40 YEARS

Working together

CREDIT CORPORATION

2018 **Annual Report**

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ABOUT CREDIT CORPORATION (PNG)

Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company. It has grown successfully to be recognised as one of Papua New Guinea and South Pacific's most progressive financial institutions.

The Company specialises in providing the following range of finance products and services:

- Chattel mortgage and lease finance for customers to acquire a wide variety of motor vehicles, heavy machinery plant and equipment for commercial and business use;
- Specially tailored financing packages;
- Insurance premium funding; and
- Investment facilities.

In addition, through its subsidiary companies, the Credit Corporation Group owns and manages a portfolio of Prime Real Estate Assets.

Shareholders have received a dividend each year since the incorporation of the Company in 1978.

The Credit Corporation Group presently owns assets valued at K1.43 billion and operates offices in Port Moresby, Kokopo, Mount Hagen and Lae in Papua New Guinea, in Suva, Nadi, Lautoka and Nakasi in Fiji, in Honiara in the Solomon Islands, Port Vila in Vanuatu and Dili in Timor-Leste.

Credit Corporation (PNG) Limited is listed on the Port Moresby Stock Exchange and registered under the Papua New Guinea Companies Act 1997. The Company is incorporated and domiciled in Papua New Guinea.

40 YEARS
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DIVISIONS

The Group has three key divisions including:

FINANCE

This division specialises in providing the following range of financial products and services including:

- Chattel mortgage and lease finance for motor vehicles, heavy machinery plant and equipment for commercial and business use;
- Specially tailored financing packages; and
- Investment facilities.

PROPERTY

The Group also owns and manages a portfolio of prime real estate assets. Key properties include:

- Era Matana — a major residential development in PNG;
- Era Dorina — one of the largest, if not the largest executive residential estate in Port Moresby; and
- Credit House — a premier commercial address in Port Moresby.

INVESTMENT

The Group is primarily invested in Bank of South Pacific shares.

Other equity investments include:

- Kina Asset Management;
- Capital Insurance Group Limited (unlisted);
- City Pharmacy Limited; and
- PNG Air Limited.

The portfolio provides a strong dividend income stream.

FINANCIAL HIGHLIGHTS

The Group achieved solid FY18 results with continued growth across our three core business units — finance, property and investment.

Net profit
K98m
↑ Increase 33%

Core profit
K86m
↑ Increase 14%

Core profit (finance division)
K24.3m
↓ Decrease 9.8%

Core profit (property division)
K12m
↑ Increase 22%

Investment division income
K46m
↑ Increase 8.5%

Earning per share
32 toea earnings per share
↑ Increase 33%

"It has been a positive and eventful year with Credit Corporation working to enhance the Group's performance and build a new strategic platform."

Net asset backing
K2.76 per share
↑ Increase 5% per share

Interim dividend
6 toea per share
↑ Increase 50% on PCP

Group return equity
10.38%
↑ Increase 94bps

Group return on assets
6%
↑ Increase 47bps

Net interest margin (NIM)
12.2%
↓ NIM reduced by 146bps

Net interest income (NII)
K75m
↑ Increase 30%

KEY HIGHLIGHTS

40th year celebrations

Assisted in marketing efforts and corporate visibility.

Property Rental

↑ 36% to K33m.

Overall occupancy

↑ 32% to 76%.

Dividend income

↑ 8% to K46m.

Key executives appointed:

CEO Peter Aitsi;
CFO Jeff Undah; and
Head of Credit,
David Wenham.

Deposits

↑ 6% to K483m.

Loan book

- CC PNG (+12%);
- CC Fiji (+19%);
- CC VL (+38%); and
- CC SI decreased (-26%).

Share buy back Completed

approximately 1 million shares.

New accounting standard implemented.

New accounting standards including IFRS9 implemented for the first time.

Loan provision expense

↑ K18.6m to K25m.

Net loan book

↑ 21% to K582m.

"For the past 40 years, Credit Corporation's Board and management team have been focused on lifting performance and enhancing shareholder value."

"K1,000 invested in Credit Corporation at inception would be worth at least K166,000 today, representing a return of 18% per annum."

CHAIRMAN'S REVIEW

It was a pleasure and a privilege to be appointed Chairman of Credit Corporation PNG two months ago and to have this opportunity to provide an overview of the many positive developments which have occurred within the Group over the past year.

I look forward to playing a part in Credit Corporation's ongoing prosperity as we continue to deliver for our customers and our shareholders into the future.

FY18 was truly an eventful year for Credit Corporation. It was a year in which your new Board focused on stabilising and enhancing the Group's financial performance, and commenced planning for a stronger future for the Group.

As we celebrated our 40th anniversary, the Group marked this milestone with solid financial achievements and laid strong foundations for the future.

To establish these foundations, the Board set a new strategic direction for the next five years, which was accompanied by a refreshed corporate vision – to be the best performing financier in every market in which we operate in terms of customer experience and profitability.

Delivering for our customers

As the largest Pacific-originated finance company, Credit Corporation has a proud history of operating in and delivering for our customers. Building on our long-standing commitment to our customers, the new Board's refreshed strategic direction focused on enhancing the customer experience in our finance business. This will include development of a broader range of lending products that deliver for our customers while supporting greater business efficiency.

Given our deep knowledge of expertise operating finance businesses in regulated markets throughout the South Pacific, we hope to create a customer experience that will appeal to retail and business customers at any stage of life.

This approach will deliver benefits for customers, as well as shareholders and employees, further cementing Credit Corporation's long-standing commitment to helping customers achieve their financial objectives.

Delivering for our shareholders

Beyond a year of intense activity aimed at reshaping our organisation and improving the customer experience, Credit Corporation's people also delivered a strong financial performance.

The Group recorded a 33% increase in net profit after tax of K98m in FY18. The core profit also increased by 14% to K86m reflecting a stable performance of the underlying business.

The Group achieved growth in the loan book within the finance division, along with improved occupancy driving enhanced rental income in the property division.

During the year, the Board declared an interim dividend of 6 toea per share, representing a 50% increase on the previous corresponding period. In keeping with previous practice, the Board is expected to declare a final dividend after it meets in June 2019. Credit Corporation has now declared a dividend to shareholders for 40 consecutive years.

For the past 40 years, Credit Corporation's people have been focused on lifting performance and enhancing shareholder value.

The success of these efforts has been demonstrated by the fact that K1,000 invested in Credit Corporation at inception would be worth at least K166,000 today, representing a return of 18% per annum*.

The current Board and management team is committed to ensuring this enviable track record of returns continues into the future.

New skills and experience

We have strengthened our management team by bringing in new executive talent to ensure we have the right leaders in place to deliver on our refined strategy.

Peter Aitsi was appointed CEO of the Group and also to the Boards of the Group's finance companies operating in Fiji, Vanuatu and Solomon Islands. Peter has made a tremendous contribution since joining the Group, driving the development of the Strategic Plan, setting new staff performance benchmarks linked to our strategy and budget and bringing into the organisation a highly professional management team with the skills and experience to deliver on our business objectives.

The Group has also appointed a new Chief Financial Officer Jeff Undah and a new Head of Credit David Wenham. The Group is also currently recruiting for a General Manager for its property division.

Focus on governance and risk

Governance and risk are a continued focus of the Board.

From a governance perspective, there have been a number of changes to the composition of the Board and senior management.

In addition to my appointment as Chairman, new Independent Directors Richard Sinamoi, Johnson Kalo, James Kruse, and Michael Varapik were elected to the Board. As new Board members we join, Fay Zina Lalo, Albert Mellam, Abigail Chang and David Doig. I would like to thank the current Board for its support since my transition to role of Chairman.

During the year, Allan Marlin and Sir Wilson Kamit also tendered their resignations as Directors, and Graham John Dunlop retired during the year. The Board would like to thank each of our former Board members for their contributions to the Group.

The new Board members add highly relevant experience and deep insights into our industry and the changes that are shaping it.

The new Board intends to establish a stand-alone risk committee, separate from the audit committee, to further enhance visibility of risks and risk management.

A key focus will also be strengthening the Group's risk and compliance structures to meet the ongoing requirements of regulators across the Pacific as it moves towards best practice.

The Board has also decided to recruit a Chief Risk Officer as this focus is also particularly important given the adoption of new International Financial Reporting Standards, together with increased regulatory requirements.

Strategy and outlook

As your Board and management team implement the necessary changes to the Credit Corporation business, momentum has been steadily building such that, given the potential for a more benign economic environment, expectations are for a positive operational performance in FY19.

We continue to see significant opportunities in our key markets and we will continue to invest in expanding our infrastructure and capability to capitalise on their potential.

Strategically, we remain focused on growing in new areas that are aligned to both our customers' needs and our existing strengths across financial services, property and investment.

I look forward to the Group continuing to generate attractive returns for its shareholders and enhancing the services we deliver to the communities we serve.

On behalf of the Board, I would like to thank our shareholders, customers and our people for their continued support.

I look forward to opportunity to play a part in the ongoing success and prosperity of Credit Corporation.

Syd Yates OBE
Chairman

**calculations are based on available data and where required, reasonable estimates/assumptions were used to calculate the Internal Rate of Return (IRR)*

CHIEF EXECUTIVE OFFICER'S REPORT

It has been a positive and eventful year for Credit Corporation working with the Board to stabilise and enhance the performance of the Group and to build a new strategic platform for the organisation.

Despite the economic and geopolitical headwinds we have faced, it has been a year of transformation, where we have laid the foundations to support a more resilient Group, particularly at a time when technology is disrupting traditional financial services, business models and consumer behaviour is rapidly changing.

As a unique group spanning financial services, investment and property, Credit Corporation aims to be at the forefront of this rapidly changing landscape.

The actions we are taking to improve the Group are working, and as a result, the Group achieved top line growth of 38% to K182m.

The Group's core profit also increased by 14% to K86m reflecting a stable performance of the underlying business.

Net loan book grew by 21% in FY18 primarily due to a more focused sales effort while deposits grew by 6.4% over the same period.

Our strong capital position now provides greater flexibility to consider a range of options for capital management. As a result, we have plans to increase our capital investment in 2019, with a focus on upgrading our computer and back office systems to enhance business efficiency as well as improve our customers' experience.

Asset quality metrics remain a key strength and focus for Credit Corporation. We are seeking ongoing improvements and are taking deliberate steps to clearly articulate risk appetite, lift risk capability and entrench more stringent risk practices across the business.

A new Chief Risk Officer role will lead strategies for continuing to ensure risk is embedded within strategic and day-to-day decision-making and to ensure optimal client and business outcomes. This is even more important in today's heightened risk environment across all sections of the financial services industry.

In FY18, Credit Corporation also implemented new accounting standards including IFRS 9 for the first time.

As a result of the adoption of IFRS 9, in addition to provisioning for legacy loans and the general increase as a result of growth in loan book, the Group's loan provisions expense increased by K18.6m to K25.3m in FY18.

From a legacy loan perspective, the Board took the decision to adopt a full impairment charge in relation to its legacy portfolio. This, in addition to other initiatives, will enable management to focus on driving business results, which deliver shareholder value in FY19. The Group's aim is to achieve best practice in terms of accounting standards and asset quality. In 2019, the Group will also take proactive recovery measures.

The Group has recruited a new Head of Credit to further strengthen asset management and recovery. The Head of Credit will also lend support to the Chief Risk Officer position, once a candidate is appointed to this new role within the Group.

In FY18, Property rental income increased by 45% to K33m due to improved occupancy across both the commercial and residential properties. Overall occupancy across the group increased by 32%.

Property occupancy benefitted from property marketing efforts and refurbishments. A key project has been fibre cabling at Era Matana and Era Dorina to enhance tenant services. We are also positioning these residential properties to be more family oriented which is proving appealing to the demographic we are targeting.

Our commercial property Credit House is almost fully tenanted with a strong mix of corporate and international tenants.

Our investment portfolio, which consists of listed equities, predominantly BSP shares, also showed an increase in the valuation of shares by 7% in FY18, while the dividend yields also improved by 20bps.

Strategy

The Group's new strategic plan will be structured around a number of key planks being the development of a broader range of lending products and business efficiency initiatives aimed at growing our market share and further driving shareholder value creation.

The initial focus of the strategy will be on a number of key priorities including financial performance, customer value, core systems and processes, and people.

From a finance perspective, the Group will be investing in capability and growing the segment through digital competency, distribution maturity and a prudent funding strategy.

The Group will also be seeking growth opportunities via Merges and Acquisitions, geographic expansion and distribution networks.

The new strategic direction acknowledges the property and investment businesses are capital generating segments that support the finance business.

In terms of property, there will be a sharpened focus on further lifting property presentation and maximising yields, while building a longer-term strategy for maximising asset performance.

Another key business unit initiative is a review of the Group's investment portfolio, to ensure that it is optimised without capital or revenue impact, as a hedge against cyclical downtrends in other sectors.

To provide an update on the Group's strategic review process, our business leaders met in March 2019 to review our strategic direction and to map key steps in the transformation journey to becoming a High Performing Financier.

Key work streams now developed include:

1. Finance — Deep Customer Connection
2. Finance — Valuable Product Offering
3. Finance — Highly Effective Sales & Marketing
4. Finance — Agile Digital Platforms
5. Finance — Operational Capability
6. Property
7. Equity
8. Change & Communication.

A 36-month work plan has now been developed and members of the Board and senior management are staging meetings with in-country management teams across the region to roll out.

Looking ahead

Looking ahead, the operating environment will continue to present its challenges for the Group, with competition for customers, technology change and funding costs adding pressure to earnings growth.

However, despite these headwinds, we remain confident that the new strategic direction we are embarking on will help us navigate this environment and continue to deliver value for our stakeholders.

FY19 is shaping as an exciting year as we will see many of our strategic initiatives taking shape while we continue to focus on improving the Group's financial and operational performance to enhance shareholder value.

We would like to thank all of our People, our Communities and Shareholders for their ongoing support of Credit Corporation.

Peter Aitsi
Chief Executive Officer

The multi-million dollar APEC Haus (pictured) was one of the major building projects delivered as PNG prepared to host the Asia-Pacific Economic Cooperation (APEC) summit in 2018.

GROUP'S FIVE YEAR FINANCIAL SUMMARY

	2014	2015	2016	2017	2018
Profit and Loss (K'000)					
Core Operating Profit	82,501	75,762	65,943	75,424	86,273
Property Revaluations	(14,024)	(18,562)	(22,052)	(19,821)	(8,952)
Investment Revaluations	(34,420)	13,303	56,859	18,590	27,395
Operating Profit before Tax & after Revaluations	34,057	**70,503**	100,749	**74,193**	104,716
Income Tax	9,535	7,361	1,812	555	6,793
Operating Profit after Tax attributable to the Group	24,522	**63,142**	98,937	**73,638**	97,923
Retained Earnings	343,002	**364,762**	374,104	**403,648**	426,065
Dividends (K'000)					
Final Dividend Paid	41,236	41,072	44,095	30,837	33,853
Dividend per share (Kina)	0.13	0.13	0.14	0.10	0.11
Interim Dividend Paid	-	-	12,597	12,317	18,460
Dividend per share (Kina)	-	-	0.04	0.04	0.06
Total Paid	41,236	41,072	56,692	43,154	52,313
Balance Sheet (K'000)					
Finance Receivables	361,953	406,555	395,381	480,879	581,939
Total Assets	1,067,375	1,164,880	1,249,150	1,358,179	1,431,080
Deposits	291,087	345,803	361,447	454,352	483,431
Shareholders' Funds	719,208	743,692	787,292	811,720	851,210
Performance Ratios					
Return on Assets *	7.7%	6.5%	5.3%	5.6%	6.0%
Return on Equity **	11.5%	10.2%	8.4%	9.3%	10.4%
Expense/Income ***	34.7%	37.1%	42.6%	44.3%	37.7%
Net Asset Backing Per Share	2.27	2.36	2.50	2.63	2.76
EPS (Basic and Diluted)	0.08	0.20	0.31	0.24	0.32
No. of o/s ordinary shares	316,627,112	314,866,510	314,839,331	308,280,832	307,936,332
Weighted ave. no. of ordinary shares	317,179,154	314,948,497	314,866,510	312,672,856	314,866,510
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.7000	0.7608	0.6843	0.6511	0.6373
Solomon Islands Dollar	2.7800	2.7025	2.5995	2.4509	2.4208
Vanuatu Vatu	37.4100	38.5833	37.2400	33.3600	33.9200
USD	N/A	N/A	0.3080	0.3170	0.3045

* Core Operating Profit/Total Asset
** Core Operating Profit/Total Equity
*** Calculated before any fair value changes of investments and movement in bad debts provision

OUR MARKETS

Whilst GDP growth in Pacific markets showed some resilience relative to global trend in 2018, the major Pacific economy of PNG reported weak performance. Expectations for 2019 are more positive for PNG, with other Pacific markets experiencing continued steady activity.

Papua New Guinea

While Papua New Guinea's economy was subdued in 2018, it is forecasted to grow by up to 3% in 2019. The National Government released its 2019 budget in November 2018 and is dealing with a number of key issues including the foreign currency shortage and government revenues.

On a positive note, the PNG Government has been successful in its inaugural sovereign bond issue that should result in an increased injection of foreign currency into the banking system. This, however, could also put pressure on domestic liquidity and interest rates.

The PNG Government signed an agreement with Total SA, Exxon and Oil Search in April 2019 to commence work on the US$13b Papua LNG Project. Another positive was the signing of the MOU between developers Newcrest and Harmony Gold and key stakeholders of the Wafi Golpu mine project in December 2018.

These two multi-billion dollar projects hold enormous potential to boost the PNG economy in coming years if progressed in 2019.

Another key APEC development has been the US$1.7b Papua New Guinea Electrification Partnership with Australia, Japan, the United States and New Zealand, which aims to extend power to 70% of the country's population by 2030.

Economic conditions will remain challenging however the business initiatives introduced throughout FY18 have positioned us well to leverage further on the positive momentum being reflected in loan growth. The steps taken to recruit key personnel and to improve our operating systems will enable us to optimise any economic upswing that may come from these anticipated projects.

The table below shows the GDP growth estimates for 2018 and forecast for 2019 from the Asian Development Bank for each of the countries in which CCP Group is represented.

Country — GDP	FY18*	FY19*
Papua New Guinea	0.5%	3.0%
Fiji	3.2%	3.9%
Solomon Islands	3.2%	3.0%
Vanuatu	3.4%	3.2%
Timor-Leste	0.6%	4.0%

*Source: Asian Development Bank

OUR MARKETS
CONTINUED

Fiji

Fiji's GDP grew by an estimated 3.2% in 2018, making nine consecutive years of positive growth, and it is set to increase by 3.9% in 2019. Economic sectoral performances were generally upbeat, with production from the primary and manufacturing industries on the rise and visitor arrivals up to record levels. Motor vehicle sales continue to be strong, with new and second hand motor vehicle registrations increasing by 19.4% and 11.4% respectively in 2018.

With the National Elections now over, business confidence is expected to normalise and stable economic conditions are predicted to continue into 2019.

