's exposure to interest rate risk, which is the risk that financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates is set below.

	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total
		Within 1 year	1 - 5 years	Over 5 years		
	…….USD……	…….USD……	…….USD……	…….USD……	…….USD……	…….USD…
2023						
Cash and cash equivalents		8,340,304	-	-	87,050	8,427,354
Term Deposits in Banks		-	-	-	-	-
Loans Portfolio		21,677,304	5,974,288	-	-	27,651,592
Other Assets		-	-	-	647,181	647,181
Cash Collateral		-	-	-	(4,296,695)	(4,296,695)
Saving Deposits		(425,772)	(425,771)	-	-	(851,543)
Payables due to other financial institutions		(8,966,683)	(13,205,110)	-	-	(22,171,793)
Lease Liability					(1,008,528)	(1,008,528)
Other Current Liabilities		-	-	-	(1,661,256)	(1,661,256)
Interest sensitivity gap	-	20,625,153	(7,656,593)	-	(6,232,248)	6,736,312
2022						
Cash and cash equivalents		5,512,604	-	-	44,627	5,557,231
Term Deposits in Banks		-	-	-	-	-
Loans Portfolio		16,819,911	4,785,208	-	-	21,605,119
Other Assets		-	-	-	421,522	421,522
Cash Collateral		-	-	-	(3,631,526)	(3,631,526)
Saving Deposits		(604,294)	-	-	-	(604,294)
Payables due to other financial institutions		(14,711,355)	-	-	-	(14,711,355)
Lease Liability		(176,083)	(895,605)			(1,071,688)
Other Current Liabilities		-	-	-	(2,882,008)	(2,882,008)
Interest sensitivity gap	-	6,840,783	3,889,603	-	(6,047,385)	4,683,001

22 CREDIT RISK

The Company incurs risks with regards to loans and advances made to customers and other monies or investments held with financial institutions. The Company's exposure to credit risk arises from potential default of the customer, with a maximum credit risk exposure equal to carrying value of the loans. Exposure at the balance sheet date is addressed in each applicable note. The Company extends loans only to recognised and credit worthy customers.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value estimates
The fair value estimates were determined as follows:

Cash and cash equivalents, receivables due from other financial institutions and other receivables
The carrying values approximate their value as they are short term in nature or are receivable on demand.

Loans and Advances
The fair value for fixed rate loans is their carrying values.

Short-term borrowings, payables due to other financial institutions and other payables
The carrying value approximates their fair value as they are short term in nature.

Deposits
The fair value of saving deposit is their carrying values.

24 WORKING CAPITAL

	31-Dec-23	31-Dec-22
	…….USD……	…….USD……
Current Assets		
Cash and cash equivalents	**8,427,354**	5,557,231
Loans and advances	**21,677,304**	16,819,911
Total Current Assets	**30,104,658**	22,377,142
Current Liabilities		
Cash Collateral	**3,394,389**	2,868,906
Payables due to other financial institutions	**8,910,980**	4,135,326
Other payables	**1,661,256**	2,882,008
Deposits	**851,543**	604,294
Total Current Liabilities	**14,818,168**	10,490,534
Net Current Assets	**15,286,490**	11,886,608

25 TAX RECONCILIATION

		31-Dec-23	31-Dec-22
	Profit before tax	2,278,781	2,178,385
Less	Tax Exempted Period Profit (Jan-2022)	-	220,074
	Tax Period Profit	**2,278,781**	1,958,311
Add	**Expenses not-allowed under Tax**		
	Donation Expense	2,293	4,891
	Interest expense on lease liability	81,494	88,713
	Depreciation Expense - Right-of-Use Assets	252,786	195,087
Less	**Expenses Paid**		
	Actual Rent paid for lease	(305,673)	(250,186)
	Taxable Profit	**2,309,681**	**1,996,816**
	Deferred Tax		
Add	Depreciation as per FS from Feb to December	179,157	157,322
Less	Total PPE Addition	(267,936)	(108,898)
	Tax Payable Profit	**2,220,902**	**2,045,240**
	Tax Expense (10% of Taxable Profit)	**230,968**	**199,682**
	Tax Payable (10% of Tax Payable Profit)	**222,090**	**204,524**

25.1 Under the scheme of Trade Invest, Company has been exempted from Income Tax with effect from February 01, 2017 until the 31 January 2022. Starting from February 2022 the Company started to pay the Income tax as the tax exemption has expired.

IFRS 16 requires to recognise Right-of-Use Assets and Lease liability for the long term leases and then depreciate the Right-of-Use asset over the lease term and simultaneously pay off the liability with interest expense over the lease period.
For Tax purpose, company add back the depreciation over Right-of-Use assets and interest expense over lease liability and deduct the actual rent paid for the leases during the year.

26 ECONOMIC DEPENDENCY

Sustainability is a major issue for microfinance institutions and their funders. The future operations of the Company are dependent upon the current market and economic situation and continue funding in Timor Leste.