CREDIT CORPORATION

Building Investing Transforming

2019
Annual Report

Contents

About Credit Corporation (PNG)

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

The Group is highly diversified through three business divisions – finance, property and investments, and we serve individuals, businesses and corporate customers across the region.

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
- Tailored financing packages
- Insurance premium funding
- Investment facilities.

In addition, through its subsidiary companies, the Credit Corporation Group owns and manages a portfolio of quality real estate assets including an office building and quality residential complexes in addition to a mix of commercial offices in Fiji.

The Group has a strong dividend record and shareholders have received a dividend each year since the incorporation of the Company in 1978. We have a long-standing commitment to enhancing shareholder value while maintaining a strong capital position which allows us to implement our strategies.

The Credit Corporation Group presently owns assets valued at K1.54 billion.

Its strategic footprint includes 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. We are licenced and regulated non-bank financial institutions in each of these countries.

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

Core business areas

The Group has three core business areas including:

Finance

This business area 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;
- Tailored financing packages; and
- Investment facilities.

We are licenced and regulated non-bank financial institutions in each of the countries we operate including PNG, Fiji, Vanuatu, Solomon Islands and Timor-Leste.

Investment

The Group is primarily invested in Bank 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.

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;
- Credit House — a premier commercial address in Port Moresby; and
- Commercial buildings in Suva & Nadi Fiji.

Highlights

The figures that matter

K105M	K50.5M
Group Core Profit ↑ **22%**	Investment Income ↑ **9%**
K0.43	7%
Earnings per share ↑ **35%**	Group ROA ↑ **1%**
20 TOEA	K85M
Total Dividend ↑ **18%**	Net Finance Income ↑ **8%**

K2.99

Net Asset Backing
↑ 8%

22%

Tier One Capital Ratio
↑ 200 BASIS POINTS

K18M

Property Core Profit
↑ 46%

12%

Net Interest Margin
↓ 1%

12%

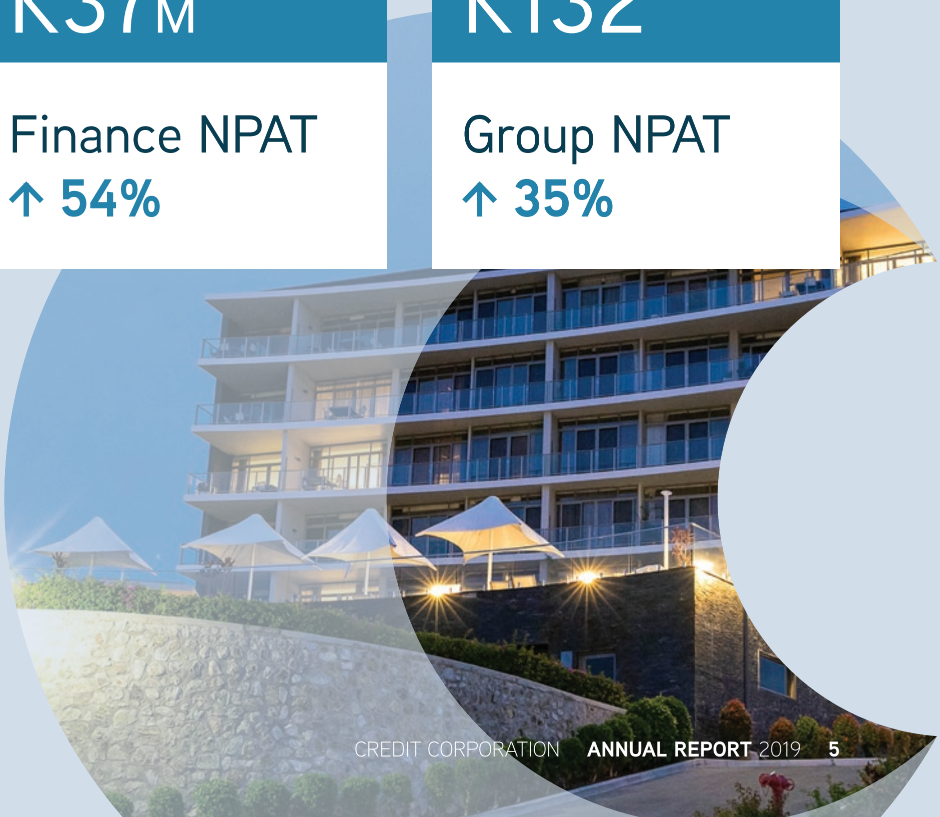
Group ROE
↑ 2%

K37M

Finance NPAT
↑ 54%

K132

Group NPAT
↑ 35%



Key operational highlights

Rolled out **KEY STRATEGIC INITIATIVES TO IMPROVE CUSTOMER EXPERIENCE** including on site dealership events and pre-approved limits for qualified customers.

Initiated a more **DIVERSIFIED FUNDING STRATEGY** bringing more certainty to the funding base and support a **STABLE GROWTH PROFILE** for the Group.

INCREASED PROPERTY OCCUPANCY RATES by 6% overall to 82%, contributing to **IMPROVE PROFITABILITY** despite downward pressure on rental rates.

GREW LOAN BOOK in CC PNG (12%) and CC Fiji (2%). CC VL and CC SI decreased by 14% and 22% respectively. Growth in Solomon Islands was impacted by sluggish economic conditions while growth in Vanuatu was impacted by one-off impairment costs.

Engaged specialist IT firms as lead service providers for IT-related services including outsourcing of **CYBERSECURITY SERVICES AND DISASTER RECOVERY SERVICES.**

Granted **LICENCE AS A DEPOSIT-TAKING INSTITUTION IN TIMOR-LESTE** welcoming our first deposit customer in July 2019. The Group will continue to monitor the performance of CC Timor.