There is ongoing competitive pressure in the asset finance marketplace through competitors offering lower interest rates and fees as they attempt to build market share.

With greater levels of competition in Fiji, the focus will be on retaining our existing clients by fully leveraging the Group's branch network and extracting full value in terms of improved levels of customer service as we implement the upgrade of our operating platform.

Vanuatu

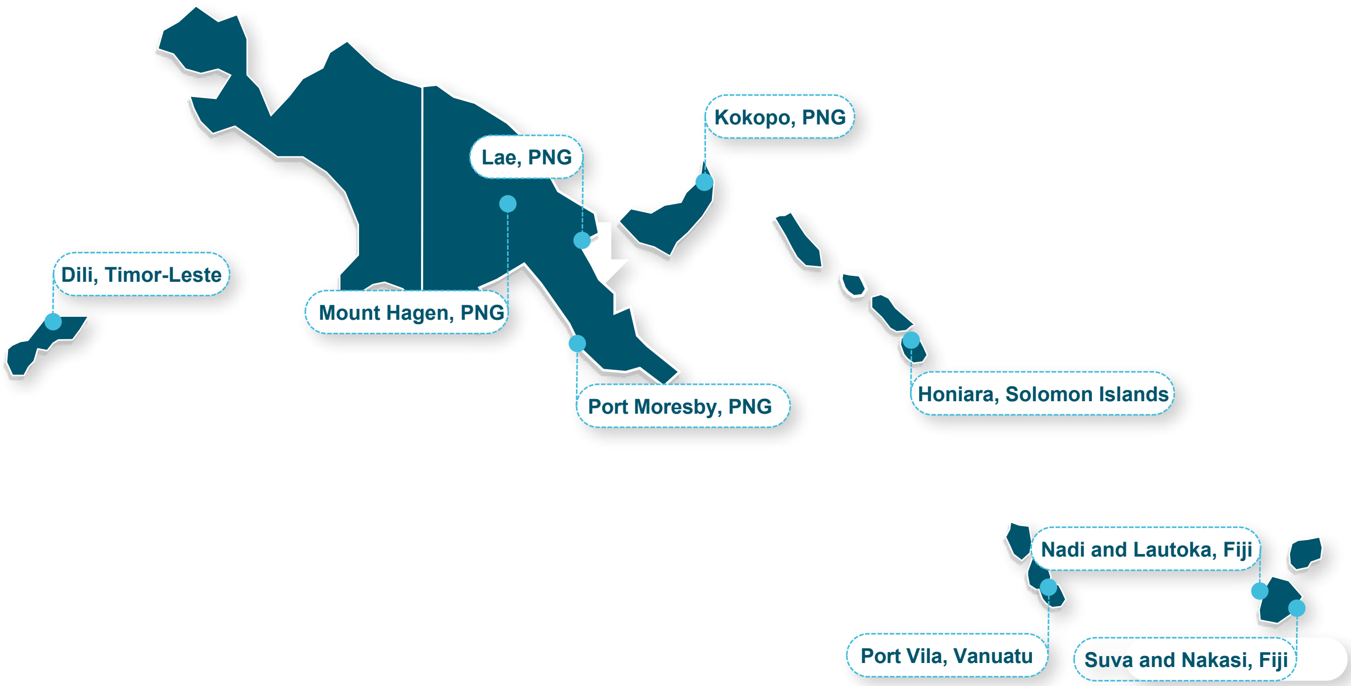
Vanuatu GDP grew by an estimated 3.4% in 2018 and is set to increase by 3.2% in 2019. Tourism activities, agriculture, fisheries and kava production are key industries for the nation.

Vanuatu's economy experienced challenges in 2018 and many of those related to a slowdown in tourism revenues affecting especially larger resorts and hotels. This has a flow on affect to other businesses.

However, the Vanuatu government has convened a number of major tourism and travel stakeholders meetings this calendar year to announce a major strategy initiative in the sector.

Public expenditure related to relocation of the Ambae community following eruption of Manaro volcano may also contribute to economic growth.

The outlook for Vanuatu remains positive, however greater focus will be given to managing the quality of the loan book. The Group will also look at strategic partnerships with key businesses to deliver a "one stop" service for our customers.



Solomon Islands

The Solomon Islands GDP grew by an estimated 3.2% in 2018 and is set to increase by 3% in 2019, driven by agriculture, fishing, construction, manufacturing plus tourism-related sectors.

A recent positive development for the country has been the inauguration of a $144m Coral Sea Cable System between the Australian and Solomon Islands governments. The submarine fibre optic cable will link Sydney to Honiara in Solomon Islands, as well as to Port Moresby in Papua New Guinea. Australia will also aid in the construction of a Solomon Islands domestic broadband network, which has been described as "game-changing infrastructure."

Despite this, Solomon Islands continues to face a challenging business environment as evidenced by a growing number of overdue loans. The business focus for CC Solomon Islands has been on managing loan book quality. Looking ahead to FY19, it is hoped that the incoming government can assist in further economic stimulus.

Timor-Leste (East Timor)

Timor-Leste is essentially an oil and gas economy. The oil industry generates almost all government revenue and underwrites the government expenditure programs. The country's GDP grew by an estimated 0.6% in 2018 and is set to increase by 4% in 2019.

Timor-Leste successfully held its first early election on May 2018 demonstrating its growing maturity as a democratic state.

Political parties, throughout their election campaigns, emphasised the need to diversify Timor-Leste's economy, acknowledging that economic diversification is essential to move the country away from dependency on its oil resources.

In 2018, the Timor-Leste government agreed to buy Shell and ConocoPhillips's stakes in the rich Greater Sunrise oil and gas fields as part of its plan to pipe the natural resources to its south coast for processing. Timor-Leste has pursued a vision for a pipeline and a domestic LNG industry for a number of years, arguing the plan is crucial to its national development.

Timor-Leste President Fransisco Guterres has given his approval to a decree which allows the country's petroleum fund to be used for buying out the stakes of Shell and ConocoPhillips for $350m in the Greater Sunrise project.

Credit Corporation's Timor-Leste operations continue to experience challenges given regulatory issues related to raising deposits. The Timor-Leste operations are currently being reviewed as part of the Group's new strategic direction.

FINANCE DIVISION

Credit Corporation is being positioned to meet the challenges and opportunities arising from the external environment in the key markets where we operate throughout the South Pacific.

The asset finance business is responding to the economic environment in addition to a number of other trends in our key markets. These include digital advancement and technological change, demographic changes, the regulatory environment and increasing competition. Our strategy aims to respond to these trends in a positive way which meets the expectations of those communities in which we operate.

Despite challenging economic conditions in a number of key markets, the Group achieved solid loan book growth of 21% to K581.9 million.

Net interest income increased 28% to K72m over the period. The result was primarily driven by loan growth, while deposits grew by 6.4% over the same period. Growth was offset by increased loan impairment costs.

While the business continues to focus on achieving low cost of funds, there was pressure on net interest margins during FY18, due to higher costs associated with funding strong loan book growth.

Credit Corporation Finance PNG

Credit Corporation Finance PNG performed well during FY18 achieving solid lending volume growth, despite some economic headwinds. Credit Corporation Finance PNG recorded new lending of K169.5m in FY18, which was 20% higher than the previous year and performed higher than expectations. Margins were also maintained above target.

Credit Corporation Finance PNG business recorded a profit of approximately K1.9m (2017: K4.7m). Loan provisions increased significantly in 2018 and the increase are related to legacy loans that have underperformed due to local economic factors. These are isolated to two customers that management are confident of resolving in FY19.

Credit Corporation Fiji

Credit Corporation Fiji's lending volumes grew to a record $86.5m (K135.7m) in FY18, representing a 17% increase on the previous corresponding period.

The business unit achieved NPAT of FJD$9.9m (K15.5m), representing a 18% increase on the prior year, which was ahead of expectations.

It is anticipated that margins will come under further pressure as liquidity tightens in 2019 due to increased competition in the market.

Credit Corporation Vanuatu

Credit Corporation Vanuatu produced an outstanding performance in FY18, with lending volumes growing to approximately VT1.2billion (K35.4m), which was well ahead of expectations. Margins were also maintained throughout the year.

The business delivered NPAT of VT347m (K10.3m).

The Vanuatu business has done particularly well in attracting new deposits during the year to keep pace with lending growth.

Credit Corporation Solomon Islands

Credit Corporation Solomon Islands was significantly impacted by the weak economic conditions during FY18. Lending volumes slowed considerably throughout the year and the year ended with SBD$26m (K10.7m) in new loans, compared with SBD$54m (K22.3m) in 2017. The business delivered a NPAT of SBD$272k (K109k), further compounded by impairment provisions of SBD$18m (~K7.6m) relating to the reclassification of loan arrears and delinquent accounts.

Efforts will be stepped up in the coming year to stabilise the operations of the business.

Credit Corporation Timor-Leste

The Timor-Leste business has achieved US$1.375m (K4.4m) in loans during FY18. Timor-Leste is continuing to receive a steady rate of enquiries as a result of referrals and advertising in the local market. While the Group has received regulatory approval to operate in the country, it is still awaiting approval to accept deposits. A review of this operation is part of the current strategic review process underway.

PROPERTY DIVISION

The real estate industry of Papua New Guinea has historically experienced significant growth parallel with the growth infrastructure from resources projects. The requirement of commercial properties is expected to be sustained particularly in Port Moresby and Lae.

With APEC now behind it, Port Moresby appears set for continued development.

The Noble Centre, set to be PNG's tallest building, stage two of Nambawan Plaza, and Steamship's Harbourside South are among the major developments to be completed in downtown Port Moresby.

There are also plans for a major redevelopment of land occupied by Port Moresby's old port, which has been relocated to Motukea Island. The redevelopment is being handled by state investment company, Kumul Consolidated Holdings.

Other key projects of note include Nambawan Super Limited and Lamana Developments Rangeview Heights housing and retail development, and phase two of Star Mountain Plaza are set for commencement.

Despite some softening of rental prices in 2018 and oversupply in the market, Credit Corporation's Properties division recorded a 22% increase in core profits in FY18. The increase was attributed to improved occupancy rates for all properties. This has also resulted in improved rental yields for the business noting that the fair value of properties reduced by 1.46% compared to FY 17.

- Era Dorina – Occupancy increased to 67% (56% in FY17)
- Era Matana – Occupancy increased to 69% (17% in FY17)
- Credit House – Occupancy increased to 92% (59% in FY17).

The rental rates for properties has come under pressure while lease tenure for residential properties has averaged at 24 months. CCP has been a preferred property company in the market despite the macro challenges and will continue to focus on ensuring the Group maintains its position as a premium brand in the market.

The Group is leveraging Era Dorina's unique features and has positioned the estate as a family-friendly residential complex. In keeping with this environment, the Group has commenced several strategic projects such as installing a new children's playground and the upgrading of the stage 3 pool area.

The Group has focused on increasing direct marketing activities targeting real estate agents and also larger companies which have potential to take up multiple tenancies. Refreshed newspaper advertisements are being rolled out in the first quarter of 2019, supported by on site client events.

Credit Corporation also rolled-out a Customer Relations Management system in our property business to assist improve tenant services.

The Group is also close to completing a fibre cabling project for Era Dorina, with the objective to further differentiate the properties from the market.

Era Matana and now Era Dorina will both have fibre cabling allowing the transition away from the current wireless-based service, to ensure a reliable service in terms of connectivity and bandwidth offered to tenants.

INVESTMENT DIVISION

The investment portfolio consists of listed equities, predominantly Bank of South Pacific (BSP) shares.

The investments provide a stable and diversified earnings stream which is aimed at assisting Credit Corporation to deliver consistent returns and financial stability during periods of weaker demand in other areas of the Group.

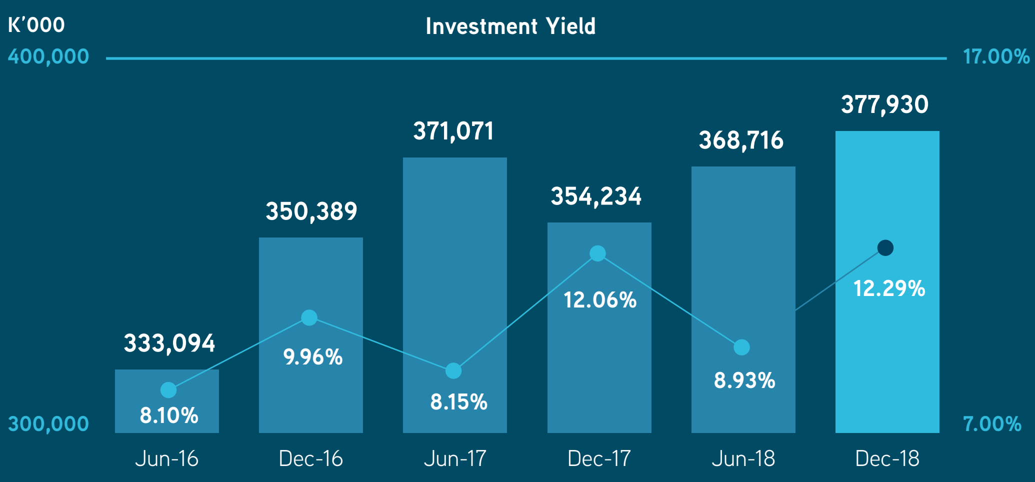
Dividend income in FY18 was predominantly derived from BSP. Kina Asset Management also paid K213k in dividend in FY18.

The valuation of shares in BSP increased by 7% in FY18, while the dividend yields also improved by 20bps.

Credit Corporation also holds a 25% interest in the unlisted Capital Insurance Group.

Credit Corporation accounts for interests in associates and joint ventures using the equity accounting method. Based on information available at the time, the Directors have taken a prudent approach in their consideration of the investee's impairment indicators and have decided to adopt a K2.99m impairment charge on this investment. During the year, there were no dividends received from Capital Insurance Group.

	Number of Shares			Valuation			Dividends
Investment	**FY 2018**	**FY 2017**	**Change**	**2018 K'000**	**2017 K'000**	**Change K'000**	**FY 2018**
Bank of South Pacific Limited	**36,294,081**	36,682,696	-388,615	**372,377**	348,486	23,891	**46,093**
Airlines PNG Limited	**2,000,000**	2,000,000	-	**240**	240	-	**-**
City Pharmacy Limited	**1,953,544**	1,953,544	-	**1,270**	1,465	(195)	**-**
Kina Asset Management Ltd.	**4,255,463**	4,255,463	-	**4,043**	4,043	-	**213**
				377,930	354,234	23,696	**46,306**



NEW STRATEGIC DIRECTION

In the first half of FY19, the Executive Leadership Team commenced development of the implementation plan for Credit Corporation's new Strategic Direction endorsed by the Board in December 2018.

The Executive Team has been charged with owning specific areas of activity in FY19 and beyond as part of the phased development of the implementation plan.

Each of these activity areas is aligned with guiding principles of the new Strategic Direction.

The principles include:

REVENUE FIRST

We are focused on items that improve revenue as a priority, without compromising the customer promise.

REALLOCATE FUNDING

We will free up funds from low-value activities.

VALUE PROPOSITION

Everything we do should reinforce our value proposition.

COMMUNITY FOCUS

We know our community, our people are locals who know our business. We are working to help our customers achieve funding for their businesses and lifestyle for life.

SUPPORTED DISTRIBUTION MODEL

The countries we operate in are distribution assets.

AGILE WAY OF WORK

Agile will be part of our DNA and provide a competitive edge.

Our key activity areas and FY19 Goals include:

DEEP CUSTOMER CONNECTION

Understanding our customer to provide a base of loyal advocates.

Our Goals for the next 6 to 36 months:

- Cradle to grave service offerings;
- Well established mechanism to engage with clients;
- Regular Customer events; and
- Customers trust us and refer to us.

VALUABLE PRODUCT OFFERING

Providing tailored product offerings to our customers.

Our Goals for the next 6 to 36 months:

- More product offerings;
- Increasing our consumer business;
- Digital product offering; and
- Trained staff with full product knowledge.

OPERATIONAL CAPABILITY

Building our systems, processes and operational capability.

Our Goals for the next 6 to 36 months:

- People are cross-trained/multi-skilled;
- Regular compliance/internal training;
- External training;
- Online web based options;
- External capability recruited; and
- Systems re-evaluation/review.

AGILE DIGITAL PLATFORMS

Making it easy for customers to do business with us.

Our Goals for the next 6 to 36 months:

- Improved range of products offered on digital platform;
- Online training available for staff;
- Intranet;
- All PNG and overseas branches connected and able to offer online services;
- Comprehensive CRM system;
- Automated internal Financial/ Budget/Forecasting reporting processes — internal and external; and
- Automation of key process for Group Consolidated reporting.

HIGHLY EFFECTIVE SALES AND MARKETING

Building a steady funnel of new and retained business.

Our Goals for the next 6 to 36 months:

- Gold customer/community engagement.

PROPERTY

Improve the value of our property business.

Our Goals for the next 6 to 36 months:

- Improved client feedback;
- Wait list of tenants;
- Refreshed units and common areas; and
- Be partnered to offer promotions/offers.

EQUITY

Leveraging our equity investment.

Our Goals for the next 6 to 36 months:

- Executed the investment strategy and in a great position to leverage investment opportunity; and
- Improved results.

CHANGE AND COMMUNICATIONS

Improve communication with stakeholders.

Our Goals for the next 6 to 36 months:

- Improved website news;
- Communication Policy; and
- Improved social media interactions.

CREDIT CORPORATION CELEBRATES 40 YEARS IN BUSINESS

FY18 marked Credit Corporation's foundation as an incorporated company 40 years ago.

To mark this significant milestone in the Company's history, Credit Corporation hosted an Anniversary Cocktail Party on 19 October 2018 to say thank you to its many business friends and partners who have contributed to the Group's success over the years.

A highlight of the celebration was the presence of Mr Garth McIlwain, the founding Managing Director, who penned the company's original incorporation documents in the presence of two trusted associates, Mr Alan Jarvis, engineer, and Mr Richard Hill, accountant.

Credit Corporation is an institution that can truly claim to have grown with Papua New Guinea as an independent nation, along with the South Pacific economy. What Credit Corporation has achieved and contributed is part of the rich tapestry of PNG's financial and economic history.

In its first year of operations the company achieved profits of just on K38,000 supported by net assets of approximately K500,000. Credit Corporation was one of the first PNG Companies to spread its wings into our Pacific region. Today, along with our PNG operations, we now also have operations in Fiji, Solomon Islands, Vanuatu and Timor-Leste.

In 2018 financial year, Credit Corporation held total assets of over K1.4 billion, and earned profits of K98 million.

The company operates viable asset finance companies in five countries, rents out prime benchmark residential and commercial properties in PNG, and is a founding significant investor in the large listed PNG entity, Bank South Pacific.

Such is the history of this company from its very humble beginnings in 1978, it has played a significant role in PNG and the South Pacific's business and economic life over the years.