Launched **HIGH-SPEED INTERNET TO TENANTS AT ERA DORINA ESTATE**. The enhanced service will soon be introduced to Era Matana estate.

Received an **INCREASED DIVIDEND INCOME STREAM** from Bank South Pacific contributing to improved dividend income to shareholders.

Significant progress **RECOVERING LEGACY LOANS.**

Chairman's address

In 2019 Credit Corporation PNG made excellent progress delivering a solid and resilient result for shareholders.

The actions we commenced in 2018 to refocus our business with a new Strategic Direction have placed us in a strong position to meet the challenges presented to our industry.

Our 2019 results support this view. We recorded a significant increase in Net Profit After Tax of K132m for the Full Year ending 31 December 2019, representing an increase of 34.8% on the prior comparable period. The Core Operating Profit of K105m also increased by 21.7% during the period.

The Group achieved growth in the loan book within the finance segment, improved occupancy driving enhanced rental income in the property segment, along with an improved valuation of Bank South Pacific shares within our investment segment.

We also continued our strong track record of dividend payments with Directors' declaring 20 toea per share in dividend payments in FY19 (up from 17 toea in FY18).

At the same time, we continued with the disciplined implementation of our strategy focusing on enhancing our customers' experience and maximising shareholder value. We have also maintained prudent risk settings and have further enhanced our risk and compliance capability to ensure we meet the expectations of our stakeholders.

The success we've built, for more than 40 years in business, is proof of our fundamental business agility and strength.

At no time in our history has this strength been more important – as we face the current global COVID-19 pandemic.

This strength is what has enabled us to support our customers through many global and local crises, and today this is no different.

We have seen – and come through – many challenging moments and we are confident we will come through this one too.

We acknowledge the significant responsibility a company like ours has during this time. Financial services companies are essential to peoples' lives, even more so in the Pacific region.

Making progress in implementing our short-to-medium-term strategy

The Group continued its transformation journey in 2019.

A core tenet of our strategy has been the steady investment in our businesses to support our ongoing transformation, particularly in area of technology. The business made good progress in this vitally important area to ensure we deliver more value and better outcomes to our customers. It will also enhance our efficiency and competitiveness as a business and also our ability to attract and retain the best people.

The new Strategic Direction we embarked upon in 2018 is performing in line with our expectations, as we plan to strengthen the Group's focus and efficiency.

As a result, we are better positioned – both for a period of low or negative economic growth and for the ultimate recovery.

Enhancing executive capability

Our Chief Executive Officer Peter Aitsi has also assembled a new generation of outstanding executives to lead the Group through its next phase of evolution. In FY19 we appointed a new General Manager Property Brent St. Hill and at the start of FY20, Danny Robinson was appointed Chief Operating Officer, while Karen Mathers has been recruited as our first Chief Risk Officer, our new appointees join Chief Financial Officer Jeff Undah and comprise our executive group.

Focussing on the long-term

The Board is confident we have the right leadership team in place to deliver on our new Strategic Direction and to meet the challenges of the current environment as a result of COVID-19.

As a Board we are pleased with the implementation of initiatives against our strategic principles of maximising revenue, investing in high value opportunities, enhancing our value proposition, leveraging our distribution model, supporting our customers and empowering our people.

We have placed a stronger focus on future strategic initiatives including inorganic growth opportunities to ensure we continue to evolve and meet our vision – to be the best performing financier in every market in which we operate in terms of customer experience and profitability.

Focused on prudent capital allocation

As a Board it is our job to protect and grow shareholder value through prudent capital allocation.

Our capital allocation policy remains focused on maintaining a strong balance sheet, continuing to invest in the business and to have a sustainable dividend policy which returns surplus cash to shareholders as appropriate.

In recent years the Group has navigated through significant change within our businesses and across our industry.

Disciplined financial management and oversight means that we are now in a significantly stronger financial position than we were a number of years ago, but we know there is still work to be done, particularly given the current circumstances. This financial discipline underpins the business's transformation and our continued ability to invest in the Group.

Ongoing focus on risk management

Aligned with our new Strategic Direction we are undertaking considerable work in relation to how we measure and manage risk, particularly in the area of credit risk.

We are identifying opportunities for improvement and have embarked on a program that focuses on areas of emerging risk and builds our capabilities for the future.

Under the direction of our recently appointed Chief Risk Officer Karen Mathers, we are increasing our capability and people skills and are realigning our entire risk approach. The risk team is working on building more clearly defined accountabilities. Risk transparency is being prioritised throughout the organisation to achieve improved reporting of the performance of business units.

Our risk management team is also putting all the necessary measures in place to keep our business running throughout COVID-19, while still protecting the health and safety of our customers and employees and their families.

Credit Corporation took the following actions in response to COVID-19. These included:

- Continuing to provide financial services to our customers in PNG and across the Pacific.
- Continuing to provide property management services to tenants at our Credit House, Era Dorina and Era Matana properties.
- Following government state of emergency (SOE) directives in all countries where these have been declared.
- Continuing to implement business continuity plans to ensure services remain available to customers.
- Ongoing assessment of the impact of COVID-19 on Group's operations in all jurisdictions where we operate.

Board changes

We also saw changes at Board level during the year with the retirement of Johnson Kalo and David Doig. I would like to thank David and Johnson for their contributions to Credit Corporation and wish them all the best for their future endeavours.

Outlook

In looking to the future, my starting point must be to recognise that FY20 has seen a period of fundamental instability in financial markets due to COVID-19 – a time when many of the world's economies have been put under extreme pressure. The impact on financial markets has been all pervasive.

This has also affected our customers and much of the hard work we are executing in FY20 is directed to helping them respond to this challenging environment.

Our executive team is closely monitoring COVID-19 developments and determining the measures to help minimise any impact on our operations. The speed of our actions has been critical to ensuring we provide services to our customers throughout the COVID-19 situation.

The close collaboration between Credit Corporation, its partners and customers has always been a key strength during times of high and low volatility.

Through the concerted efforts of our Board, management team, employees, and partners, we are demonstrating the highest resilience as we move through this period of uncertainty. We realise this situation is dynamic and we have contingency plans in place. We remain alert and ready to adjust in response to any changing circumstances.

While it is too early to estimate the full impact of the current situation on Credit Corporation, at this point we assess it as being manageable.

The Group has a strong balance sheet, robust capital and funding, and a concerted focus on risk management.

This is an evolving situation and our focus is on supporting our staff and our customers and playing our part in the national response to halt the progress of the virus through our community.

We will no doubt be exposed to the impact of the state of emergencies in countries where they have been declared on our customers in those jurisdictions.

The Group has proved its resilience over many years and we have laid a solid foundation for growth. We remain confident about the Group's long-term prospects and on enhancing shareholder value through delivering profitable and sustainable growth over the longer term, while continuing to invest in the future.

As a Board we feel privileged to serve this exceptional company and would like to thank our shareholders for the confidence they have shown in us to lead the business during the next phase of its development.

While we remain focussed on our continued success, this is a time to continue helping our customers and our community through this difficult time – through a lens of positivity and strength.

Syd Yates OBE
Chairman

Chief Executive Officer's review

The transformation work commenced in 2018 has continued to deliver improvements through the business which are reflected in a creditable performance for the Group over the 12 months. The diversification of our Group, with finance, property and investment segments, continues to be a key strength. This mix of businesses in addition to our geographic diversification across five countries continues to provide benefits and resilience.

The Groups commitment to our new Strategic Direction has resulted in a much clearer focus on our priorities which will deliver a solid foundation on which to achieve future growth.

Our focus on priorities such as strengthening our People and Culture, improving customer service, mobilising agile business processes, introducing product innovations and further building on our IT capabilities have resulted in a strong performance in FY19.

Group Net Profit After Tax reached K132m, representing a 34.8% increase, while Core Operating Profit rose to K105m, increasing by 21.7%.

The Group also maintained a strong capital position. Capital adequacy ratios remain well above the minimum regulatory requirements of our various markets and Total Risk Weighted Capital was strong at K219.7m. The solid capital position provides us with a great deal of flexibility around our decisions related to business growth.

Finance income increased 10.9% to K109.7m over the period and Net Profit After Tax for the division rose to K37.4 million, up 54% on the previous year as we continued to add customer relationships, for both loans and deposits in our key markets.

Our property and investment segments continued to provide diversified earnings for our Group. The property segment recorded a 46.2% (K5.6m) increase in core profits to K17.6 million in FY19. The increase was attributed to improved occupancy rates coupled with a continuing focus on tight cost controls.

The investment segment saw the valuation of shares in Bank South Pacific (BSP) increased by 14.7% in FY19. The dividends from BSP shares have contributed towards improved dividend yields for the Group.

COVID-19 response

Since the close of FY19, the world and economic conditions have changed dramatically as a result of the COVID-19 pandemic and the restrictive measures introduced by Governments to help stop its spread. Like all companies, the coronavirus has created a moment of truth for our Group, providing a real live opportunity to deploy our business continuity planning. I am very proud of our executives and all our people who have risen to the complex challenges we have faced.

In terms of our financial position, the Group is well placed to withstand the challenging period, due to a strong balance sheet, credit portfolio and capital position.

When state of emergency measures were declared in jurisdictions where we operate, we immediately mobilised and took steps to minimise COVID-19's effects on our operations. We also tested and implemented business continuity and contingency plans, which included alternate workplace arrangements for our teams.

At the same time, we also heightened measures to ensure the safety and health of our employees and the tenants at our properties through regular communications and dedicated help centres.

We are in business committed to our people, customers and our shareholders. They provide a purpose for our Group and their needs determine the direction we take as a business and at no time has this been more important than during the COVID-19 situation.

Our underlining values are helping us to make the right decisions and this has been critically important as we face this unprecedented global pandemic.

We are also acting as responsible citizens and supporting our customers who are experiencing hardship as a result of the current situation. Right across our Group we are working with our clients on a specific approach that best meet their needs.

Credit Corporation has sound capital and liquidity levels built up over recent years and we remain confident that the current circumstances remain manageable. Given our position as an essential service we also remain in a good position to help these economies weather the storm of the coronavirus shock.

Outlook

Clearly, the outlook across the global economy has changed, with flow on impact to our region and in turn the Group to have effect on our operation.

The Asian Development Bank (ADB) in its 2020 Development Outlook, has forecast average growth across its Pacific member countries will contract by 0.3 percent assuming even just a three-month interruption in travel and trade.

For 2021, it is projecting a cautious recovery of growth to return to an average of about 2.7 percent but that would depend heavily on how long the travel restrictions and disruptions to movement of people and goods last.

Pacific Island governments have responded with substantial economic stimulus packages to assist in managing the impact of the pandemic on the region's economy. Governments have introduced broad measures including mortgage deferrals, business loan guarantees, utility concessions, access to superannuation, and increases in social security.

Governments have also been in negotiations with the IMF and ADB on a budget support and debt management programs.

And while we are reviewing the best available information, as the current COVID-19 situation continues to unfold there are many uncertainties. However, let me reassure you that what is certain is that Credit Corporation has the experience, talent, and professionalism to respond effectively to COVID-19 and its ensuing impacts.