- Credit Corp has been the foundation financier for many of PNG's now very successful businesses such as Mapai Transport, Guard Dog, Black Swan, Curtain Brothers and Dekani;
- The first major developer of premier residential estate in Port Moresby;
- One of the first PNG companies to expand in to the Pacific; and
- The pivotal role played by Credit Corp in the BSP/PNGBC merger.

In recent years, Credit Corporation has made the transition from a "founder" driven business model, to a maturing corporation with strong operating systems to underpin its success and continued growth in the coming years.

Credit Corporation is well placed to build further on the solid foundation established over the past 40 years and to take advantage of the challenges and opportunities which arise over the coming years.

Credit Corporation's longest-serving Managing Director Noreo Beangke (right) and the Group's founding Managing Director Garth Mcilwain share a toast to celebrate 40 years in business.

CORPORATE SOCIAL RESPONSIBILITY

At Credit Corporation we are proud to play a role in contributing to community organisations and worthwhile causes which are important to our Group, our customers, and our people in PNG and throughout the Pacific.

We have supported our vision by participating in numerous community events throughout the year. Some of our areas of focus in FY18 included health, youth development, sports, education, empowerment of women and the environment.

Credit Corporation contributed a total of K230,000 to community projects across PNG and the Pacific.

Some of the organisations and initiatives we supported this year included:

Charities and NGOs

- Honiara Rotary;
- PNG Highland Earthquake Appeal;
- Helena Goldie Hospital Appeal;
- International Women's Association (Fiji);
- Fiji Red Cross;
- Foundation of Needy Children (Fiji);
- Rotary (Fiji);
- Badili Club;
- Soroptimist International Lae;
- Transparency International; and
- Proactive Mamas (Vanuatu).

Sport and culture

- Honiara High School Rugby Tournament;
- Credit Corporation Sparrows Netball – Major Sponsor;
- Pukpuks Rugby – Sponsor;
- Lote Bige Rugby Tournament;
- Lae Open Squash Tournament;
- Frangipani Festival – Rabaul;
- Vanuatu Golf Open; and
- Vanuatu Paralympic Committee.

Business, Science and Education

- Leadership Fiji Program;
- USP Medal & Prize – Most Outstanding Bachelor of Commerce Graduate;
- USP Graduate School of Business;
- POMIS Science Fair; and
- Leadership Fiji Alumni Project.

In FY18, our staff were also engaged in a number of community activities including assisting in the West Flood Appeal in Fiji and hosting a Cancer Awareness Morning tea with $5,570.00 donated to Fiji Cancer Society. Credit Corporation staff also provided lunch to St Christopher's Orphanage and the Golden Age Home in Natabua, Fiji.

BOARD OF DIRECTORS

Syd Yates OBE

Syd Yates was appointed Chairman in November 2018.

He is an experienced and respected executive and Director with more than 30 years' experience in the banking, finance and investment industries.

Mr Yates retired as CEO of Kina Group in January 2018 after 21 years and was the driving force behind Kina's transition to Papua New Guinea's largest diversified financial services group. He successfully listed Kina on the Australian Stock Exchange and Port Moresby Stock Exchange in 2015.

He is currently Director of Kina Funds Asset Management.

Beyond his business life, Mr Yates has made a significant contribution to both the community and sport in PNG. He is a Director and Chairman of Fundraising of the Papua New Guinea Olympic Committee and Commonwealth Games Association of PNG.

Mr Yates was previously Chairman of Bmobile and a Director of Air Niugini Ltd and the Port Moresby Stock Exchange.

Faye-Zina Lalo

Faye-Zina Lalo was appointed to the Board in March 2017.

Ms Lalo is a corporate and commercial litigation lawyer and also serves as a director on other boards of various corporate institutions as well as non-governmental organisations in Papua New Guinea. Ms Lalo was recently awarded the PNGID "Female Director of the Year" award in 2018 recognising her contributions in her role as director. Before joining Credit Corp PNG, Ms Lalo practised corporate and commercial law for over 12 years in PNG in both private legal firms and corporate institutions.

Ms Lalo holds a Master's in Business Administration from the University of PNG and a Bachelor of Laws from the University of PNG.

Michael Varapik OBE

Michael Varapik was appointed to the Board in May 2018.

Michael has extensive management, corporate, financial, operations and marketing experience spanning over 35 years in the private and public sectors. He is currently a Director on the Boards of Comrade Trustee Services Limited, Toea Homes Limited, a wholly-owned subsidiary of Comrade Trustee Services Limited and Waigani Asset Limited.

Michael holds a Bachelor of Technology in Accountancy from the PNG University of Technology, Lae, a Bachelor of Business from Deakin University, Australia, and an MBA from the International Management Centres, Oxford Brookes College, University of Oxford in the UK.

A member of the PNG Institute of Directors, Michael received the Male Director of the Year Award in 2015, from the Institute, for distinguished services to commerce and business. Also, under the Queen's Birthday 2018 Honours Awards, Michael received an OBE for distinguished services to corporate governance and the community.

Michael is passionate about the development and promotion of corporate governance in PNG.

Richard Sinamoi

Richard Sinamoi was appointed to the Board in May 2018.

Mr Sinamoi is an experienced executive and director with 19 years' experience in the superannuation and financial services industry, having worked for the Comrade Trustee Services Limited as CEO until January 2017.

He has served on Boards for both commercial entities and charitable organisations, spanning a range of industries from food and beverage, general insurance, trustee services, micro banking and funds management.

He is currently an Independent Director with Paradise Foods Limited, PNG Microfinance Limited, TransPacific Assurance Limited and Executive Director of Kama Kofi Limited.

He holds a Certificate in Business majoring in Marketing from TAFE, New South Wales and Bachelor of Applied Science Systems from the University of Western Sydney, Australia.

BOARD OF DIRECTORS
CONTINUED

Johnson Kalo

Johnson Kalo was appointed to the Board in March 2018 and became Acting Chairman in May 2018 until the appointment of Mr Yates as Chairman.

Mr Kalo was CFO and Deputy CEO of a leading regional financial institution, Bank of South Pacific Limited Group between 2005 until his retirement in 2017, His previous roles have included senior positions at PNGBC Limited, Motor Vehicles Insurance Limited and KPMG.

Mr Kalo has previously held Directorship's at subsidiaries of The Bank of South Pacific Limited, Comrade Trustees Services Limited, Port Moresby Stock Exchange Limited, Kumul Consolidated Holdings, and Tisa Community Finance Limited. He is a member of Papua New Guinea Industry Directors and Australian Institute of Company Directors.

He holds a Bachelor of Commerce from the University of PNG and a post graduate diploma in Applied Finance from Financial Services Institute of Australasia. He is a CPA PNG associate and a FINSIA fellow member.

Mr Kalo provides a variety of community organisations with pro-bono services. He was also previously a member of the Council of the Institute of National Affairs, and currently serves on the Board of Cricket PNG.

James Kruse

James Kruse was appointed to the Board in May 2018.

Mr Kruse has significant accounting and finance experience with more than 30 years in the public accounting profession and several years in commercial accounting roles both in PNG and Australia.

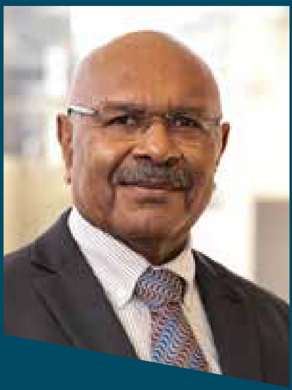
Mr Kruse recently retired after 15 years as a partner of Deloitte Touche Tohmatsu in PNG where he headed up the firm's business services and corporate advisory and insolvency services divisions.

He has extensive experience in the areas of PNG corporate compliance, taxation, business finance, property and business valuations and sales, corporate restructuring, and debt recovery.

Mr Kruse's experience covers a broad range of industries including manufacturing, agriculture, mining, property, retail and wholesale trade, and service industries in PNG and the Solomon Islands.

Mr Kruse is a Fellow of both CPA PNG and CPA Australia, immediate past president of CPA Australia PNG Branch, and is active in sporting and industry associations and professional bodies. He is a member of the PNG Institute of Directors and a Councilor with the PNG Australia Business Council.

BOARD OF DIRECTORS
CONTINUED



Dr Albert Mellam

Dr Albert Mellam was appointed a Director in August 2013.

Dr Mellam is the Executive Director of the Papua New Guinea Chamber of Mines and Petroleum. He was the immediate past Vice Chancellor of the University of Papua New Guinea.

Dr Mellam holds Directorship positions on a number of company boards in Papua New Guinea and the region including the Nambawan Super Limited, the biggest Superannuation fund in PNG. He is also a member of many professional organisations including, the Association of Asia-Pacific Business Schools, the Global Development Network and the Australian Institute of Directors. Dr Mellam has undertaken assignments for the Government of Papua New Guinea and multinational corporations within the Asia-Pacific region and served as an advisor to several Ministries with the Government of Papua New Guinea including the Department of Prime Minister and National Executive Council's, Vision 2050 Centre.

Dr. Mellam holds a Doctor of Philosophy (PhD) in Psychology from the Australian National University, Canberra; a Master of Science (MSc.) degree from Stirling University, Scotland; and a Graduate Diploma in Knowledge Economics from the Singapore Management University, Singapore. He has held academic engagements in Australia, India, Europe, and the South East Asian region, and is a visiting lecturer with the School of Business and Public Policy, University of Papua New Guinea and an Adjunct Professor of Management, James Cook University, Australia.

Abigail Chang

Abigail Chang was appointed to the Board in December 2016.

Ms Chang has held executive management positions within the private sector and has seven years of central banking experience in the areas of financial system supervision, regulation, policy development and licensing within the banking, insurance, foreign exchange and superannuation industries.

Ms Chang is engaged at a regional and country level in the areas of national policy development, embedding financial education within national and sub-national education curriculum and digitising Government to Person (G2P) payments. Across these distinct areas of work, she works with a multitude of private and public stakeholders to fund, design, implement and report on financial inclusion programs.

She served as Acting Chief Manager Financial Institutions of Reserve Bank of Fiji until August 2009.

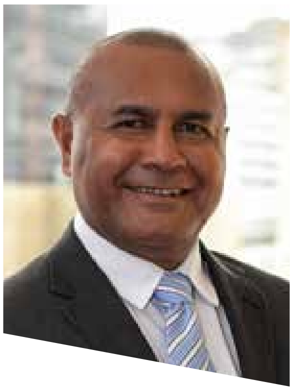
David Doig

David Doig was appointed to the Board in December 2015.

Mr Doig is the Managing Director of Moore Business Systems PNG Limited and has been in business in Papua New Guinea since 1996. Mr Doig brings a broad range of business management experience to the Board with skills in strategic management, business planning, financial management, business to business marketing, human resource management and I.T.

Mr Doig is also on the board of Brian Bell Company Limited and the Employers Federation on PNG, and has previously served on the boards of National Superannuation Fund Limited and the PNG Manufacturers Council.

SENIOR EXECUTIVE TEAM



Peter John Aitsi MBE

Peter John Aitsi was appointed Chief Executive Officer in January 2018.

Mr. Aitsi has over 30 years of experience leading a number of PNG's more prominent companies, he has focused on building successful teams, ensuring they are well supported with strong systems to create productive work environments.

Prior to joining Credit Corporation, he was Country Manager for Newcrest Mining Ltd in PNG, where he represented the interests of Newcrest providing support to their operations in Lihir, Hidden Valley, Wafi Golpu, and exploration sites in Manus and Simberi.

He has had a diverse career holding senior leadership positions with the Australian Aid Program, GHD Papua New Guinea, PNGFM, Belltek Chemicals and Bank South Pacific.

Mr Aitsi has had long term involvement with a number of key PNG organisations and currently serves on the following Boards, Transparency International PNG, the Coral Sea Hotel Group and is Chairman of PNGFM Ltd.

Jeff Undah

Jeff Undah was appointed Chief Financial Officer in September 2018.

Mr Undah has close to 15 years' accounting and finance experience at top multi-national companies. He has worked across various roles at middle to executive management levels on short and long-term service engagements in Fiji, Solomon Islands, Australia and Papua New Guinea.

Mr Undah started his career at Deloitte as a Graduate Accountant. Prior to joining Credit Corporation PNG, Mr Undah held the role of Financial Controller at Kina Bank. He also spent more than six years at Westpac Bank (PNG) Limited and held various senior management roles including Acting Chief Financial Officer and Company Secretary positions.

Mr Undah is a Certified Practising Accountant and holds a Bachelor of Accounting from the University of Papua New Guinea.

Beverlyn Malken

Beverlyn Malken was appointed Company Secretary in June 2017.

She also holds the position of Corporate Services Manager, where she oversees legal, compliance, HR and administration at Credit Corp PNG.

Mrs Malken has over 10 years of legal experience, having worked in the public and private sector as a litigator and in-house counsel for the State and State owned entities in PNG.

She holds a Bachelor of Laws from the University of Papua New Guinea and a Master of Business Administration from Divine Word University. She is also a provisionally accredited mediator in PNG.

Andy Roberts

Andy Roberts was appointed General Manager in May 2018.

A professional banker and financier with more than 20 years' experience, Mr Roberts has a strong track record of improving client retention and growing customer base, as well as building teams, and mentoring business owners and working professionals.

Mr Roberts previously held leadership positions in Business Banking at National Australia Bank (NAB), and Westpac Banking Corporation (WBC).

Whilst at Westpac, he coordinated and delivered financial literacy workshops for small business owners and individuals throughout Australia, Vanuatu and PNG.

Avenesh Atul Raj

Avenesh Atul Raj was appointed Group Internal Audit Manager in September 2014.

With close to 10 years' audit experience, Mr Raj has been involved in several external audits for large national and multi-national clients, specialising in the audit of aid-funded projects, retail, manufacturing, insurance, telecommunication, financial institutions and service industries, in Fiji.

Mr Raj has previously held positions at PwC, Digicel Pacific and KPMG, where he gained a strong commercial and operational perspective on finance and accounting.

Mr Raj holds a Bachelor of Arts in Accounting and Economics from the University of the South Pacific and is currently completing his CPA.

COUNTRY HEADS

Peter Dixon

Peter Dixon was appointed Managing Director of Credit Corporation Fiji in March 2012.

Mr Dixon has more than 36 years management experience in Papua New Guinea and Fiji, specialising in finance and management, business and strategic planning, and staff training and development. During this time, he has developed an intimate understanding of local commercial conditions and has established an extensive network of contacts in the local business community.

He previously held the position of General Manager at Bank South Pacific, where he oversaw the operation and performance of the Corporate, Commercial and Business Lending units.
Prior to this Mr Dixon established a management consultancy company, Dedicated Management Ltd, which provided specialized services to the banking and finance sector in PNG as well as providing corporate governance training.

Mr Dixon is Chairman of the Finance Companies Association in Fiji, a Senior Association Member of Financial Services Institute of Australasia and a Graduate Member of the Australian Institute of Company Directors. He also holds a Master of Business Administration from Charles Sturt University and is a Senior Associate member of Financial Services Institute of Australasia.

Johnny Wilson

Johnny Wilson was appointed Country Managing Director of Credit Corporation Vanuatu in May 2016.

Since joining Credit Corporation, Mr Wilson has led significant asset and NPAT growth, and has increased Vanuatu's client base to over 1,000.

Mr Wilson previously spent more than 20 years at ANZ Bank (Vanuatu) across several positions, including Branch Manager, Retail Relationship Manager, Senior Relationship Manager and Head of ANZ Signature Priority Banking.

Mr Wilson holds a Diploma of Management from Deakin University.

Chris Durman

Chris Durman was appointed Country Head for Credit Corporation's Timor-Leste branch in January 2016.

He is a strategic executive with more than 40 years' experience in international banking, finance and broking for banks and financial institutions, specialising in finance and banking start-ups.

Prior to joining Credit Corporation PNG, Mr Durman held senior positions with PNG's largest bank, the Bank of South Pacific – in its Corporate, and Client Support Business Units. Mr Durman previously established ANZ Private in Western Australia; was Head of Distribution for ANZ Trustees and successfully designed, launched and managed ANZ Timor-Leste.

Mr Durman currently serves as Honorary Consul of the Democratic Republic of Timor-Leste to Papua New Guinea. He is a Fellow of the Financial Services Institute of Australasia, and holds a Diploma of Finance and Mortgage Broking.

Antony Langston

Antony Langston was appointed Managing Director of Credit Corporation Solomon Islands in August 2010.

He has more than 30 years' experience in the banking and finance sector, having worked across the areas of retail, operations, IT, finance and credit.

Prior to joining Credit Corporation PNG, Mr Langston has worked with ANZ Bank across various management roles on short and long-term service engagements in Fiji, Solomon Islands, Timor-Leste, Australia and Papua New Guinea

Mr Langston currently serves as a Board member on the Kazukuru Land Trust Board. He is also Treasurer of the Solomon Islands Golf Federation.

CORPORATE GOVERNANCE STATEMENT

I. OVERVIEW

This Corporate Governance Statement sets out Credit Corporation Group's key governance policies and practices operating during the 2018 financial year.

The Group considers a strong corporate governance framework is a foundation to add long term shareholder value and to provide a safe, ethical workplace. In formulating its governance statement the Group has had regard to the rules of the Port Moresby Stock Exchange, the prudential standards of the Bank of Papua New Guinea and also the ASX Corporate Governance principles. A copy of this Statement can be obtained at the CCL website www.creditcorporation.com.pg.

II. THE BOARD OF DIRECTORS

1. THE BOARD STRUCTURE AND ROLE

The Board is responsible for establishing the strategic direction of the Group, and is accountable for its financial performance. At the end of 2018, the Board comprised six independent directors and three non-independent directors. During the year, five new directors joined the board, Sydney Yates, Johnson Kalo, James Kruse, Richard Sinamoi and Michael Varapik. Four directors stepped down. Sir Wilson Kamit, Allan Marlin and William Lamur resigned whilst John Dunlop, retired. The key aspects of the Board's role are set out in Table One below.

TABLE ONE: BOARD ROLE

Strategy	Identify, develop, review and approve the strategic direction and business plan for the key businesses.
Financial oversight	Adopt the annual budget and capital expenditure plan, and monitor management and financial performance of the businesses.
Risk management framework	Oversee the effectiveness of risk management and compliance (with the Board committees)
Financial and other reporting	Approve the Group's half-yearly and annual financial statements, and monitor and review management processes for the integrity of financial and other reporting as required by law.
Board performance and composition	Evaluate the performance of the Board and individual directors on at least an annual basis in determining its size and composition.
Leadership selection	Evaluate the performance of and selecting the CEO.
Succession and remuneration planning	Plan for Board, CEO and executive succession and remuneration, and setting Non-executive Director remuneration.
Corporate Social Responsibility	Consider the social, ethical and environmental impact of the Group's activities and operations in the various jurisdictions.
Regulators	Monitor the conduct of the Company's relationship with key regulators to ensure the Company's obligations are being met and set standards and monitor compliance with the Company's sustainability responsibilities and practices and policies.
Material transactions	Approve major expenditure and capital initiatives in excess of the authority levels delegated to management.
Corporate Governance	Review and monitor the Company's corporate governance policies and practice.