We wish to thank our customers, staff and shareholders for their ongoing support through this challenging time.

Through the strong relationships between Credit Corporation, its partners and customers, we have worked our way through many challenges over the past 41 years and we will work through this challenge with the same resilience and tenacity as we have in the past.

Peter Aitsi
Chief Executive Officer

Five year performance snapshot

	2015	2016	2017	2018	2019
Profit and Loss (K'000)					
Core Operating Profit	75,762	65,943	75,424	86,273	105,018
Property Revaluations	(18,562)	(22,052)	(19,821)	(8,952)	(22,221)
Investment Revaluations	13,303	56,859	18,590	27,395	55,480
Operating Profit before Tax & after Revaluations	**70,503**	**100,749**	**74,193**	**104,716**	**138,277**
Income Tax	7,361	1,812	555	6,793	6,292
Operating Profit after Tax attributable to the Group	**63,142**	**98,937**	**73,638**	**97,923**	**131,985**
Retained Earnings	**364,762**	**374,104**	**403,648**	**426,065**	**456,616**
Dividends (K'000)					
Dividend Paid	41,072	56,692	43,154	52,313	61,509
Dividend per share (Kina)	0.13	0.18	0.14	0.17	0.20
Balance Sheet (K'000)					
Finance Receivables	406,555	395,381	480,879	581,939	613,111
Total Assets	1,164,880	1,249,150	1,358,179	1,431,080	1,541,258
Deposits	345,803	361,447	454,352	483,431	531,966
Shareholders' Funds	743,692	787,292	811,720	851,210	921,232
Performance Ratios					
Return on Assets*	6.5%	5.3%	5.6%	6.0%	6.8%
Return on Equity**	10.2%	8.4%	9.3%	10.4%	11.9%
Expense/Income***	37.1%	42.6%	44.3%	37.7%	38%
Net Asset Backing Per Share	2.36	2.50	2.63	2.76	2.99
EPS (Basic and Diluted)	0.20	0.31	0.24	0.32	0.43
No. of o/s ordinary shares	314,866,510	314,839,331	308,280,832	307,936,332	307,936,332
Weighted ave. no. of ordinary shares	314,948,497	314,866,510	312,672,856	308,990,373	307,936,332
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.7608	0.6843	0.6511	0.6373	0.6299
Solomon Islands Dollar	2.7025	2.5995	2.4509	2.4208	2.4119
Vanuatu Vatu	38.5833	37.2400	33.3600	33.9200	33.9300
USD	N/A	0.3080	0.3170	0.3045	0.3010

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

Strategic direction and priorities

All Credit Corporation's activities are guided by our Strategic Direction, which frames our decision-making and help us measure progress over the long term. While these priorities may evolve to meet changes to the business environment, they are grounded by a commitment to create value for our shareholders over the longer term.

Our Strategic Direction is anchored by the following guiding principles:

Strategic Direction — Guiding Principles

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.

SUPPORTED DISTRIBUTION MODEL

The countries we operate in are our distribution assets.

AGILE WAY OF WORK

Agile ways of working will provide a competitive edge.

COMMUNITY FOCUS

We are working to help our customers achieve funding for their businesses and lifestyle.

"We are expanding, redesigning and strengthening our technology foundation. We will leverage that investment to further transform how customers do business with us to pursue their financial objectives."

Strategic Direction

Good progress was made with implementation of the new Strategic Direction in FY19. The Group's Strategic Direction focuses on enhancing customer experience in all facets of the Group's business.

Credit Corporation has a unique set of advantages: a solid and diversified business mix; diversification in key Pacific geographies and customer segments; a strong balance sheet and capital position; a disciplined approach to managing risk; a firm commitment to regulatory compliance; a commitment to recruiting and retaining talented people; a trusted brand and a commitment to our customers which is at the heart of everything we do.

During 2019, significant progress was made with investments in technology, services, and products whilst ensuring these investments delivered for customers and the Group. These strategic initiatives were aimed at improving shareholder value and growing business profitably.

The management team has also been focused on implementing key activities identified as part of the new Strategic Direction, building a sustainable platform for profitable growth.

In FY19 we elevated technology as a strategic priority because we want our customers in every facet of our business to benefit from the enhanced capabilities which new technology delivers.

During 2019, specialist IT firms were engaged as lead service providers for IT-related services including outsourcing of cybersecurity services and disaster recovery services.

Strategic direction and priorities

Planning and implementation work to upgrade the core finance platform started during the year. This is a transformative project for the Group. The new version will deliver improved front office and back office capability, with enhanced customer interface capability. Upgrades to the core finance platform for CC PNG were completed in November 2019. Work has commenced on the upgrade of platforms in CC Solomon and CC Vanuatu.

The Group will continue to focus on automation of key processes and the implementation of workflow systems. More emphasis will be placed on digitising front office platforms to make customer interactions more efficient and easier. The back-office systems and processes have been streamlined using the agile method of workflow and strong governance protocols. This has enabled staff to better manage activity and outcomes.

Shareholder return is an important metric to measure Credit Corporation's performance, but our more fundamental commitment is earning and maintaining the trust of all stakeholders. That means we have a responsibility to meet regulatory requirements, while acting in accordance with our stated values. And the cornerstone of these efforts is founded on sound corporate governance and risk management.

With the appointment of the Group's first Chief Risk Officer, there has been a concerted effort on strengthening governance and risk management throughout the Group, with the aim to implement a robust Risk and Compliance Framework considering the changing regulatory and risk landscape.

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

"Innovation will not only make customers' lives easier, it enables us to work more efficiently."

Initiatives to improve governance and risk oversight for the Group and its subsidiaries have included:

- Implementing the three lines of defence risk management framework
- Changing reporting, giving more transparency to the operating divisions of the Group
- Fostering a culture of accountability throughout the Group, with key risk indicators and clear direction in relation to our appetite for risk
- Setting performance benchmarks linked to strategy, risk appetite and budget.

Other initiatives aligned with our Strategic Direction which are presently underway include:

- Enhancing the Group's funding strategy
- Improving marketing initiatives for Credit Corporation properties
- Ongoing review of our investment portfolio
- Continuing to consider potential inorganic strategic growth opportunities as they arise in the market.

Our divisions

Finance division

Credit Corporation PNG's Finance Division is mobilised for growth with customers being served seamlessly and efficiently across our Pacific region footprint.

Credit Corporation is one of the leaders of financial services in many of the markets we serve, with a good mix of small to medium enterprise customers.

We are the leading finance market in Fiji with a market share of approximately 26%, our finance business in the Solomon Islands has a market share of approximately 85%, in Vanuatu, we hold a market share of approximately 60% in asset financing, in PNG our market share for lease and asset finance is approximately 33% and our Timor-Leste finance business presents a number of emerging opportunities.

We are licenced and regulated non-bank financial institutions in each of the countries we operate including PNG, Fiji, Vanuatu, Solomon Islands and Timor-Leste.

During FY19, Credit Corporation PNG's finance income increased 10.9% to K110m and NPAT grew by 54% to K37.4m, with a strong focus on credit quality management and loan growth.

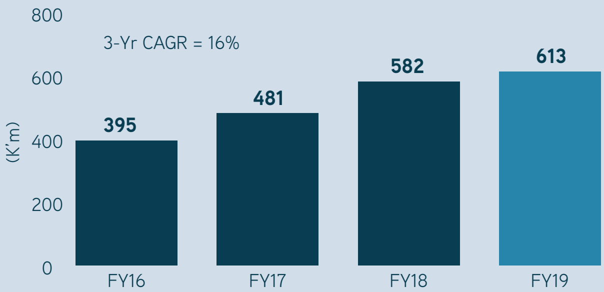
The Finance Division remains well capitalised and the capital adequacy of its financial subsidiaries exceeded the regulatory requirement. Total Capital and Tier 1 Capital ratios increased by 200bps to 30% and 22% respectively, off the back improved profitability in the Group's finance business. Total Risk Weighted Capital was unquestionably strong at K219.7m.

Credit Corporation PNG's loan book grew by 5% to K613m in FY19.

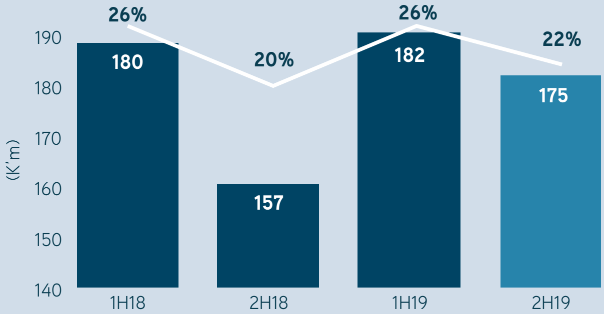
Significant progress was made during FY19 in relation to recovery of legacy loans and the Group is committed to pursuing the remaining legacy in 2020.

Further improvements were also made through strengthening the collections process across the Group, including the recruitment of additional resources. These have resulted in a notable improvement in our arrears level and impairment costs, which reduced by 37% (K9.5m) compared to FY18.

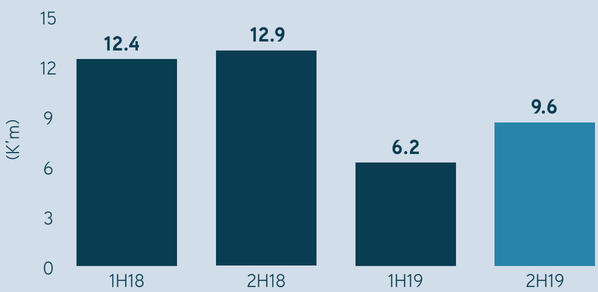
Size of loan book (K'm)



Tier 1 capital (K'm)/ Tier 1 capital ratio



Loan impairment expense (K'm)



Respective regions experienced loan book growth including CC PNG (12%) and CC Fiji (2%), while CC Vanuatu and CC Solomon Islands decreased by 14% and 22% respectively. Solomon Islands' growth was impacted by subdued economic conditions, while growth in Vanuatu was impacted by one-off impairment costs.

Group funding grew by 10% to K531.9m in FY19 and is attributed to our strategic intent to raise more capital and grow the loan book to ensure greater certainty around our funding profile.

As such, the Group has worked on diversifying the funding base to reduce dependency on large institutional customers.

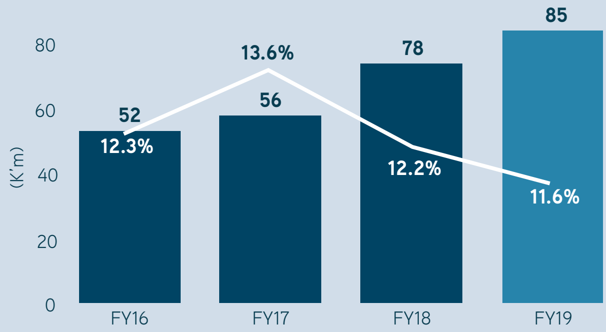
A highlight for the Group in FY19 was the granting of our licence as a deposit-taking institution in Timor-Leste, with the first deposit customers onboarded in July 2019.