The board operates within the ambit of the Companies Act 1997, the Company Constitution, the Board Charter and its four board committees. Each committee is governed by its own Charter which defines roles, responsibility and membership, and each committee provides recommendations to the board and advice on specific issues.

TABLE TWO: BOARD COMMITTEE MEMBERS AS AT 31 DECEMBER 2018

	MEMBER OF:				
Director	Board	Audit, Risk & Compliance Committee	Nomination & Renumeration Committee	Strategy & Investment Committee	Disclosure Committee
Sydney Yates*	•	-	-	•	•
Albert Mellam	•	-	•	•	-
Abigail Chang*	•	•	•	-	-
David Doig	•	•	•	•	-
Faye-Zina Lalo	•	•	•	-	-
Johnson Kalo*	•	-	-	-	•
James Kruse*	•	•	-	•	-
Richard Sinamoi*	•	•	-	-	-
Michael Varapik*	•	-	•	-	-

Noted: *indicates the named director is an Independent Director on the Board.

TABLE THREE: DIRECTORS ATTENDANCE AT BOARD & COMMITTEE MEETINGS

Director	Board meeting	Audit, Risk & Compliance Committee meeting	Nomination & Renumeration Committee meeting
Sir Wilson Kamit	1/1 (resigned 21.05.18)		
Graham John Dunlop	4/4 (retired 27.06.18)	1/1 (retired 27.06.18)	
Dr Albert Mellam	5/7		4/4
Allan Marlin	2/3 (resigned 21.05.18)	1/1 (resigned 21.05.18)	1/1 (resigned 21.05.18)
David Doig	7/7	3/3	4/4
Abigail Chang	7/7	4/4	3/3 (appointed as Acting Committee Chair on 25.05.18)
Faye-Zina Lalo	6/7	3/3	3/4
Johnson Kalo	6/7 (appointed 13.03.18)		
William Lamur	2/4 (appointed 13.03.18 and resigned 27.06.18)		
Sydney Yates	3/3 (appointed 2.05.18)		
James Kruse	3/3 (appointed 2.05.18)		
Richard Sinamoi	2/3 (appointed 2.05.18)		
Michael Varapik	3/3 (appointed 2.05.18)		

*Note: The Strategy & Investment Committee and the Disclosure Committee are new committees established by the Board in 2018. Full reporting on member's attendance will be reported in the 2019 Annual Report.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

2. BOARD'S RELATIONSHIP WITH THE CHIEF EXECUTIVE OFFICER

The Board confirms the duties and responsibilities of the CEO annually and approves the Key Performance Indicators for the CEO, linked to the Board's strategic goals.

The CEO is responsible for the day-to-day management and operations of the Group's businesses and reports to the Board on key operational and management issues not limited to financials but including material risks and compliance matters.

3. CHAIR

The directors elected Sydney Yates as Chair of the Board in November 2018. The Chair is an independent director.

The role of the Chair is set out in the Board Charter and includes:

- representing the Board to shareholders and communicating the Board's position;
- leading the Board and facilitating and encouraging constructive discussion in meetings;
- assessing and agreeing professional development plans for all the directors; and
- monitoring the contribution of individual directors and providing annual feedback on their performance and effectiveness.

The performance of the Chair is reviewed every year by the Board.

4. BOARD SKILLS AND COMPOSITION

The Board is composed of a majority of independent directors who, with the CEO, have a mix of skills to provide the necessary breadth, depth of knowledge and experience to meet the Board's responsibilities and objectives. This is vital for robust decision making.

The Board encourages diversity in its composition and has two female directors on its Board.

Regular review of membership is conducted by the Board to ensure the talents of current and future members provide the mix of skills necessary to support the strategic direction, and rise to the challenges of the Group.

The key skills and experience of the CCL Board members are captured below:

- Corporate Governance
- Listed company experience
- Financial services/banking expertise
- Capital management and debt funding
- Insurance
- Tax
- Financial acumen
- Risk management
- Regulatory compliance
- Information technology
- Global orientation
- Company culture and talent management
- Public affairs and communication
- Crisis management
- Global orientation and exposure
- Operational management.

5. BOARD PERFORMANCE EVALUATION

The Board expects a high level of performance from each director. The Chair is responsible for the performance evaluation process to confirm this.

The Board assesses its performance each year and is required to have an independent assessment every three years as part of compliance with the BPNG Prudential Standards. The next independent board assessment will be conducted in 2019.

6. DIRECTOR APPOINTMENT AND ELECTION

The appointment of directors is governed by the company Constitution. All Directors are appointed for an initial three-year term. Directors can only serve a total of three terms, being nine years. A director appointed to the Board between AGMs, must be endorsed by shareholders at the subsequent Annual General Meeting (AGM).

Extensive background checks are performed before any potential director is appointed by the Board or recommended to shareholders for endorsement. The BPNG will confirm whether or not the director is Fit and Proper.

7. DIRECTOR INDUCTION & DEVELOPMENT

Incoming directors in 2018 were provided with an induction pack. There was a mixture of internal and external workshop was delivered to directors to improve the Board's performance, oversight capability and insight into the business.

8. DIRECTOR INDEPENDENCE

The Board determined that a majority of the directors (6 out of 9) were independent throughout the reporting period. The Board reviews the interests notified by directors regularly and formally assesses director independence annually.

Directors are considered to be independent where they are independent of management and free of any business or other relationship that could, or reasonably be perceived to, materially interfere with their capacity to bring independent judgement on issues before the Board and to act in the best interests of the Company and its shareholders generally. Independent directors must not be an ex-employee of the company neither should they hold more that 5% shareholding in the company.

As part of the formal independence assessment, the Board considers all business relationships between the Group on the one hand, and directors and companies of which they are directors or substantial shareholders on the other hand. In each case those business relationships were of an amount not material to both parties and the director was not involved in decisions about those relationships.

9. CEO AND SENIOR EXECUTIVE PERFORMANCE AND RENUMERATION

The Nominations & Remuneration Committee reviews the performance of the CEO and Executive employees, and makes recommendations about remuneration and employment conditions to the Board for approval.

10. CONFLICTS OF INTEREST

Any director who considered they had a conflict of interest or a material personal interest in a matter concerning the Company declared it immediately to the Chair.

The Company Secretary maintained a Register of Interests which was updated at every board meeting. The Secretary also monitored all information coming to the Board and its committees, and potential conflicts were flagged with the affected director and the Chair.

11. INDEPENDENT ADVICE

Directors are entitled to seek independent advice on their duties at the Group's expense, provided that they receive the prior approval of the Chair. The advice is normally made available to all board members. No director sought independent advice during the 2018 year.

12. COMPANY SECRETARY

There is one Company Secretary for the Board and the Board committees. The Company Secretary is appointed by the Board under the Constitution and is a member of the Executive Management team.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

III. RISK MANAGEMENT & ASSURANCE

1. RISK MANAGEMENT FRAMEWORK

The Board oversees risk management within the Group. The Group's businesses are exposed to a range of strategic, financial, operational and compliance related risks. These risks are inherent in operating finance, property and investment businesses.

The Board also identifies and implements opportunities to improve the Risk Management Framework. The design of the Company's Risk Management Framework was reviewed by the Audit & Risk Committee during the reporting period.

The CEO and the Executive Management team ensures risks are monitored, controlled and reported to the board. The diagram below sets out a description of how risk governance operates in the Group together with key responsibilities of the Board, the Group Executive Management, Internal Audit and the business units, and incorporates the three lines of defence model for how risk is managed at the Group.

RISK LEADERSHIP

Board of Directors

- Responsible for oversight of risk exposure and risk taking
- Establish and communicates expectation for risk management
- Approves risk appetite.

Group Executive Management

- Responsible to set business plan and outline significant business risks
- Implement risk management in the business units
- Recommends review of the risk policy, framework, risk appetite and practices to the Board.

LINES OF DEFENCE

Operation functions

(1st Line of Defence)

Owns and manages risk

- Business units
- Group Services.

Oversight functions

(2nd Line of Defence)

Oversees and sets framework standards

- Legal & Compliance
- Finance.

Independent Assurance

(3rd Line of Defence)

Perform independent assurance of framework, system and effectiveness of Controls

- Internal Audit
- External Audit.

2. MATERIAL BUSINESS RISK

The Group identified 15 key risks for the businesses ranging from operational, strategic, human resources, and information technology/cyber security, investment, compliance and governance. All risks are routinely monitored and corrected. Risks are escalated to the Board where significant impact on the business operations occur.

3. EXTERNAL AUDITOR

KPMG has been the Group's external auditor for over 20 years. The external audit appointment and performance reviewed annually. The Board re-appointed KPMG as external auditor in 2018. Every five years the lead audit partner responsible is rotated.

Ms Suzaan Theron was appointed lead audit partner for KPMG for financial year 2018 (FY18). She was previously lead audit partner from FY17 to FY18.

Details of the non-audit services provided by the external auditor over the reporting period are included in the Financial Statements. The A& R Committee has not set any nominal "cap" on the level of non-audit services to be performed by the external auditor, as it considers that this may restrict the ability of the Company to access the best advisers for the particular task.

KPMG has provided the required independence declaration to the Board for FY18. The independence declaration forms part of the Directors' Report in the Annual Report.

The Company does not invite any ex-Credit Corporation Group audit partners to be appointed as directors. If such a person was proposed for appointment in a management position, this would require Board approval.

The lead audit partner attends and presents audit findings to the A & R Committee, is available to meet with members of the A & R Committee as and when required including holding in camera meetings with the Committee without management's presence. The lead audit partner attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

4. INTERNAL AUDITOR

The Group has an independent internal audit function (Group Internal Audit), based in Fiji. Group Internal Audit provides independent and objective assurance services to management and the Board in relation to the internal controls, risk management framework and governance of the Group. It does so through:

- performing audits in accordance with an Internal Audit Plan. The Plan is formulated using a risk-based approach and approved annually by the A & R Committee;
- having direct access, and being accountable, to the Board through the A&R Committee, with the right to communicate to it in the absence of management; and
- regular reporting to the A&R Committee on the results of its audits.

The A&R Committee reviews and approves the Internal Audit Charter each year. It also reviews the performance of the Internal Audit Manager and the internal audit function.

IV. COMMUNICATING WITH SHAREHOLDERS

1. SHAREHOLDER ENGAGEMENT

Shareholders and other stakeholders are informed of all material matters affecting the Company through POMSoX announcements, periodic communications and a range of forums and publications, available on the Company's website. These communication are part of the company's continuous disclosure obligation. Shareholders have the option to utilize electronic communications.

Other shareholder engagement activities include:

- the Annual General Meeting;
- the Annual Report; and
- regular releases of financial information, including half and full-year financial results.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

V. CORPORATE ETHICS

1. CORE VALUES

The Group's core values are

i. integrity
ii. customer commitment
iii. maintaining highest standards in all aspects of business; and
iv. building a strong, honest & motivated employee group.

2. CODES OF CONDUCT

Credit Corporation has one Code of Conduct for the Board and another for employees, contractors and consultants. These Codes set out the standards expected of directors and employees. The Codes of Conduct emphasise the standards of honesty, integrity and fair dealing by all employees in their interaction with customers, suppliers, the community, competitors and each other in the performance of their duties.

3. OTHER POLICIES

The Board and Executive Management maintain a range of other policies which define the Company's commitment to good corporate governance and responsible business practices.

VI. DIVERSITY & CORPORATE SOCIAL RESPONSIBILITY

1. GENDER EQUITY

The Group supports female representation at all levels of management and business operations.

Sourcing and retention of key female talent remains a challenge for the Group. Focused leadership coaching and mentoring will continue as part of our overall succession planning for male and female talent.

TABLE FOUR: GENDER BREAKDOWN

		Percentage of women as a total (%)
Board	(2/9)	22
Executive Manager	(1/9)	11
Snr Managers	(5/19)	26
Total women in management	(6/22)	27
Non-management	(74/210)	35

2. CORPORATE SOCIAL RESPONSIBILITY

The Group supports community projects and incentives that relate to women and children health welfare, local disaster relief outreach programs, youth through sporting sponsorships. These community support is reported at page 22 of this Annual Report.

CONTENTS

Independent Auditor's Report

To the shareholders of Credit Corporation (PNG) Limited ("Company") and its subsidiaries ("Group").

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Company and the Group.

In our opinion the accompanying Financial Statements of the Company and the Group are in accordance with the Companies Act 1997, including:

- giving a true and fair view of the Company and Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date;
- complying with the International Financial Reporting Standards; and
- proper accounting records have been kept by the Company as far as it appears from our examination of those records.

The financial statements comprise the:

- statements of financial position as at 31 December 2018;
- income statements, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

The Group consists of Credit Corporation (PNG) Limited and the entities it controlled at the year end and from time to time during the financial year.

Basis for Opinion

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

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 the Companies Act 1997 and the relevant ethical requirements of CPA Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements of CPA Papua New Guinea.

We confirm that we have remained independent as required by the Companies Act 1997, during the time of our audit to the date of this Auditor's Report.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- valuation of investment property;
- specific and portfolio impairment provisions; and
- valuation of investments in subsidiaries measured at fair value.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

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.

Valuation of investment property (K297,410,000) – Group

Refer to Note 3.6 *Investment property* to the financial statements

The key audit matter	How the matter was addressed in our audit
Valuation of investment properties is a key audit matter due to the significance of the balance and judgment required by us to assess the key valuation assumptions, methodologies used in the final adopted values. The investment property balance is a significant balance and represents 21% of total assets. Management prepared an internal valuation of investment properties. We assessed: • The valuation method used in the property valuations; and • Key judgemental, forward-looking assumptions used in the valuation such as capitalisation rates, capital expenditure allowances, occupancy rates, remaining lease terms and letting allowances.	Our procedures included: • Examining the valuation calculations prepared by the management. • Assessing the methodology adopted by the Group and its consistency with market practice, IFRS 13 *Fair Value Measurement,* and IAS 40 *Investment Property*. • Assessing key inputs used in the valuation by the Group against our expectations based on our experience and knowledge of the property market.

Loss allowance for expected credit losses on finance receivables (K60,547,000) – Group

Refer to Note 3.2 *Finance receivables* to the financial statements

The key audit matter	How the matter was addressed in our audit
Loss allowance for finance receivables are considered to be a key audit matter due to the significance of finance receivables to the Group's financial position and the judgement we needed to apply when assessing these.	Our procedures included: • Testing key IT and credit risk monitoring controls. These related to the accuracy of data and inputs applied in the provision models. The controls we tested included controls in the arrears management process.

<table>
<tr><th colspan="2">Impairment allowance for finance receivables (K60,547,382) – Group (continued)</th></tr>
<tr><td colspan="2">Refer to Note 3.2 Finance receivables to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>We focused our work on assessing unique characteristics of individual finance receivable balances used by management to determine loss allowance. These included expected future cash receipts, security valuation, and estimated sale proceeds of the assets held as security.

The expected credit loss model uses inherently subjective assumptions such as: probability and timing of default, haircut, cure rate, time to realization of security, impact of future changes in macroeconomic environment. We focused our work on assessing these against the requirements of IFRS 9 Financial Instruments.</td><td>• On a sample basis, testing impairment allowance held against finance receivables by assessing ongoing serviceability and value of underlying collateral.

• Assessing compliance with the requirements of IFRS 9 Financial Instruments through an analysis of historical default and loss data, through sample testing of finance receivables by assessing ongoing serviceability and value of underlying collateral and by analysis of assumed impact and probability of changes in future macroeconomic scenarios.

• Working with our financial risk management specialist, we also assessed the design of the expected credit loss model, tested completeness and accuracy of data incorporated into the model, and re-performed model calculations on a sample basis to assess accuracy of expected credit loss calculations.</td></tr>
<tr><th colspan="2">Valuation of investment in subsidiaries measured at fair value (K344,254,000) – Company stand-alone</th></tr>
<tr><td colspan="2">Refer to Note 3.4(d) Investments in subsidiaries to the financial statements</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Valuation of investments in subsidiaries measured at fair value is a key audit matter due to the significance of the balance and judgment required by us to assess the key valuation assumptions, methodologies used in the final adopted values. The investments in subsidiaries measured at fair value balance is a significant balance and represents 43% of total assets of the Company.

We assessed:
• The valuation method used; and
• Key inputs to the valuation such as valuation multiples and sustainable earnings.</td><td>Our procedures included:

• Performing a recalculation of management’s valuations.

• Assessing the accuracy of previous Company’s forecasts to inform our evaluation of forecasts incorporated in the fair value of investments in subsidiaries.

• Working with our valuation specialist assessing the appropriateness of key assumptions including valuation multiples, sustainable earnings, evaluating forecast revenues, expenses, and effects of changes in currency exchange rates in light of current and expected market conditions.</td></tr>
</table>

Other Information

Other Information is financial and non-financial information in Credit Corporation (PNG) Limited and its subsidiaries' annual reporting which is provided in addition to the financial statements and the Auditor's Report.

The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The remaining Other Information:

- the Company's information;
- the Group Chairman's review;
- the Group's five year financial summary;
- the Group's 40 year highlights report;
- the Group's Chief Executive Officer's report;
- the Group's Corporate Governance Statement;
- Shareholder's information;
- Credit Corporation (Fiji) Ltd Managing Director's report;
- Credit Corporation (SI) Ltd Managing Director's report; and
- Credit Corporation (Vanuatu) Ltd Managing Director's report;

we expect to be made available to us after the date of the Auditor's Report.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of Directors for the Financial Statements

The Directors are responsible for:

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objective is:

- 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 the International Standards on Auditing will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial 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 auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the (consolidated) financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate 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 we identify during our audit.

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

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby

Date: 29 March 2019

STATEMENTS OF FINANCIAL POSITION

AS AT YEAR ENDED 31 DECEMBER 2018

		Consolidated		Company	
	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
ASSETS					
Cash and cash equivalents	3.1	93,887	137,537	4,080	7,389
Other deposits	3.4(f)	-	-	18,718	20,630
Finance receivables	3.2	581,939	480,879	-	-
Other receivables	3.3	4,923	4,354	38,324	28,674
Interest bearing securities	3.4(a)	6,459	7,247	5,047	5,047
Other equity investments	3.4(b)	34	93	34	34
Investment in associate	3.4(c)	12,462	15,461	12,462	15,461
Other investments	3.4(d)(e)	377,930	354,234	722,184	687,616
Inventories		868	889	-	-
Property, plant and equipment	3.5	25,107	22,801	355	178
Investment property	3.6	297,410	301,810	4,400	4,400
Income taxes receivable	2.6(b)	1,172	13,897	-	1,690
Deferred tax assets	2.6(c)	28,889	18,977	34	1
TOTAL ASSETS		**1,431,080**	**1,358,179**	**805,638**	**771,120**
EQUITY					
Share capital	5.1	21,984	22,008	21,984	22,008
Reserves	5.2	403,161	386,064	570,829	558,127
Retained earnings		426,065	403,648	212,310	189,691
TOTAL EQUITY		**851,210**	**811,720**	**805,123**	**769,826**
LIABILITIES					
Trade and other payables	3.7	6,442	6,541	387	1,245
Deposits and borrowings	3.8	546,139	513,871	-	-
Employee benefits	3.9	2,749	2,112	125	49
Income taxes payable	2.6(b)	-	-	3	-
Deferred tax liabilities	2.6(c)	24,540	23,935	-	-
TOTAL LIABILITIES		**579,870**	**546,459**	**515**	**1,294**
TOTAL EQUITY AND LIABILITIES		**1,431,080**	**1,358,179**	**805,638**	**771,120**

For and on behalf of the board of directors

Director
Date: 29 March 2019

Director
Date: 29 March 2019

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

INCOME STATEMENTS

AS AT YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated 2018 K'000	Consolidated 2017 K'000	Company 2018 K'000	Company 2017 K'000
Finance income	2.1	95,627	75,583	-	-
Finance costs	2.2	(20,407)	(17,643)	-	-
Net finance income		**75,220**	**57,940**	-	-
Other income	2.1	88,083	75,011	74,090	66,745
Fair value (loss)/gain on financial assets	3.4(e)	27,395	18,590	27,395	18,590
Fair value (loss)/gain on investment properties	3.6	(8,952)	(19,821)	-	252
Net operating income		**181,747**	**131,720**	**101,485**	**85,587**
Impairment loss on finance receivables	3.2	(25,268)	(6,703)	-	-
Change in impairment allowance on other receivables	3.3	-	-	7,485	(6,478)
Personnel expenses	2.4	(17,735)	(19,224)	(1,706)	(3,007)
Depreciation expenses	3.5	(4,935)	(3,309)	(113)	(104)
Other operating expenses		(26,094)	(26,511)	(4,040)	(3,568)
Results from operating activities		**107,715**	**75,973**	**103,111**	**72,430**
Share of (loss)/profit of equity accounted investee (net of tax)	3.4(c)	(2,999)	(1,780)	(2,999)	(1,780)
Profit before tax		**104,716**	**74,193**	**100,112**	**70,650**
Income tax expense	2.6(a)	(6,793)	(555)	(659)	549
Profit attributable to equity holders of the company		**97,923**	**73,638**	**99,453**	**71,199**
Earnings per share based on profit for the year					
Basic and Diluted		0.32	0.24	0.32	0.23

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated 2018 K'000	Consolidated 2017 K'000	Company 2018 K'000	Company 2017 K'000
Profit for the period		**97,923**	**73,638**	**99,453**	**71,199**
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations	5.2(c)	(597)	5,822	-	-
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	5.2(a)	-	-	(11,258)	(23,782)
Other comprehensive income for the year (net of income tax)		**(597)**	**5,822**	**(11,258)**	**(23,782)**
Total comprehensive income for the year attributable to equity holders of the company		**97,326**	**79,460**	**88,195**	**47,417**

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

STATEMENTS OF CHANGES IN EQUITY CONSOLIDATED

AS AT YEAR ENDED 31 DECEMBER 2018

	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2017		**22,468**	**390,720**	**374,104**	**787,292**
Total comprehensive income for the year		-	-	79,460	79,460
Transfer to reserves		-	(4,656)	4,656	-
		-	**(4,656)**	**84,116**	**79,460**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(43,154)	(43,154)
Share buy-back transactions	5.1	(460)	-	(11,418)	(11,878)
Total transactions with owners		**(460)**	**-**	**(54,572)**	**(55,032)**
Balance at 31 December 2017		**22,008**	**386,064**	**403,648**	**811,720**
Adjustment on initial application of IFRS 9, net of tax		-	-	(4,939)	(4,939)
Restated balance at 1 January 2018		**22,008**	**386,064**	**398,709**	**806,781**
Total comprehensive income for the year		-	-	97,326	97,326
Transfer to reserves		-	17,097	(17,097)	-
		-	**17,097**	**80,229**	**97,326**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(52,313)	(52,313)
Share buy-back transactions	5.1	(584)	-	-	(584)
Transfer to Retained Earnings		560	-	(560)	-
Total transactions with owners		**(24)**	**-**	**(52,873)**	**(52,897)**
Balance at 31 December 2018		**21,984**	**403,161**	**426,065**	**851,210**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED) COMPANY

AS AT YEAR ENDED 31 DECEMBER 2018

	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2017		**22,468**	**577,080**	**177,893**	**777,441**
Total comprehensive income for the year		-	(23,782)	71,199	47,417
Transfer to reserves		-	4,829	(4,829)	-
		-	(18,953)	66,370	47,417
Transactions with owners					
Dividends to equity holders	2.5	-	-	(43,154)	(43,154)
Share buy-back transactions	5.1	(460)	-	(11,418)	(11,878)
Total transactions with owners		**(460)**	**-**	**(54,572)**	**(55,032)**
Balance at 31 December 2017		**22,008**	**558,127**	**189,691**	**769,826**
Total comprehensive income for the year		-	(11,259)	99,453	88,194
Transfer to reserves		-	23,961	(23,961)	-
		-	12,702	75,492	88,194
Transactions with owners					
Dividends to equity holders	2.5	-	-	(52,313)	(52,313)
Share buy-back transactions	5.1	(584)	-	-	(584)
Transfer to Retained Earnings		560	-	(560)	-
Total transactions with owners		**(24)**	**-**	**52,873**	**(52,897)**
Balance at 31 December 2018		**21,984**	**570,829**	**212,310**	**805,123**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated		Company	
		2018 K'000	2017 K'000	2018 K'000	2017 K'000
OPERATING ACTIVITIES					
Charges earned on leases & loans		89,986	77,902	-	-
Commission, fees and rents		38,055	29,314	1,688	2,165
Dividends received		-	-	74,731	52,099
Interest payments		(20,407)	(17,643)	-	-
Payments to suppliers and employees		(36,363)	(38,868)	(5,165)	(6,640)
Operating cash flows before changes in operating assets		71,271	50,705	71,254	47,624
Net cash received/(advanced) in respect of finance receivables		(124,908)	(92,201)	-	-
Net cash received/(repaid) in respect of deposits		29,355	92,905	-	-
Net cash from subsidiaries		-	-	(5,736)	(2,788)
Net cash from operating activities before income tax		(24,282)	51,409	65,518	44,836
Income taxes paid		(8,748)	(4,958)	(200)	-
Cash flows from operating activities		(33,031)	46,451	65,318	44,836
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(3,817)	(3,562)	(289)	-
Acquisition of investment property		(4,552)	(8,023)	-	-
Proceeds from sale of property		371	684	-	120
Proceeds from sale of listed shares		3,699	14,975	3,699	14,975
Dividend received		46,333	42,649	-	-
Interest from funds deposited		2,506	2,906	1,080	788
Net cash flow from short term investments		873	14,996	1,912	(15,793)
Increase in equity of subsidiary		-	-	(22,130)	-
Cash flows from/(used in) investing activities		**45,414**	**64,625**	**(15,730)**	**90**
FINANCING ACTIVITIES					
Share buy back		(584)	(11,879)	(584)	(11,879)
Proceeds of borrowings		5,000	-	-	-
Group GST paid		-	-	-	-
Repayment of borrowings		(4,409)	(2,880)	-	-
Repayment of interest		(3,565)	(3,810)	-	-
Dividends paid		(52,313)	(46,201)	(52,313)	(46,201)
Cash flows used in financing activities		**(55,871)**	**(64,770)**	**(52,897)**	**(58,080)**
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		(161)	2,818	-	-
Net increase/(decrease) in cash and cash equivalents		**(43,650)**	**49,124**	**(3,309)**	**(13,154)**
Cash and cash equivalents at 1 January		137,537	88,413	7,389	20,543
Cash and cash equivalents at 31 December		**93,887**	**137,537**	**4,080**	**7,389**

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 51 to 101.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ABOUT OUR FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

These are the financial statements for Credit Corporation (PNG) Limited ("the Company") and its controlled entities (together "the Group") for the year ended 31 December 2018.

1.2 REPORTING ENTITY

Credit Corporation (PNG) Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is Credit House, Cuthbertson Street, Port Moresby, Papua New Guinea. The consolidated financial statements as at and for the year ended 31 December 2018, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

1.3 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997.

The consolidated financial statements have been authorised for issue by the Board of Directors on 29 March 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared primarily on the historical cost basis except for financial instruments designated at fair value through profit and loss and investment property which are measured at fair value through profit or loss.

(c) Functional currency

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

(d) Use of estimates and judgements

The preparation of a financial report in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected.

Information about critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 3.2 – Finance receivables

Note 3.4(d) – Investments in subsidiaries

Note 3.6 – Investment property

Note 4.2 – Financial instruments.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.4 BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases. The Parent measures its investment in subsidiaries at fair value with any changes posted through other comprehensive income.

(b) Investments in associates

Associates are those entities in which the Group has a significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(c) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

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

1.5 FOREIGN CURRENCY

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to PNG Kina at exchange rates at the reporting date. The income and expenses of foreign operations are translated to PNG Kina at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Foreign exchange differences have been recognised in the exchange fluctuation reserve or EFR. When a foreign operation is disposed of, in part or in full, the relevant amount in the EFR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the EFR.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES

(a) Classification and measurement of financial instruments

Policy applicable from 1 January 2018

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 trade receivables 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.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

Classification and subsequent measurement of financial assets

The Group classifies financial assets into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); and
- Fair value through profit or loss (FVTPL).

Financial assets include both debt and equity instruments.

a. Debt instruments

Debt instruments include loans and debt securities and are classified into either amortised costs or measured at FVTPL measurement categories.

Debt instruments measured at amortised cost – debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash, flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognised in interest income using the effective interest rate method.

Debts instruments measured at FVTPL – debt instruments are measured at FVTPL if assets:

i. are held for trading purposes;

i. are held as part of a portfolio managed on a fair value basis; or

ii. whose cash flows do not represent payments that are solely payments of principal and interest.
The Group did not have any debts instruments measured at FVTPL in 2018.

The classification of debt instruments is determined based on:

a. the business model under which the asset is held; and

b. the contractual cash flow characteristics of the instrument.

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. 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.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Classification and measurement of financial instruments (Continued)

Policy applicable from 1 January 2018 (Continued)
Recognition and initial measurement (Continued)

b. Equity instruments

Equity instruments are classified into fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI). Equity instruments are measured at FVTPL, unless an election is made to designate them at FVTOCI upon purchase. At initial recognition, the Group measures equity instruments 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.

Subsequent to initial recognition the changes in fair value are recognized as part of fair value (loss)/gain on financial assets line in the Consolidated Income Statement for FVTPL or in other comprehensive income for FVTOCI.

Classification and subsequent measurement of financial liabilities
The Group classifies all financial liabilities as subsequently measured at amortised cost.

Deposits are accounted for at amortized cost. Interest on deposits, calculated using the effective interest rate method, is recognized as interest expense. Interest on borrowings is recognized using the effective interest rate method as interest expense.

Determination of fair value
Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Group has access at the measurement date.

The Group values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Group maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2.

Valuations that require the significant use of unobservable inputs are considered Level 3.

Derecognition of financial assets and liabilities

Policy applicable from 1 January 2018

Derecognition of financial assets
A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Classification and measurement of financial instruments (Continued)

Policy applicable from 1 January 2018 (Continued)
Recognition and initial measurement (Continued)

b. Equity instruments (Continued)

Derecognition of financial assets and liabilities (Continued)

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the Consolidated Income Statement.

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 recognized as a gain/loss in the Consolidated Income Statement.

(b) Impairment of financial assets carried at amortised cost

Policy applicable from 1 January 2018

The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9.

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

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

- Stage 1 – 12month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.
- Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Credit loss allowances are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
- Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Impairment of financial assets carried at amortised cost (continued)

Policy applicable from 1 January 2018 (continued)

Expected credit loss impairment model (continued)

The diagram below shows the impairment approach under IFRS 9.

CHANGE IN CREDIT QUALITY SINCE INITIAL RECOGNITION

	Performing (Initial Recognition)	Underperforming (SICR since initial recognition)	Non-performing Credit impaired Assets)
Recognition of ECL	12 month ECL	Lifetime ECL	Lifetime ECL
Interest revenue	Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost carrying amount (i.e. net of credit allowance)

Measurement of expected credit loss

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

- 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 realization of any collateral. It is usually expressed as a percentage of the EAD.

Forward-looking information

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

Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, interest rates, and house-price indices. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Impairment of financial assets carried at amortised cost (continued)

Policy applicable from 1 January 2018 (continued)

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The weightings assigned to each economic scenario at 31 December 2018 were as follows:

Scenario	Base	Upturn	Downturn
Weighting	80%	10%	10%

The 'base case' represents the most likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information 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 the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

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 amortized cost: as a deduction from the gross carrying amount of the financial assets;
- Off-balance sheet credit risks which include undrawn lending commitments: as a provision in other liabilities.

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 reorganization;
- 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.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Impairment of financial assets carried at amortised cost (continued)

Policy applicable from 1 January 2018 (continued)

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 realization of security. In circumstances where the net realizable 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 credited to the impairment loss on finance receivables line in the Consolidated Income Statement.

(c) Classification and measurement, derecognition, and impairment of financial instruments

Policy applicable before 1 January 2018

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers 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 asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred.
Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Classification and measurement, derecognition, and impairment of financial instruments (continued)

Policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale equity instruments, are recognised in other comprehensive income and presented within equity in the asset revaluation reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: deposits and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Key judgements and estimates

Judgement is required when applying the valuation techniques used to measure the fair value of investments in subsidiaries. For further analysis, refer to note 3.4 (d).

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investments securities

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Classification and measurement, derecognition, and impairment of financial instruments (continued)

Policy applicable before 1 January 2018 (continued)

Loans and receivables and held-to-maturity investments securities (continued)

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018; however, the Group has not applied the following new or amended standards in preparing these financial statements:

- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, effective for annual periods beginning on or after 1 January 2019;*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation, effective for annual periods beginning on or after 1 January 2019;*
- *Annual Improvements to IFRSs 2015 – 2017 Cycle:*
  - *IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity;*
  - *IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation;*
  - *Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures; and*
- *IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2022.*

The Group is assessing the potential impact on its financial statements resulting from the application of these standards.

1.9 CHANGES IN ACCOUNTING POLICIES

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) that are relevant to the Group were adopted by the Group effective for annual periods beginning on or after 1 January 2018, unless otherwise indicated:

- *IFRS 9 Financial Instruments;*
- *IFRS 15 Revenue from Contract with Customers;*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration; and*
- *Amendments to IAS 40: Transfers of Investment Property.*

The Group has early adopted *IFRS 16 Leases* as at 1 January 2018.

IFRS 9 and 16 had impact on amounts recognized in the financial statements. The application of other new and revised accounting standards and interpretations has no material impact on the amounts recognised in the financial statements.

The impact of IFRS 15 was limited to the new disclosure requirements

New IFRS standard – IFRS 9 adoption – 1 January 2018

Effective 1 January 2018, the Group adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.9 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New IFRS standard – IFRS 9 adoption – 1 January 2018 (continued)

IFRS 9 simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to *IAS 1 Presentation of Financial Statements, and to IFRS 7 Financial Instruments: Disclosures* that are applied to disclosures about 2018, but have not been applied to the comparative information.

Governance and project management

The adoption of IFRS 9 is a significant initiative for the Group, involving substantial finance, risk management and technology resources. The implementation process was managed through a strong governance structure involving all business units concerned. The Group's existing system of internal controls continue to be refined and revised where required to meet all the requirements of IFRS 9. In line with its existing governance framework the Group will ensure that appropriate validations and controls are in place over new key processes and significant areas of judgment. Adoption of IFRS 9 in 2018 has also resulted in revisions to accounting policies and procedures, and includes ongoing changes and amendments to internal control documents, applicable credit risk manuals, development of new risk models and associated methodologies and new processes within risk management. The following is a summary of some of the more significant items that are likely to be important in understanding the impact of the implementation of IFRS 9.

Transition to IFRS 9

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Consolidated level

Financial Statement Class	IAS 39 Measurement category	IAS 39 Carrying amount K'000	Transition adjustment Reclassification K'000	Transition adjustment Re-measurement K'000	IFRS 9 Carrying amount K'000	IFRS 9 Measurement category
Cash and cash equivalent	Loans and receivables	137,537	-	-	137,537	Amortised cost
Finance receivables	Loans and receivables	480,879	-	(4,939)	475,940	Amortised cost
Other receivables	Loans and receivables	4,354	-	-	4,354	Amortised cost
Held to maturity investments	Held to maturity	7,247	-	-	7,247	Amortised cost
Other investments (listed shares)	Financial assets designated at FVTPL	354,234	-	-	354,234	Fair value through profit or loss (FVTPL)
Movement in Retained earnings						
Retained earnings		403,648	-	4,939	398,709	

Parent level

Financial Statement Class	IAS 39 Measurement category	IAS 39 Carrying amount K'000	Transition Adjustment Reclassification K'000	Transition Adjustment Re-measurement K'000	IFRS 9 Carrying amount K'000	IFRS 9 Measurement category
Other investments (listed shares)	Financial assets designated at FVTPL	354,234	-	-	354,234	Fair value through profit or loss (FVTPL)
Other investments (investments in subsidiaries)	Available for sale	333,382	-	-	333,382	Fair value through other comprehensive income (FVTOCI)

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.9 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New IFRS standard - IFRS 16 adoption - 1 January 2018

The Group recognised K3,629 thousand of right-of-use assets and K3,629 thousand of lease liabilities as at 1 January 2018 on transition to IFRS 16 as summarised in Note 3.5 Property, plant and equipment.

2. FINANCIAL PERFORMANCE

2.1 FINANCE AND OTHER INCOME

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Finance income	95,627	75,583	-	-
Other income				
Profit on sale of listed shares	3	41	3	41
Profit on sale of property, plant and equipment	175	351	-	88
Dividend income	46,333	42,712	71,322	63,944
Rental income from property	30,734	22,763	151	337
Rental outgoings	2,160	1,361	123	159
Interest on term deposit, treasury bills and semi-government bonds	2,456	2,906	1,080	788
Other operating income	6,222	4,878	1,412	1,388
Total other income	88,083	75,011	74,090	66,745

Recognition and measurement

REVENUE

(a) Finance income

Finance income comprises finance charges earned from the provision of lease finance and is recognized over the finance contract using the Effective Interest Rate Method.

(b) Dividend income

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(c) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(d) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(e) Other income

Other income comprises interest income on funds invested (including other equity investments financial assets), establishment fees on finance contracts, gains on the disposal of other equity investments financial assets. Interest income on funds deposited is recognized as it accrues in profit or loss, using the effective interest rate method. The establishment fees on finance contracts are deferred over the expected term of the contract according to the effective interest rate method.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 FINANCE COSTS

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Interest on customer deposits	(20,407)	(17,643)	-	-

Recognition and measurement

Finance costs comprise interest expense on interest bearing deposits and other costs associated with financing income.