The Finance business has been actively focused on ensuring it manages its liquidity, in line with best practice. A priority is to ensure growth in the loan book is aligned with funding growth. The Group is committed to strengthening its treasury function with additional resources and expertise while managing future funding risk.

The net interest margin (NIM) eased by 60bps to 11.57% in FY19, with the reduction due to the increased competition for deposits and additional requirements to raise more funds for loan growth.

As a result, yields on average interest earning assets eased by 40bps. At the same time, there has also been tighter system liquidity in key markets causing interest rates to increase, with higher interest costs on deposits causing the cost of funds to increase by 30bps.

Net interest margin (%)



Property division

The real estate industry of Papua New Guinea experienced significant growth in line with the infrastructure boom from the LNG project. Since the project's completion, top-end and medium range housing segments have undergone some contraction.

Despite this situation, the property segment recorded a 46.2% (K5.6m) increase in core profits in FY19. The increase was attributed to improved occupancy rates coupled with tight cost control. Rental yields on properties improved over the past 12 months by 40bps to 12.1% This was attributed to an increase in rental income, while fair value on properties experienced notable depreciation.

- Era Dorina – occupancy decreased to 61% (67% in FY18).
- Era Matana – occupancy increased to 94% (69% in FY18).
- Credit House – occupancy increased to 95% (92% in FY18).

Average occupancy levels for the property portfolio increased to 82% at the end of FY19 compared to 76% in FY18. Occupancy levels at Credit House have been stable, while more focus has been placed on ensuring increased occupancy levels at the residential properties.

The Group will continue to invest in the upkeep of its property portfolio in order to maintain its position as a premium brand in the market and strive for points of differentiation.

Era Dorina has been positioned as a family-friendly residential complex, with high-speed internet services, a new children's playground, an observation deck at stage 1 and more recently, renovated swimming pool areas.

Era Matana has been positioned as a high-end product targeting business executives. It is a recent introduction to the market, with excellent location and design, while offering ease of access to the CBD.

The Group continued its focus on lifting its marketing efforts to improve occupancy levels. This included increasing direct marketing activities targeting real estate agents and larger companies with the potential to take up multiple tenancies.

Investment division

The investment portfolio consists of listed equities, predominantly Bank South Pacific (BSP) shares. The valuation of shares in BSP increased by 14.7% in FY19. The dividends from BSP have contributed to improved dividend yields for the Group.

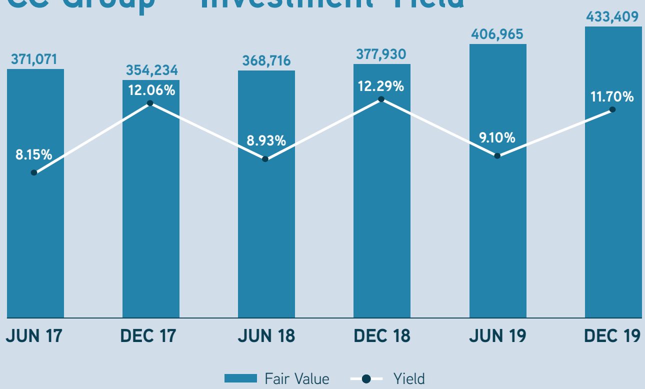
The investments provide a stable and diversified earnings stream which is aimed at assisting Credit Corporation to deliver consistent returns and financial stability.

The dividend income stream from BSP has contributed to improved dividend income from the Group to shareholders.

The Group had 36,294,081 shares in BSP as at 31 December 2019 with a fair value of K427m. This represents an increase of 14.8% in fair value movement from FY19.

Dividend income received in FY19 increased by 9.17% to K50.6m and was predominantly derived from BSP investment.

CC Group – Investment Yield



Our people

Credit Corporation's performance is driven by our people. We are proud of our talented team who come from diverse backgrounds. Their commitment to delivering their work responsibly and ethically delivers benefits to all our stakeholders.

We are a business built on trust, loyalty and mutual respect and these attributes are non-negotiable.