2.3 PROFIT BEFORE TAXATION

The operating profit for the year as stated after (crediting)/ charging the following items:

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Auditors remuneration				
- audit fees	879	767	192	192
Professional advisory fees	1,474	537	1,107	76
Donations	39	38	-	-
Bad debts recovered	(765)	(538)	-	-

2.4 PERSONNEL EXPENSES

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Wages and salaries	12,193	14,084	944	2,043
Contributions to defined contribution plans	1,669	1,310	142	121
Long service leave and annual leave	386	454	76	129
Other staff costs	3,486	3,376	545	714
	17,735	**19,224**	**1,706**	**3,007**

The number of employees at 31 December 2018 employed in the Group was 238 (2017: 219).

2.5 DIVIDENDS

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Final dividend of K0.11 per share (2017: K0.10 per share)	33,853	30,837	33,853	30,837
Interim dividend K0.06 per share (2017: K0.04 per share)	18,460	12,317	18,460	12,317
	52,313	43,154	52,313	43,154

Final dividend for the year ended 31 December 2017 was declared on 3 August 2018 and paid on 24 August 2018 and interim dividend for the year ending 31 December 2018 was declared on 9 November 2018 and paid on 23 November 2018.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6 TAXATION

(a) Income tax expense

Income tax expense	Consolidated 2018 K'000	Consolidated 2017 K'000	Company 2018 K'000	Company 2017 K'000
Current tax expense	15,373	7,053	692	-
Under/(over) provisions in tax expense	727	277	-	-
Deferred tax expense	(9,307)	(6,775)	(32)	(549)
	6,793	**555**	**659**	**(549)**
Income tax expense/(benefit)				
Profit before tax	104,716	74,193	100,112	70,650
Computed tax using the applicable PNG corporate income tax rate (30%)	31,415	22,258	30,034	21,195
Effect of tax rates in foreign jurisdictions	(5,055)	(3,246)	-	-
Tax effect of:				
Share of profit of equity accounted associate reported net of tax	900	445	900	445
Current year unrealized gains for which no deferred tax is recognized	(8,218)	(5,577)	(8,218)	(5,577)
Dividend income exempt from tax asset	(13,900)	(12,814)	(13,900)	(12,814)
Revaluation gains and losses on which deferred tax has not been recognized	-	-	-	-
Non-tax deductible impairment provision for capital items	-	-	(2,246)	1,943
Dividend income exempt from subsidiaries	-	-	(7,497)	(6,369)
Recognition of previously unrecognized deferred tax	-	(1,593)	-	-
Non-deductible expenses	397	665	338	576
Under provision in prior years and other	1,254	417	1,249	52
Tax expense in the income statement	**6,793**	**555**	**660**	**(549)**

(b) Income taxes (receivable)/payable

	2018 K'000	2017 K'000	2018 K'000	2017 K'000
At 1 January	(13,897)	(14,518)	(1,690)	(1,654)
Income tax expense for the year	15,020	7,138	692	-
Under/over provision in prior years	76	105	-	-
Income taxes paid during the year	(8,748)	(4,958)	(200)	-
Interest withholding tax credit	(201)	(125)	(80)	(36)
Reversed GST tax credit offset	1,472	-	-	-
Offset with other taxes	5,106	-	1,281	-
Other	-	(1,539)	-	-
At 31 December	**(1,172)**	**(13,897)**	**3**	**(1,690)**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6 TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2018 and 2017 are attributable to the items detailed in the table below:

	2018			2017		
	Asset K'000	Liability K'000	Net K'000	Asset K'000	Liability K'000	Net K'000
Consolidated						
Property, plant and equipment and investment properties	10,541	(24,276)	(13,735)	9,413	(23,934)	(14,521)
Employee benefits	645	-	645	409	86	495
Provision for impairment - finance receivables	14,446	-	14,446	6,927	-	6,927
Other items	3,257	(264)	2,993	2,228	(87)	2,141
Net tax assets/(liabilities)	**28,889**	**(24,540)**	**4,349**	**18,977**	**(23,935)**	**(4,958)**
Company						
Property, plant and equipment and investment properties	-	(34)	(34)	-	(12)	(12)
Employee benefits	37	-	37	15	-	15
Other items	75	(44)	31	46	(48)	(2)
Net tax assets/(liabilities)	**112**	**(78)**	**34**	**61**	**(60)**	**1**

Recognition and measurement

Income tax

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

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

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6 TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities (continued)

Recognition and measurement (continued)

Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 OPERATING SEGMENTS

The Group has nine (9) reportable segments, as described below, which operate under the Group's three (3) strategic business units. The strategic business units offer different products and services, and are managed separately. For each of the reportable segment, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segment:

1. General finance, leasing and hire purchase financing
   - Credit Corporation Finance Limited (CCFL)
   - Credit Corporation (SI) Limited (CCSI)
   - Credit Corporation (Fiji) Limited (CCFJ)
   - Credit Corporation (Vanuatu) Limited (CCVT)
2. Property investment
   - Era Dorina Limited – residential (EDL)
   - Credit House Limited – commercial (office spaces) (CHL)
   - Era Matana Limited – residential (EML)
   - Credit Corporation Industrial Limited – commercial investment block of land (CCIL)
3. Investment company
   - Credit Corporation (PNG) Limited (CCPNG)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

At 31 December 2018	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	102,423	33,187	48,101	183,711
Inter-segment revenue	(2,428)	1,833	42,615	42,020
Finance costs	(20,407)	-	-	(20,407)
Fair value (loss)/gain	-	(8,952)	27,395	18,443
Depreciation	2,843	1,979	113	4,935
Reportable segment profit before income tax	27,852	4,441	112,251	144,544
Share of profit of equity-method investee	-	-	(2,999)	(2,999)
Reportable segment assets	730,120	325,700	811,423	1,867,243
Investment in associate	-	-	12,462	12,462
Reportable segment liabilities	533,020	150,386	590	683,997

At 31 December 2017	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	81,364	25,183	44,047	150,594
Inter-segment revenue	4,549	1,900	22,698	29,147
Finance costs	(17,643)	-	-	(17,643)
Fair value (loss)/gain	-	(20,073)	18,842	(1,231)
Depreciation	1,459	1,746	104	3,309
Reportable segment profit before income tax	32,618	(14,800)	72,430	90,248
Share of profit of equity-method investee	-	-	(1,780)	(1,780)
Reportable segment assets	694,380	324,362	755,658	1,774,400
Investment in associate	-	-	15,461	15,461
Reportable segment liabilities	492,428	168,743	1,292	662,463

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7 OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segment revenues, profits or loss, assets and liabilities:

	2018 K'000	2017 K'000
Revenues		
Total revenue for reportable segments	225,731	179,740
Fair value (loss)/gain	18,443	(1,231)
Finance costs	(20,407)	(17,643)
Elimination of inter-segment revenue	(42,020)	(29,147)
Net operating income	**181,747**	**131,720**
Profit or loss		
Total profit or loss for reportable segments	144,544	90,248
Elimination of inter-segment profit	(36,829)	(14,275)
Share of profit of equity-accounted investee	(2,999)	(1,780)
Consolidated profit before tax	**104,716**	**74,193**
Assets		
Total assets for reportable segments	1,867,243	1,774,400
Investment in equity-accounted investee	12,462	15,461
Elimination of inter-company balance	(104,371)	(98,300)
Elimination of investment in subsidiaries	(344,254)	(333,382)
Consolidated total assets	**1,431,080**	**1,358,177**
Liabilities		
Total liabilities for reportable segments	683,997	662,463
Elimination of inter-company balances	(104,127)	(116,006)
Consolidated total liabilities	**579,870**	**546,459**

	Net operating income (K'000)		Net assets (K'000)	
Geographical segments	**2018**	**2017**	**2018**	**2017**
Papua New Guinea	129,946	92,189	748,813	716,659
Fiji	29,863	24,456	67,027	59,570
Solomon Islands	6,665	6,615	17,573	20,220
Vanuatu	15,273	8,460	17,797	15,271
Total	**181,747**	**131,720**	**851,210**	**811,720**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7 OPERATING SEGMENTS (CONTINUED)

Recognition and measurement

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

2.8 EARNINGS PER SHARE

The calculation of basic earnings per share (consolidated) at 31 December 2018 was based on profit attributable to ordinary shareholders of K97,923,411 (2017: K73,638,555), and a weighted average number of ordinary shares outstanding of 308,990,373 (2017: 312,672,856). There is no difference between basic and diluted earnings per share.

Recognition and measurement

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3. FINANCIAL POSITION

3.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purpose of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the Statements of Cash Flows are reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Cash at bank and on hand	41,293	106,416	3,784	7,094
Short term deposits	52,594	31,121	296	295
Cash and cash equivalents	**93,887**	**137,537**	**4,080**	**7,389**

Cash and cash equivalents include cash on hand and at bank and short-term deposits with a maturity not more than three months. Cash at bank and on hand and short-term deposits interest rates range between 0.5% to 3.5%.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Gross finance receivables	747,257	597,721	-	-
Less: Unearned charges	(99,398)	(84,334)	-	-
Less: Deferred establishment fees	(5,372)	(4,086)	-	-
Less: Impairment allowance	(60,547)	(28,422)	-	-
Net finance receivables	**581,939**	**480,879**	-	-
Finance leases included in finance receivables analysed as follows:				
Note later than one year	7,575	1,470	-	-
Later than one year and not later than five years	35,001	24,518	-	-
	42,576	25,988	-	-
Less: Unearned charges	(6,440)	(3,871)	-	-
Net finance leases	**36,136**	**22,117**	-	-

Analysis of impairment allowance

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Specific provisions	-	15,262	-	-
Portfolio provisions	-	13,160	-	-
ECL allowance	60,547	-	-	-
	60,547	28,422	-	-
Impairment allowance				
Opening balance	28,422	27,092	-	-
Effect of IFRS 9 implementation	9,848	-	-	-
Restated balance at 1 January 2018	**38,270**	**27,092**	-	-
Increase in allowance	25,268	6,703	-	-
Effect of FX	353	1,583	-	-
Bad debts written off	(3,344)	(6,956)	-	-
Closing balance	**60,547**	**28,422**	-	-

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES (CONTINUED)

Analysis of finance receivables by industry

	Consolidated – 2018		Consolidated – 2017	
	K'000	%	K'000	%
Agriculture	19,355	3%	22,128	3%
Mining	13,395	2%	6,500	1%
Manufacturing	41,683	6%	30,940	5%
Forestry and saw-milling	10,344	1%	10,080	2%
Civil contracting	41,129	6%	29,119	5%
Building and construction	74,703	10%	67,895	11%
Real Estate	72,832	10%	33,686	6%
Wholesale/Retail	72,418	10%	55,791	9%
Transport and storage	244,575	33%	193,655	32%
Professional and business services	77,900	10%	63,676	11%
Private and self employed	74,222	10%	69,938	12%
Other	4,701	1%	14,313	1%
	747,257	**100%**	**597,721**	**100%**

Sensitivity analysis

The key assumptions affecting the ECL allowances are:

1. Haircut on collateral values
2. Weighting on economic scenarios

Set out below is the sensitivity analysis on reasonable changes to these key assumptions as at 31 December 2018.

	(+) 10% K'000	(-) 10% K'000
Change in collateral values	3,149	(3,086)
	(+) 10% K'000	**(-) 10% K'000**
Changes in probability weighted scenarios	3,776	(3,776)

Collateral

The Group has a range of policies that are used for the purpose of managing and mitigating credit risks. To reduce its exposure to credit risks the Group accepts collateral to funds advanced. The specific types of collateral and valuation of collateral during the loan origination process and period assessment of credit quality are clearly outlined in the internal credit policies. The different collateral types for loans and advances are:

- Fixed and floating charges over company assets;
- Chattel mortgage over personal property; and
- Registered Mortgage over property.

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES (CONTINUED)

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure (net of unearned income) K'000	Impairment allowance K'000	Carrying amount K'000	Fair value of collateral held K'000
Credit-impaired assets	111,376	41,155	70,221	142,429

Changes in loss allowance

The loss allowance recognised in the period was impacted by the following factors:

- Movement of exposures between the three stages depending on the whether there has been a significant increase in credit risk for exposures since initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors;
- Additional allowances as a result of new financial instruments added during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period as a result of regular updates on general models;
- Foreign exchange re-translations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Credit Risk Exposure

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

Figures in PGK'000s	31 Dec 2018	1 Jan 2018
Stage 1 – 12 month ECL	455,812	403,261
Stage 2 – Life time ECL	75,299	71,258
Stage 3 – Life time ECL	111,376	38,333
Gross carrying amount	**642,486**	**512,852**
Allowance for loss	(60,547)	(37,304)
Net carrying amount	**581,939**	**475,548**

Recognition and measurement

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES (CONTINUED)

Recognition and measurement (continued)

Lease income

Finance income on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Key judgements and estimates

When we measure collectability of finance receivables, we use management's judgement of the extent of losses at reporting date. This is assessed both specifically and collectively. The key assumptions used within the provision are reviewed regularly to reflect actual loss experience. For further details refer to note 1.6 (a).

3.3 OTHER RECEIVABLES

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Current				
Amounts owed by related corporations	-	-	37,241	26,954
Dividend withholding tax receivable	940	940	940	1,280
Other debtors and prepayments	3,983	3,414	143	440
	4,923	**4,354**	**38,324**	**28,674**

The amounts owed from related corporation relate to intercompany receivable from various subsidiaries. Refer note 6.3 (c). These intercompany balances are interest free and repayable on demand. The amount stated is net of impairment provision of K9,285,107 (2017: K16,769,802).

3.4 INVESTMENTS

(a) Interest bearing securities

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
	6,459	**7,247**	**5,047**	**5,047**

3. FINANCIAL POSITION (CONTINUED)

3.4. INVESTMENTS (CONTINUED)

(a) Interest bearing securities (continued)

1. The government and semi-government securities consist of stocks and bonds of Fiji semi-government institutions held by Credit Corporation (Fiji) Limited which earn interest rates of between 5.45% and 6.70% per annum. (2017: between 5.45% and 6.70% per annum). Interest is paid on a quarterly basis. The balance including accrued interest as at 31 December 2018 is K1,412,208 (2017: K2,200,566).
2. In June 2009, Credit Corporation (PNG) Limited (CCP) subscribed for a 10year, fixed rate (11%), unsecured, subordinated K5 million Bank of South Pacific (BSP) note. The interest is payable half yearly on 29 May and 29 November. The balance including accrued interest as at 31 December 2018 is K5,046,712 (2017: K5,046,712).

(b) Other equity investments

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
	34	**93**	**34**	**34**

The Company purchased shares in Credit & Data Bureau (K33,600) in 2008.

(c) Investments in associate (non-current)

	Consolidated		Company	
Equity-accounted investee	2018 K'000	2017 K'000	2018 K'000	2017 K'000
	12,462	**15,461**	**12,462**	**15,461**

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (2017: 25%) of the issued shares of Capital Insurance Group (its principal place of business is Papua New Guinea) and has determined that it has significant influence because it has representation on the board of the investee but does not have a controlling vote. At 31 December 2018, the investment was valued at K12,462,055 (2017: K15,460,648).

The Group and Company's share of loss after tax in Capital Insurance Group for the year was K2,998,593 (2017: K1,780,297). During the year 2018 the Group and Company received no (2017; K296,556) dividend from the Capital Insurance Group.

Financial Position

Year	Current assets K'000	Non-current assets K'000	Total assets K'000	Current liabilities K'000	Non-current liabilities K'000	Total liabilities K'000	Net assets K'000
2018	171,938	11,628	183,566	127,511	6,205	133,716	**49,850**
2017	147,012	26,406	173,418	103,328	7,924	111,252	**62,166**

Financial Performance

Year	Income K'000	Expenses K'000	Profit/Loss K'000
2018	73,396	85,391	**(11,994)**
2017	39,564	46,685	**(7,121)**

*2017 amounts include impact of prior periods' restatements of the financial statements of the Capital Insurance Group. The data about financial position and financial performance is based on financial information provided by the Capital Insurance Group and adjusted by the Group's management for the purposes of equity accounting.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL POSITION (CONTINUED)

3.4 INVESTMENTS (CONTINUED)

(d) Investments in subsidiaries

	Country	Ownership	2018 K'000	2017 K'000
Credit Corporation Finance Limited	PNG	100%	80,000	80,000
Credit House Limited	PNG	100%	58,708	56,734
Era Dorina Limited	PNG	100%	114,546	115,648
Era Matana Limited	PNG	100%	-	-
Credit Corporation Industrial Limited	PNG	100%	-	-
Credit Corporation (Fiji) Limited	Fiji	100%	59,000	54,000
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	17,000	7,000
Credit Corporation (Solomon Islands) Limited	Solomon Islands	100%	15,000	20,000
			344,254	333,382

Fair values of Credit House Limited, Era Dorina Limited, Credit Corporation Industrial Limited and Era Matana Limited were determined based on estimated core assets, having regard to current market environment and competitive position of individual companies and adjusted by fair values of non-core assets and liabilities.

Fair values of investments in other subsidiaries were determined based on P/E multiples of comparable businesses, having regard to sustainable longterm earnings estimated for each individual company, current market environment and competitive position of individual companies. The P/E multiples used ranged from 2.5 to 7.5.

(e) Financial assets designated at fair value through profit and loss

Credit Corporation (PNG) Limited owns listed shares of other entities designated as financial assets at fair value through profit and loss. The summary of listed shares is presented below.

Listed shares

	2018				2017		
	% Held	No. of shares	Fair value K'000	Fair value gain/(loss) K'000	No. of shares	Fair value K'000	Fair value gain/(loss) K'000
Bank South Pacific	7.77%	36,294,081	372,377	27,590	36,682,696	348,486	19,213
Airlines PNG Limited	0.65%	2,000,000	240	-	2,000,000	240	(60)
City Pharmacy Limited	0.95%	1,953,544	1,270	(195)	1,953,544	1,465	(489)
Kina Asset Management Ltd.	8.71%	4,255,463	4,043	-	4,255,463	4,043	(74)
			377,930	**27,395**		**354,234**	**18,590**

The increase in market value of K27,394,813 (2017: K18,590,483) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

Sensitivity analysis

	Effect on profit or loss and equity increase/(decrease)	
	2018 K'000	2017 K'000
Increase of 10% in share prices	37,793	35,423

A decrease in share prices would have the opposite effect for profit or loss and equity.

3. FINANCIAL POSITION (CONTINUED)

3.4 INVESTMENTS (CONTINUED)

(f) Other deposits (current)

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
	-	-	**18,718**	**20,630**

(1) Credit Corporation (PNG) Limited has investments in short-term deposits with Credit Corporation Finance Limited which earn interest of 2%. The balance including accrued interest as at 31 December 2018 is K18,717,832 (2017: K20,629,755).

3.5 PROPERTY, PLANT AND EQUIPMENT

Consolidated	Building, capital WIP & ROUA* K'000	Furniture & fittings K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Cost					
At 1 January 2017	16,049	14,560	4,806	7,052	42,467
Additions	-	184	1,308	931	2,423
Disposals/transfers	(4,505)	(45)	(947)	(22)	(5,519)
Effect of fx	818	51	178	119	1,166
At 31 December 2017	12,362	14,750	5,345	8,080	40,537
At 1 January 2018	12,362	14,750	5,345	8,080	40,537
Additions	28	1,094	1,091	1,604	3,817
Disposals/transfers	-	(3,459)	(474)	(527)	(4,460)
IFRS 16 Right of Use Asset	3,629	-	-	-	3,629
Effect of fx	6	5	1	8	20
At 31 December 2018	16,025	12,390	5,963	9,165	43,543
Depreciation					
At 1 January 2017	1,152	7,443	2,168	4,408	15,171
Charge for the year	135	1,500	948	726	3,309
Disposals/transfers	(357)	(38)	(604)	(21)	(1,020)
Effect of fx	59	28	103	86	276
At 31 December 2017	989	8,933	2,615	5,199	17,736
At 1 January 2018	989	8,933	2,615	5,199	17,736
Charge for the year	138	1,571	965	954	3,628
IFRS 16 Depreciation – ROU	1,307	-	-	-	1,307
Disposals/transfers	-	(3,250)	(462)	(521)	(4,233)
Effect of fx	-	2	(3)	(1)	(2)
At 31 December 2018	2,434	7,256	3,115	5,631	18,436
Carrying amounts					
At 1 January 2017	14,897	7,117	2,638	2,644	27,296
At 31 December 2017	11,373	5,817	2,730	2,881	22,801
At 31 December 2018	13,591	5,134	2,848	3,534	25,107

* Right-of-use assets

3. FINANCIAL POSITION (CONTINUED)

3.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Building & capital WIP K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Cost				
At 1 January 2017	4,505	213	1,266	5,984
Additions	-	-	-	-
Disposals/transfers	(4,505)	(77)	(2)	(4,584)
At 31 December 2017	-	136	1,264	1,400
At 1 January 2018	-	136	1,264	1,400
Additions	-	166	124	290
Disposals/transfers	-	-	-	-
At 31 December 2018	-	302	1,388	1,690
Depreciation				
At 1 January 2017	357	89	1,076	1,522
Charge for the year	-	38	66	104
Disposals/transfers	(357)	(45)	(2)	(404)
At 31 December 2017	-	82	1,140	1,222
At 1 January 2018	-	82	1,140	1,222
Charge for the year	-	40	73	113
Disposals/transfers	-	-	-	-
At 31 December 2018	-	122	1,213	1,335
Carrying amounts				
At 1 January 2017	4,148	124	190	4,462
At 31 December 2017	-	54	124	178
At 31 December 2018	-	180	175	355

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income or expenses in profit and loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value.

3. FINANCIAL POSITION (CONTINUED)

3.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is calculated on a straight line basis over the following periods:

Buildings and capital WIP	50 years
Furniture and fittings	5–10 years
Motor vehicles	5 years
Office equipment	5–10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.6 INVESTMENT PROPERTY

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Balance as at 1 January	301,810	309,209	4,400	-
Revaluation	(8,952)	(19,821)	-	252
Transfer from/(to) property, plant and equipment	-	4,148	-	4,148
Acquisitions	4,552	8,274	-	-
Balance as at 31 December	**297,410**	**301,810**	**4,400**	**4,400**

Investment properties are land and buildings held for longterm investments. The carrying amount of the following investment properties is the fair value of the properties as determined by management.

Investment property	Valuation basis	Valuer	Valuation date	Value as at 31 December 2018 K'000
Era Dorina	Direct capitalisation	Directors' valuation	31 December 2018	152,555
Credit House	Direct capitalisation	Directors' valuation	31 December 2018	75,331
Era Matana	Direct capitalisation	Directors' valuation	31 December 2018	60,523
CCIL	Replacement cost	Directors' valuation	31 December 2018	4,601
CCP	Direct capitalisation	Directors' valuation	31 December 2018	4,400
				297,410

3. FINANCIAL POSITION (CONTINUED)

3.6 INVESTMENT PROPERTY

Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. In the current year, the directors assessed that the carrying value of the investment properties are fairly stated.

Measurement of fair value, fair value model and significant unobservable inputs

Information about how the fair values of the Group's investment properties are determined (in particular, the valuation method(s) and inputs used) is detailed as follows:

Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates (10% 10.75% in 2018) and market lease rates.

The Group decided to use direct capitalisation approach to ensure consistency with the fair valuation model used by external valuations available as at the 2016 year end.

Fair value hierarchy:

The fair value measurement for investment properties of K302 million have been categorised at Level 3 fair value, as the inputs to the valuation techniques used made reference to significant observable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalization rates of between 10.5% 10.75%. Accordingly, an increase in market lease rental rates and/or a decrease in the discount rate and/or decrease capitalization rate would increase the fair value of the properties. A decrease in market lease rates and/or an increase in discount rate and/or increase capitalization rate would decrease the fair value of the properties. A sensitivity analysis is provided below.

Sensitivity analysis

	Effect on profit or loss and equity increase/(decrease)	
	2018 K'000	2017 K'000
Increase of 1% in market capitalisation rate	(26,838)	(26,279)
10% increase in market lease rentals	29,976	30,376

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

Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3. FINANCIAL POSITION (CONTINUED)

3.6 INVESTMENT PROPERTY

Key judgments and estimates

Judgement is required in determining the following key assumptions:

- Adopted capitalisation rate: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- Net market rental (per sqm): The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.
- Land rate (per sqm): The land rate is the market land value per sqm.

3.7 TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Rental bonds payable	2,062	1,536	-	31
Rental income in advance	402	50	-	-
Other creditors and accrued expenses	3,978	4,955	387	1,214
	6,442	**6,541**	**387**	**1,245**

3.8 DEPOSITS AND BORROWINGS

		Consolidated		Company	
	Notes	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Current					
Interest bearing deposits	(a)	433,235	412,276	-	-
IFRS 16 lease liability		862	-	-	-
Secured bank loans	(b) and (c)	60,110	59,519	-	-
		494,207	471,795	-	-
Non-current					
Interest bearing deposits	(c)	50,196	42,076	-	-
IFRS 16 lease liability		1,736	-	-	-
		51,932	42,076	-	-
		546,139	**513,871**	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

3. FINANCIAL POSITION (CONTINUED)

3.8 DEPOSITS AND BORROWINGS (CONTINUED)

(a) Interest bearing deposits

Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K50,196,198 is repayable within 5 years.

(b) The current secured bank loans were granted to Era Matana and Era Dorina.

The loan granted to Era Matana of K47,495,212 as at 31 December 2018 is scheduled to be repaid in monthly installments of K463,220 (including interest) to 2028. The loan granted to Era Dorina of K12,614,889 as at 31 December 2018 is scheduled to be repaid in monthly installments of K216,720 to 14 April 2022. Interest on these loans of K3,565,492 (2017: K3,809,666) is included in other operating expenses.

These bank loans are classified as current because the bank may at any time vary the amount or timing of any repayment installment for both loans.

(c) Bank facilities and security

Borrowings include:

i. Credit Corporation (Fiji) Limited has a bank overdraft facility of K9.4 million (FJD$6m) (2017: K9.4 million (FJD$6m)) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and floating charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 31 December 2018, this facility has not been used.

ii. Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K2.9million (VT100m) (2017: K3 million (VT100m) with National Bank of Vanuatu. The facility is secured by first registered mortgage over all assets and undertakings of Credit Corporation (Vanuatu) Limited including uncalled and unpaid capital and with limited guarantee and indemnity from Credit Corporation (PNG) Limited for K3 million. As at 31 December 2018, this facility has not been used.

iii. Credit Corporation (PNG) Limited has a bank overdraft facility with Westpac Bank PNG Limited (2017: K20 million) of K20 million at 31 December 2018. This facility is secured by a guarantee with (joint and several) by Credit House Limited and Credit Corporation (PNG) Limited. First registered Mortgage over Lots 2, 3 and 8 Section 45, Granville, Port Moresby known as "Credit House". As at 31 December 2018 this facility has not been used.

iv. Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited (2017: K10 million) of K10 million at 31 December 2018. This facility is secured by a guarantee with (joint and several) by Credit House Limited and Credit Corporation (PNG) Limited. First registered Mortgage over Lots 2, 3 and 8 Section 45, Granville, Port Moresby known as "Credit House". As at 31 December 2018, this facility has not been used.

v. Era Dorina Limited has an advance facility from Bank of South Pacific Limited of K19.5million at a variable interest rate. The loan is secured by a registered equitable mortgage over the fixed and floating assets of Era Dorina Limited, first registered mortgage over Allotment 33 Section 34, Granville, Port Moresby, first registered mortgage over Portion 2259, being Allotment 27 Section 34, Granville, Port Moresby.

vi. Era Matana Limited has a facility limit from Bank South Pacific Limited of K50 million at a variable interest rate. The loan is secured by a first registered fixed and floating charge over the whole of the company's assets and undertakings including called but unpaid and called capital, first registered mortgage over Allotment 22, Section 33, Granville, Port Moresby known as "Era Matana" and a deed of guarantee and indemnity for K50 million by Era Dorina Limited and Credit Corporation PNG Limited.

vii. Credit Corporation (SI) Limited has a bank overdraft facility with Bank South Pacific Limited of K1.2 million (SBT$3m) ((2017: K1.2 million (SBT$3m)). This facility is secured by an unlimited amount of guarantee by Credit Corporation PNG Limited, registered equitable mortgage over the whole of Credit Corporation (SI) Limited company assets and undertaking including uncalled capital and first registered charged over residential property under purchase as described in parcel number 19100916 situated at Tavioa. As at 31 December 2018, this facility has not been used.

3. FINANCIAL POSITION (CONTINUED)

3.9 EMPLOYEE BENEFITS

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Long service leave	672	488	31	21
Annual leave	946	745	94	28
Others	1,131	880	-	-
	2,749	**2,112**	**125**	**49**

Recognition and measurement

Long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2018 in respect of longterm employee benefits (long service leave) other than pension plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

Short-term employment benefits

A liability is recognised for the amount expected to be paid under short-term cash bonus and annual leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

4. FINANCIAL INSTRUMENT DISCLOSURES

4.1. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

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

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

The Group's Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Finance and other receivables

The Group's exposure to credit risk is influenced mainly by the industry and sector in which clients operate. Management also considers the default risk of the industry and country in which these operate, as these factors may have an influence on credit risk.

The Audit and Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

Lending limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit and Risk Management Committee; these limits are reviewed quarterly.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of finance and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group limits its exposure to credit risk by investing only in liquid securities (government securities and interest bearing deposits with banks).

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2018, K69.5 million (2017: K62 million) was guaranteed to wholly owned subsidiaries.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains various lines of credit facilities with banks.

Due to the nature of the Group's operations, the current asset/liability ratio is less than one. This arises as customer deposits classified as a current liability is used for new finance to customers, which generally have a higher non current finance receivable component than current finance receivables.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Notwithstanding this, liquidity is managed by the Group through regular monitoring of its liquidity position. A key part of this monitoring is the completion of a cash flow forecast, which shows the forecast levels of inflows and outflows. This provides management and the Board with transparency over what levers it has available to it, should any liquidity matters arise. The Board and Management are satisfied that the Group have appropriate levers to manage liquidity going forward.

A key part of this monitoring is the completion of a cash flow forecast, which shows the forecast levels of inflows and outflows. This provides management and the Board with transparency over what levers it has available to it, should any liquidity matters arise. The Board and Management are satisfied that the Group have appropriate levers to manage liquidity going forward.

The current exposure to liquidity risk of the Group is as follows:

	2018 K'000	2017 K'000
Current assets	216,640	238,382
Current liabilities	(501,595)	(479,704)
Net	(284,955)	(241,322)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Senior management regularly monitors movements in interest rates and equity prices.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk (continued)

Compliance with Group standards is supported by a program of periodic reviews undertaken by the members of Audit and Risk Management Committee. The results of the reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors and senior management of the Group.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's target in 2018 was to achieve a return on capital of between 3 and 10 percent; in 2018, the actual return was 11.50 percent (2017: 9.10 percent). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.85 percent (2017: 3.88 percent).

The Group's debt to capital ratio at the end of the reporting period was as follows:

	2018 K'000	2017 K'000
Total liabilities	579,870	546,459
Less: cash and cash equivalents	(93,887)	(137,537)
Net debt	485,983	408,922
Capital	851,210	811,720
Debt to capital ratio at 31 December	0.57	0.50

There were no changes in the Group's approach to capital management during the year. Various finance subsidiaries are subject to respective Central Banks restrictions imposed on capital requirements. These subsidiaries have been in compliance with respective capital requirements imposed by their Central Banks as at and during the year ended 31 December 2018.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS

(a) Credit risk

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

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Interest bearing securities	6,459	7,247	5,047	5,047
Other equity investments	34	93	34	34
Finance receivables (net)	581,939	480,879	-	-
Other deposits	-	-	18,718	20,630
Other receivables	4,923	4,354	47,465	28,674
Cash and cash equivalents	93,887	137,537	4,080	7,389
Total	**687,242**	**630,110**	**75,344**	**61,774**

The maximum exposure to credit risk for finance receivables (net) at the reporting date by geographic region was:

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Papua New Guinea	264,463	204,057	-	-
Fiji	229,816	193,749	-	-
Solomon Islands	38,220	47,285	-	-
Vanuatu	49,440	35,788	-	-
Total	**581,939**	**480,879**	**-**	**-**

The maximum exposure to credit risk for finance and other receivables at the reporting date by type of counter-party was:

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Transport & storage	178,227	147,541	-	-
Civil contracting, building & construction and real estate	126,556	112,448	-	-
Wholesale/retail	27,550	21,792	-	-
Others	249,606	199,098	-	-
	581,939	**480,879**	**-**	**-**

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Not past due	348,902	298,680	-	-
Past due 1-30 days	97,782	94,143	-	-
Past due 31-180 days	97,727	75,909	-	-
Past due 181-360 days	28,540	8,904	-	-
Past due more than 1 year	8,988	3,243	-	-
Total	**581,939**	**480,879**	**-**	**-**

Management believes that the unimpaired amounts are collectible, based on historical payment behavior and analysis of borrowers' credit risk, as well as analysis of collateral values.

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

(i) Consolidated

Amounts at 31 December 2018 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1-2 years K'000	3-5 years K'000	More than 5 years K'000
Secured borrowings	60,110	68,269	68,269	-	-	-
Interest bearing deposits	483,431	496,492	442,332	46,591	7,569	-
Trade and other payables	6,442	6,442	6,442	-	-	-
Total	**549,983**	**571,203**	**517,043**	**46,591**	**7,569**	**-**

Amounts at 31 December 2017 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1-2 years K'000	3-5 years K'000	More than 5 years K'000
Secured borrowings	59,519	65,068	65,068	-	-	-
Interest bearing deposits	454,352	465,831	420,567	35,492	9,772	-
Trade and other payables	6,541	6,541	6,541	-	-	-
Total	**520,412**	**537,440**	**492,176**	**35,492**	**9,772**	**-**

(ii) Company

At 31 December 2018, non-derivative financial liabilities, all of which are due within the year were K387,327 (2017: K1,243,330).

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Profile

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

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Fixed rate instruments				
Financial assets	54,039	38,368	23,765	25,677
Finance receivables	428,390	359,144	-	-
Financial liabilities	(483,431)	(454,352)	-	-
Total net	**(1,002)**	**(56,840)**	**23,765**	**25,677**
Variable rate instruments				
Finance receivables	226,457	161,926	-	-
Financial liabilities	(60,110)	(59,519)	-	-
Total net	**166,347**	**102,407**	**-**	**-**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.
The analysis is performed on the same basis for 2017.

Consolidated	100bps increase		100bps decrease	
	Profit/(loss) K'000	Equity K'000	Profit/(loss) K'000	Equity K'000
Variable rate instruments				
As at 31 December 2018	1,663	-	(1,663)	-
As at 31 December 2017	1,024	-	(1,024)	-

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value versus carrying values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	Level of FV hierarchy	Fair values 2018 K'000	Fair values 2017 K'000	Carrying amounts 2018 K'000	Carrying amounts 2017 K'000
Interest bearing securities	1	6,459	7,247	6,459	7,247
Financial assets at fair value through profit or loss	1	377,930	354,234	377,930	354,234
Other equity investments	3	34	93	34	93
Other deposits	2	-	-	-	-
Finance receivables	2	581,939	480,879	581,939	480,879
Cash and cash equivalents	1	93,887	137,537	93,887	137,537
Secured bank loans	2	(60,110)	(59,519)	(60,110)	(59,519)
Interest bearing deposits	2	(486,029)	(454,352)	(486,029)	(454,352)
Total		**514,109**	**466,119**	**514,109**	**466,119**
Company					
Interest bearing securities	1	5,047	5,047	5,047	5,047
Financial assets at fair value through profit or loss	1	377,930	354,234	377,930	354,234
Investments in subsidiaries	3	344,254	333,382	344,254	333,382
Other equity investments	3	34	34	34	34
Other deposits	2	18,718	20,630	18,718	20,630
Cash and cash equivalents	1	4,080	7,389	4,080	7,389
Total		**750,062**	**720,715**	**750,062**	**720,715**

There are no debt markets in the segments the Group operates. Based on history, secondary market transactions for fixed rate instruments have been very minimal and have been at the interest rate implicit in the instrument. As a result, there is no difference between fair value and carrying value of fixed rate instruments.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy

Consolidated 31 December 2018	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Interest bearing securities	6,459	-	-	6,459
Other investments (Financial assets at fair value through profit and loss account)	377,930	-	-	377,930
Other equity investments	-	-	34	34
Total Assets	**384,389**	**-**	**34**	**384,422**
31 December 2017				
Interest bearing securities	7,247	-	-	7,247
Other investments (Financial assets at fair value through profit and loss account)	354,234	-	-	354,234
Other equity investments	-	-	93	93
Total Assets	**361,481**	**-**	**93**	**361,574**

Company 31 December 2018	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Interest bearing securities	5,047	-	-	5,047
Other investments (Financial assets at fair value through profit and loss account)	377,930	-	-	377,930
Investment in subsidiaries	-	-	344,254	344,254
Other equity investments	-	-	34	34
Total Assets	**382,977**	**-**	**344,288**	**727,265**
31 December 2017				
Interest bearing securities	5,047	-	-	5,047
Other investments (Financial assets at fair value through profit and loss account)	354,234	-	-	354,234
Investment in subsidiaries	-	-	333,382	333,382
Other equity investments	-	-	34	34
Total Assets	**359,281**	**-**	**333,416**	**692,697**

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy (Continued)

Level 1 investments consist mainly of investments in stock of public companies.

Level 3 investments consist primarily of investments in equity of subsidiaries. The investments in the subsidiaries were all valued as 31 December 2018.