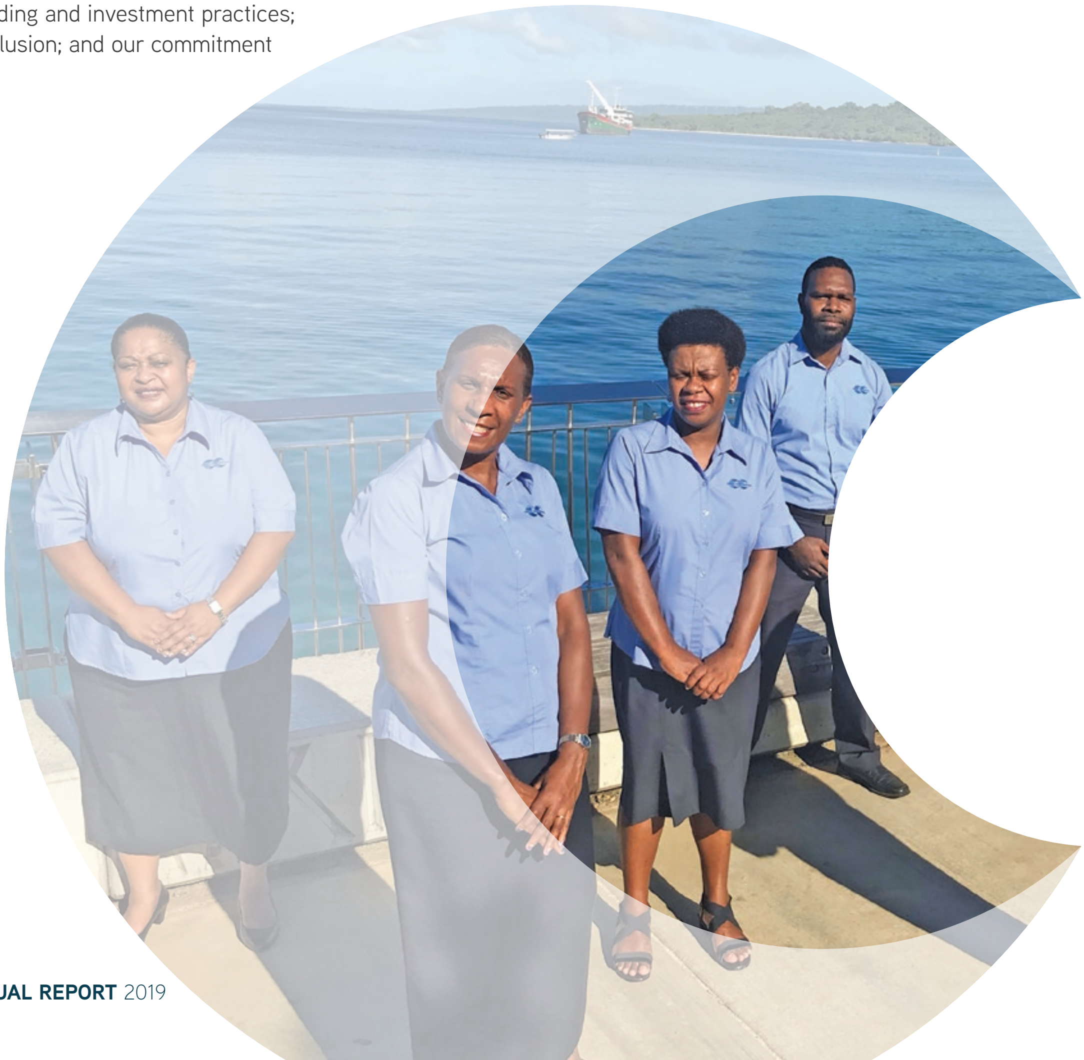
Our unique culture is shaped by the understanding that our strategy must be grounded in a clear set of values. For Credit Corporation these are:

- Integrity
- Customer commitment
- Maintaining highest standards in all aspects of business
- Building a strong, honest and motivated employee group.

We are also guided by clear principles which include ethical business conduct, responsible lending and investment practices; our promotion of diversity and inclusion; and our commitment to building strong communities.

Our people by country

Country	Total	Male	Female
CC PNG**	171	127	44
CC Fiji	51	26	25
CC Solomon Islands	10	8	2
CC Vanuatu	13	5	8
CC Timor-Leste	3	1	2



** Includes properties

Corporate social responsibility

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.

Guided by our values, we continued to support and participate in numerous community events throughout the year. Some of our areas of focus in FY19 included health, youth development, sports, education, empowerment of women and the environment.

Credit Corporation contributed an estimated K420,000 to community projects across PNG and the Pacific in FY19. These included:

Charities and NGOs

- Honiara Rotary
- Earthquake Appeal (PNG)
- Helena Goldie Hospital Appeal
- International Women's Association (Fiji)
- Fiji Red Cross
- Gospel School For The Deaf (Fiji)
- Disability Gala Awards (Fiji)
- Blind Society (Fiji)
- Pinktober (Fiji)
- Foundation of Needy Children (Fiji)
- Buk Bilong Pikinini (PNG)
- Susu Mamas (PNG)
- RSPCA (PNG)
- Rotary (Fiji)
- Badili Club (PNG)
- Transparency International (PNG)
- Proactive Mamas (Vanuatu).

Sport and culture

- Honiara High School Rugby Tournament (SI)
- Credit Corporation Sparrows Netball – Major Sponsor
- Cricket PNG
- Harlequins Rugby Union – Major Sponsor (PNG)
- PNG Muruks
- Agmark Gurias RLFC – Major Sponsor (PNG)
- Pukpuks Rugby – Major Sponsor (PNG)
- Lotic Bige Rugby Tournament (PNG)
- Boroko Amateur Swimming Club (PNG)
- Women's Golf (Fiji)
- Frangipani Festival – Rabaul (PNG)
- Vanuatu Golf Open
- Vanuatu Paralympic Committee.

Business, Science and Education

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

Board of directors

Syd Yates OBE, MAICD

Syd Yates was appointed Chairman in November 2018. He is a Non-Executive and Independent Director and was appointed the Chair of the Disclosure Committee.

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 a 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.

Faye-Zina Lalo LLB (UPNG); MBA (UPNG), PNGID

Faye-Zina Lalo was appointed to the Board in March 2017 as a non-executive director. She is also a member of the Board's Nominations and Remuneration Committee, Risk and Compliance Committee and served on the ad hoc Governance Working Group.

Ms Lalo is an experienced director, a factor recognised by PNGID in 2018 in awarding her the award of "Female director of the year". Ms Lalo also serves on other corporate and not-for-profit boards. Her experiences as a corporate and commercial litigation lawyer and in working in a regulated telecommunications industry aids Ms Lalo in her appreciation of risks associated with operating in a regulated environment. Prior to joining Credit Corp PNG, Ms Lalo practised corporate and commercial law for over 10 years and held a number of senior legal and operational roles at Albatross Law, Digicel (PNG) Limited, Telikom PNG Limited and Posman Kua Aisi Lawyers.

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

She would like to see and contribute towards excellence and success of PNG businesses and organisations through effective board governance, and implementation and adherence to appropriate business systems and processes.

Michael Varapik OBE, MBA (Oxford), MAICD

Michael Varapik was appointed to the Board in May 2018. He is a Non-Executive and Independent Director. He served as a member of the Audit Committee, Risk and Compliance Committee and the ad hoc Governance Working Group.