Recognition and measurement

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

i. Investment property

Valuation of investment property is based either on external valuation or directors' valuation. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio as required. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time. Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

ii. Equity and debt securities

The fair value of financial assets at fair value through profit or loss, interest bearing securities and other equity investments is determined by reference to their quoted closing bid price at the reporting date.

iii. Finance and other receivables

The fair value of finance and other receivables is estimated as the present value of future cash flows. This fair value is determined for disclosure purposes.

iv. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

Recognition and measurement (continued)

Determination of fair values (continued)

Key judgements and estimates

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgment and estimation in determining the carrying values of financial assets and liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. However, for certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgment to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

5. EQUITY

5.1 SHARE CAPITAL

	Consolidated & company	
Issued ordinary share capital	**2018 K'000**	**2017 K'000**
308,280,832 shares in issue at 1 January	22,008	22,468
Shares issued arising from dividend reinvestment plan (2017: nil)	-	-
Shares repurchased during the year 344,500 (2017: 6,585,678)	(24)	(460)
307,936,332 shares in issue at 31 December	**21,984**	**22,008**

In accordance with the provisions of the Companies Act 1997, the shares do not have a par value. All issued shares are fully paid.

In accordance with the provisions of the Constitution, the Board of Directors of the Company may issue shares as it thinks fit so long as it does not create a controlling interest in the Company and subject to complying with the requirements of Port Moresby Stock Exchange Listing Rules.

Measurement and recognition

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

5. EQUITY (CONTINUED)

5.2 RESERVES

	Consolidated		Company	
	2018 K'000	2017 K'000	2018 K'000	2017 K'000
(a) Asset revaluation reserve				
Balance at 1 January	57,797	71,672	236,672	260,202
Surplus/(deficit) on revaluation of properties	(8,952)	(19,821)	-	252
Tax effect on revaluation of properties	2,686	5,946	-	-
Surplus/(deficit) on revaluation of investments		-	(11,258)	(23,782)
Balance at 31 December	**51,531**	**57,797**	**225,414**	**236,672**
(b) Asset realisation reserve				
Balance at 1 January	149	1,329	149	149
Transfer from retained earnings	-	(1,180)	-	-
Balance at 31 December	**149**	**149**	**149**	**149**
(c) Exchange fluctuation reserve				
Balance at 1 January	6,813	991	-	-
Translation adjustment	(597)	5,822	-	-
Balance at 31 December	**6,216**	**6,813**	**-**	**-**
(d) General reserve				
Balance at 1 January	321,306	316,729	321,306	316,729
Transfer (to)/from retained earnings	23,960	4,577	23,960	4,577
Balance at 31 December	**345,266**	**321,306**	**345,266**	**321,306**
Total Reserves	**403,161**	**386,064**	**570,829**	**558,127**

5. EQUITY (CONTINUED)

5.2 RESERVES (CONTINUED)

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of property, plant and equipment prior to its reclassification as investment property and revaluation of investments in subsidiaries.

Asset realisation reserve

The asset realisation reserve represents profits on sale of fixed assets over the cost.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

General reserve

The general reserve represents amounts of net gains on longterm investments transferred from the profit and loss account.

6. OTHER DISCLOSURES

6.1 EMPLOYEE BENEFIT PLAN

The Group contributed to superannuation funds which are defined contribution plans, whereby employees contribute certain legislated percentage of their salary to the fund and the Group contributes a certain percentage of each member's salary as allowed by law. During 2018, the Group expensed K1,669,356 (2017: K1,310,768) in contributions payable.

Recognition and measurement

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

6.2 COMMITMENTS AND CONTINGENCIES COMMITMENTS

The Group expects a capital outlay of K 8.9 million for the acquisition of various plant and equipment for its Property Division. There are no contractual capital commitments as at 31 December 2018.

Contingencies

There are no contingencies as at 31 December 2018.

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES

(a) Interest register

The following are interests recorded in the Register for the year.

Name: Abigail Erica Wendy Chang **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Credit Corporation Fiji Limited.
Name: David Stuart Doig **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Moore Business Systems (PNG) Limited, National Superannuation Fund Limited, Employers Federation of PNG, Aegean Investments Limited, Yuwai No.67, Aloga No.20 Limited, Donnybrook Limited, Turumu Investments Limited.
Name: Dr Albert Conrad Mellam **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Brian Bell & Company Limited, Nambawan Super Limited, Investment Promotion Authority of PNG, Association of Asia Pacific Business School South Korea.
Name: Dr Albert Conrad Mellam **Nature of Interest**: Executive Director	**Organisation** PNG Chamber of Mines and Petroleum.
Name: Faye-Zina Lalo **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Amalpack Limited, Capital Insurance Group Limited, Capital General Insurance Company Limited, Capital Life Insurance Company Limited, Kumul Hotels Limited, KHL Subco Limited, Fizo Holdings Limited, AFL PNG Development Limited.
Name: Johnson Pyar Kalo **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Pyarlyn Limited, Kumul Consolidated Holdings Limited (Resigned September 2018) and Port Moresby Stock Exchange Limited.
Name: James Byron Kruse **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Auwa Development Limited, JBK Consulting Limited, Manua Island Shipping & Transport Limited, Ndracalpu Holdings Limited, Fairway No. 129 Limited, Health Save Limited, PNG Water Limited, Siarra Enterprises Pty. Limited.
Name: James Byron Kruse **Nature of Interest**: Partner	**Organisation** Deloitte Touche Tohmatsu (March 2002 – May 2018).

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(a) Interest register (Continued)

Name: Sydney George Yates **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Pyarlyn Limited, Kumul Consolidated Holdings Limited, Kina Asset Management Limited.
Name: Michael James Varapik **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Comrade Trustee Services Limited, Toea Homes Limited.
Name: Richard Sinamoi **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Paradise Foods Limited, PNG Microfinance Limited, TransPacific Assurance Limited, Kama Kofi Limited, Lomanis Agri Import Export Pte. Limited. PNG PC Limited, Laga Industries Limited.
Name: Sir Wilson Kamit **Nature of Interest**: Director (Resigned 21 May 2018)	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, PNG Sustainable Development Program Ltd, PNG Microfinance Limited, Kamchild Limited, Belgravia Limited, Kamit Consultancy Services Limited, Credit Corporation (Fiji) Limited, Credit Corporation (Vanuatu) Limited and Credit Corporation (Solomon Islands) Limited.
Name: Graham John Dunlop **Nature of Interest**: Director (Retired 27 June 2018)	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Steamships Trading Company Limited, Mainland Holdings Limited, City Pharmacy Limited.
Name: Allan Marlin **Nature of Interest**: Director (Resigned 21 May 2018)	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Nationwide Microbank Limited.
Name: William Lamur **Nature of Interest**: Director (Resigned 27 June 2018)	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Andersons Foodland Limited, NASFUND Board of Trustees, Institute of National Affairs, East New Britain Port Services, National Development Bank Limited, Nasfund Contributors Savings & Loan Society, East New Britain Port Services, Pacific Assurance Group (PAG), Kumul Group of Hotels, Mainland Holdings Ltd, Grand Pacific Hotel Fiji, Cloud APPS Ltd, Loloata Island Resort, PNG/Indian Business Forum, ENB Chamber of Commerce, PNG Business Council, POM Chamber of Commerce & Industry, PNG Chamber of Commerce & Industry.

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel

(i) Shareholdings of Directors and interested parties in Credit Corporation (PNG) Limited

	2018	2017
Sydney Yates, Chairman of the Company, sole owner of Columbus Investments Ltd. that holds shares as follows:	43,580	-
Sydney Yates, Chairman of the Company, sole owner of Columbus Investments Ltd. that holds shares in Kina Asset Management Limited that holds shares as follows:	1,899,960	-
David Doig, a Director of the Company, is a Director of National Superannuation Fund Limited that holds shares as follows:	62,099,367	-
Dr Albert Mellam, a Director of the Company, is a Director of Nambawan Superannuation Limited that holds shares as follows:	62,947,271	-
Johnson Kalo, a Director of the Company holds shares as follows:	2,000	-
James Kruse, a Director of the Company holds shares as follows:	75,000	-
Michael Varapik, a Director of the Company, is a Director of Comrade Trustee Services Ltd. that holds shares as follows:	2,082,333	-
Michael Varapik, a Director of the Company holds shares as follows:	5,000	-
Richard Sinamoi, a Director of the Company holds shares as follows:	485,629	-
Allan Marlin, a former Director of the Company holds shares as follows:	45,195	28,732
Michael Koisen, a former Director of the Company, is the Chief Executive Officer of Teachers Savings and Loans Society Limited that holds shares as follows:	-	48,613,500
Michal Koisen, a former Director of the Company holds shares as follows:	-	5,790

(ii) Remuneration of Directors

	2018 K	2017 K
Sydney Yates	69,890	-
Sir Wilson Kamit	58,288	150,000
Graham John Dunlop	65,000	130,000
Dr Albert Mellam	114,214	128,000
David Doig	114,214	128,000
Allan Marlin	53,625	138,000
Abigail Chang	114,214	128,000
Faye-Zina Lalo	114,214	92,462
James Byron Kruse	69,891	-
Michael Varapik	69,891	-
Richard Sinamoi	69,891	-
Johnson Kalo	86,667	-
Michael Koisen	-	29,538
	1,000,000	924,000

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel (continued)

(iii) Remuneration of key management personnel

The number of management staff whose remuneration, including salaries and benefits (superannuation, accommodation, leave fares, insurance, school fees, club subscriptions and related entitlements), was within the specified bands as follows:

	2018	2017
K130,000 – K139,999	1	-
K190,000 – K199,999	1	-
K250,000 – K259,999	-	1
K260,000 – K269,999	1	-
K270,000 – K279,999	-	1
K330,000 – K339,999	1	-
K430,000 – K439,999	-	1
K440,000 – K449,999	1	-
K660,000 – K669,999	1	-
K800,000 – K809,999	1	-
K970,000 – K979,999	1	-
K990,000 – K999,999	1	-
K1,020,000 – K1,029,999	-	1
K1,160,000 – K1,169,999	-	1
K1,350,000 – K1,359,999	-	1
K1,420,000 – K1,429,999	-	1
K1,590,000 – K1,599,999	1	-
K1,940,000 – K1,949,999	-	1
K2,200,000 – K2,209,999	-	1

(iv) Key management personnel compensation

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Short term benefits	(i)	6,366	9,628	455	280
Long term benefits	(ii)	25	384	-	25
		6,391	10,012	455	305

(i) Short-term employee benefits include wages, salaries, paid annual leave, superannuation, bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(ii) Other long-term employee benefits include only long-service leave.

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel (continued)

(v) Other transactions with Directors and key management personnel

The aggregate value of transactions and outstanding balances related to Directors and key management personnel were as follows:

			Transaction value for the year end 31 December		Balance outstanding as at 31 December	
Related Party	Transaction	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Management personnel	Personal Loan	(i)	142	(319)	457	315
Management & Director	Deposit	(ii)	80	(16)	(80)	-
Total			222	(335)	377	315

Note: Balances with brackets indicate a payable balance.
(i) Staff are entitled to personal loans from Credit Corporation Finance Limited up to a maximum of 25% of the gross annual salary at an interest rate of 8% to 10% per annum.
(ii) A non-interest bearing deposit with Credit Corporation Finance Limited.

(c) Transactions with subsidiaries - the Company

All the transactions are in the normal course of business and on normal commercial terms and conditions and repayable on demand. Except for the finance loans from Credit Corporation Finance Limited, all the other transactions are unsecured.

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
Transaction	Note	2018 K'000	2017 K'000	2018 K'000	2017 K'000
Management fee	(i)	1,000	1,000	-	-
Guarantee fee	(ii)	-	40	-	40
Interest bearing deposits	(iii)	525	240	19,014	20,630
Dividends	(iv)	24,989	21,231	8,831	13,179
Other	(v)	14,009	(1,979)	37,954	23,945

(i) Management fees paid by Credit Corporation Finance Limited (K1,000,000) to Credit Corporation (PNG) Limited annually.
(ii) No guarantee fee was paid by Credit Corporation (Solomon Islands) Limited in 2018 (2017: SBD100,000).
(iii) Credit Corporation (PNG) Limited invested the excess funds from dividends, management & guarantee-fees, in 1 year and at call deposit with Credit Corporation Finance Limited at 0% to 2.0% interest rate per annum. The interest earned during 2018 was K525,150 (2017: K239,509).
(iv) Dividends received from all the subsidiary companies except Era Matana Limited and Credit Corporation Industrial Limited.
(v) Other transaction with subsidiaries including receivable from the subsidiary company Era Matana Limited.

(d) Other related party transactions

- The associate company of Credit Corporation (PNG) Limited, Capital General Insurance, has interest bearing deposit accounts amounting to K10,045,397 as at 31 December 2018 (2017: K18,790,202) at 5.50% to 5.75% per annum with Credit Corporation Finance Limited. The net interest paid was K333,931 (2017: K239,506).
- Directors and entities have interest bearing deposits with the Group at commercial rates prevailing at the time of the deposit.

6.4 EVENTS OCCURRING AFTER BALANCE SHEET DATE

There were no events subsequent to the balance sheet date that would either require a disclosure in or adjustment to the financial statements.

TOP 20 SHAREHOLDERS

AS AT 31 DECEMBER 2018

		Share Held	%
1	NAMBAWAN SUPER LIMITED	62,947,271	20.44%
2	NATIONAL SUPERANNUATION FUND LIMITED	62,099,367	20.17%
3	TEACHERS SAVINGS AND LOAN SOCIETY LTD	48,613,500	15.79%
4	LAMIN TRUST FUND	19,158,710	6.22%
5	MOTOR VEHICLES INSURANCE LIMITED	17,100,000	5.55%
6	FEDERATION OF SAVINGS & LOAN SOCIETIES LIMITED	16,621,878	5.40%
7	GARTH MCILWAIN	8,779,066	2.85%
8	MINERAL RESOURCES STAR MOUNTAINS LIMITED	4,374,011	1.42%
9	BSP LIFE (FIJI) LIMITED	4,091,838	1.33%
10	MINERAL RESOURCES OK TEDI NO 2 LIMITED	4,064,848	1.32%
11	FINANCE CORPORATION LIMITED	3,190,647	1.04%
12	HEDURU MONI LIMITED	2,563,933	0.83%
13	CAPUCHIN FRIARS MINOR OF PNG	2,452,214	0.80%
14	COMRADE TRUSTEE SERVICES LTD	2,082,333	0.68%
15	KINA NOMINEES LIMITED	2,010,000	0.65%
16	WEST NEW BRITAIN PROVINCIAL GOVERNMENT	2,000,000	0.65%
17	DAUGHTERS OF OUR LADY OF SACRED HEART OLSH PROVINCIALATE	1,800,000	0.58%
18	KINA ASSET MANAGEMENT NO. 1 LIMITED	1,686,337	0.55%
19	PACIFIC MMI INSURANCE LIMITED	1,587,406	0.52%
20	NASFUND CONTRIBUTORS SAVINGS & LOAN SOCIETY LIMITED	1,550,000	0.50%
		268,773,359	**87.28%**

Shareholding range	No. of Shareholders	No. of Shares
1 - 1,000	680	347,532
1,001 - 5,000	460	980,668
5,001 - 10,000	313	2,669,532
10,001 - 100,000	243	7,877,160
100,001 and above	85	296,061,440
	1,781	307,936,332

Shares trade		
Year	No	Volume
2014	386	16,054,508
2015	695	2,955,858
2016	312	3,765,352
2017	213	7,792,844
2018	150	2,820,515

CORPORATE DIRECTORY

Registered Office

Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea

Principal Place of Business

Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea

Directors

Sir Wilson Kamit (resigned)
Dr Albert Mellam
David Doig
Graham John Dunlop (retired)
Allan Marlin (resigned)
Abigail Chang
Faye Zina-Lalo
Johnson Kalo
William Lamur (resigned)
James Kruse
Sydney Yates OBE
Michael Varapik OBE
Richard Sinamoi

Chief Executive Officer

Peter Aitsi

Company Secretary

Beverlyn Malken

Auditors

KPMG Chartered Accountants
PO Box 507
Port Moresby
Papua New Guinea

Fiji-KPMG

Solomon Islands – Morris & Sojnocki

Vanuatu – Law Partners

Share Registry

PNG Registries Limited
Level 4, Cuthbertson House
PO Box 1265
Port Moresby
Papua New Guinea
Telephone: (675) 321 6377
Facsimile: (675) 321 6379
Email: brenda@online.net.pg

Bankers

Australia and New Zealand Banking Group (PNG) Limited
Australia and New Zealand Banking Group (Fiji) Limited
Australia and New Zealand Banking Group (Timor-Leste) Limited
Bank of South Pacific Limited
National Bank of Vanuatu
Westpac Bank PNG Limited
Westpac Bank Sydney

PAPUA NEW GUINEA

Credit Corporation (PNG) Limited

Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea
PO Box 1787, Port Moresby
Papua New Guinea
Telephone: (675) 321 7066
Facsimile: (675) 321 7067
Email: finance@creditcorporation.com.pg

Branch Offices

NGIP Haus, Talina, Kokopo
East New Britain Province
Papua New Guinea
Telephone: (675) 982 9559
Facsimile: (675) 982 8658

Credit Corp Building
Butibam Road, Voco Point,
Lae, Morobe Province
Papua New Guinea
Telephone: (675) 472 5855
Facsimile: (675) 472 6877

Kintip Surgery Building
Unit 1, Section 22, Allotment 51,
Mount Hagen
Papua New Guinea
Telephone: (675) 542 3585
Facsimile: (675) 542 3023

FIJI

Credit Corporation (Fiji) Limited

Credit House
10 Gorrie Street, Suva, Fiji Islands
PO Box 14070, Suva, Fiji Islands
Telephone: (679) 3305 744
Facsimile: (679) 3305 747
Email: info@creditcorp.com.fj

Branch Offices

Credit House, Lot 15,
Queens Road, Namaka
Nadi, Fiji Islands
Telephone: (679) 6724 766
Facsimile: (679) 6724 911
Naviti Street
Lautoka, Fiji Islands
Telephone: (679) 6652 025
Facsimile: (679) 6652 085
Shop 14 Tebara Meat Complex
Nakasi Fiji Islands
Telephone: (679) 3410 029
Facsimile: (679) 3410 028

SOLOMON ISLANDS

Credit Corporation (SI) Limited

Heritage Park Commercial Building,
Ground Floor, Mendana Avenue Honiara,
Solomon Islands
PO Box 1235, Honiara
Solomon Islands
Telephone: (677) 22114
Facsimile: (677) 22118
Email: tony.langston@creditcorp.com.sb

VANUATU

Credit Corporation (Vanuatu) Limited

Anchor House
Rue Lini Highway
PO Box 3494
Port Vila
Vanuatu
Telephone: (678) 23822
Facsimile: (678) 23823
Email: jwilson@creditcorp.com.vu

TIMOR-LESTE

Rua 30 do Augusto, Lecidere, Dili,
Timor-Leste
Mobile: (670) 733 56860
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Email: cdurman@creditcorporation.tl


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