Michael has extensive management, corporate, financial, operations and marketing experience spanning over 35 years in the private and public sectors. He was a Director on the Boards of Comrade Trustee Services Limited and Toea Homes Limited, a wholly-owned subsidiary of Comrade Trustee Services Limited and currently serves as a Director on the Board of 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 B.AppSc (UWS)

Richard Sinamoi was appointed to the Board in May 2018. He is a Non-Executive and Independent Director. He was appointed as Chair of the Nominations and Remuneration Committee, is a member of the Risk & Compliance Committee and Strategy and Investment Committee.

Mr Sinamoi is an experienced Executive and Director with extensive experience in the superannuation and financial services industry.

He has served on Boards for both private and public listed commercial entities and charitable organisations, spanning a range of industries from food and beverage to micro banking and funds management.

Mr Sinamoi is also an Independent Director with Nambawan Super Limited, the Paradise Company Limited and TransPacific Assurance Limited. He is currently the Executive Director of Kama Kofi Limited.

Board of directors

James Kruse B. Bus, FCPA

James Kruse was appointed to the Board in May 2018. He is a Non-Executive and Independent Director. He was appointed as Chair of the Strategy & Investment Committee and is a member of the Audit Committee.

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 was previously a partner of Deloitte Touche Tohmatsu in PNG where he headed up the firm's business services, corporate advisory and insolvency services divisions for over 15 years.

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 also 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, the 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.

Dr Albert Mellam PhD.Psy (ANU), MSc (Stirling Uni), GDip. Eco (SMU)

Dr. Albert Mellam is the Executive Director of the Papua New Guinea Chamber of Mines and Petroleum, the Peak body of the Mining and Petroleum industry in Papua New Guinea, and an Adjunct Professor of Business Management, James Cook University, Australia. He was the immediate past Vice Chancellor of the University of Papua New Guinea.

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

Dr. Mellam holds a doctoral degree in Psychology from the prestigious Australian National University, Canberra, a Master of Science degree from Stirling University, Scotland, and a Graduate Diploma in Knowledge Economics from the Singapore Management University, Singapore. Dr. Mellam has undertaken academic engagements in Australia, India, Europe, and the South East Asian region.

Abigail Chang MScID, MAICD

Abigail Chang was appointed to the Board in December 2016. She is a Non-Executive and Independent Director and was appointed as the Chair of the Risk and Compliance Committee in May 2019. She also serves as a member of the Nomination & Remuneration Committee and replaced Mr Johnson Kalo on the Disclosure Committee in the later part of the year.

Ms Chang was appointed the Chairperson of Credit Corporation Fiji Pte. Ltd in September 2018 and has served on the Board as a Non-Executive and Independent member since June 2014.

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

For a little over 9 years, Ms Chang served as a regional technical specialist engaged across 8 countries in the areas of financial inclusion policy and governance structures, financial education and/or digitising Government to Person (G2P) payments. She is currently the Country Director for Solomon Islands and Kiribati at the Australian Pacific Training Coalition (APTC).

Senior executive team

Peter John Aitsi MBE
Chief Executive Officer

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
Chief Financial Officer

Jeff Undah was appointed Chief Financial Officer in September 2018.

Mr Undah has over 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 Chief Financial Officer and Company Secretary positions.

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

Beverlyn Malken
Company Secretary

Beverlyn Malken was appointed Company Secretary in June 2017.

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.

Brent St. Hill
General Manager Properties

Mr Brent St. Hill was appointed as the General Manager Properties in September 2019. Mr St. Hill has an extensive professional executive management background in property, development, asset, hotel, apartment and hospitality services in PNG, Australia and New Zealand.

Having been in PNG for more than 18 years, Mr St. Hill has held executive positions with Coral Sea Hotels, Steamships Trading, RPYC and more recently Kumul Hotels trading as IHG Crowne Plaza Hotels.

Country heads

Peter Dixon

Country head for Credit Corporation Fiji

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 specialised 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 FINSIA 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 FINSIA.

Antony Langston

Country head for Credit Corporation Solomon Islands

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.

Chris Durman
Country head for Credit Corporation Timor-Leste

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 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.

Johnny Wilson
Country head for Credit Corporation Vanuatu

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.

Andy Roberts
General Manager

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).

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

Corporate governance statement

I. OVERVIEW

This Corporate Governance Statement sets out the Credit Corporation Group's key governance policies and practices operating during the 2019 financial year.

A copy of this Statement can be obtained on Credit Corporation's website www.creditcorporation.com.pg.

Credit Corporation is incorporated in Papua New Guinea (PNG) and is listed on PNG's national stock exchange, PNGX Markets (PNGX). The entities that form the Credit Corporation Group are managed via a matrixed Structure throughout the South Pacific. The Group's head office is in PNG where most functional leads are housed to effect governance oversight to its locally-incorporated subsidiaries in the other countries in which the Group operates throughout the Pacific.

Our governance structure is influenced by the requirements of regulators throughout the Pacific, with the parent company, Credit Corporation, maintaining oversight on holistic issues and global influences and being responsible for setting and monitoring compliance with the Group's governance framework.

Each of Credit Corporation and its subsidiaries has a Board and Management structure appropriate for its operations, complexity, growth and size. Whilst our subsidiaries are locally incorporated in the jurisdiction in which they operate, they must comply with the Group's Corporate Governance Framework.

Legal and Regulatory Framework

Credit Corporation and each of its subsidiaries must comply with relevant laws in each of the countries in which they operate.

The Credit Corporation Group operates in a highly regulated environment. While Credit Corporation is not a regulated entity itself, our finance subsidiaries are regulated and supervised as finance and authorised deposit-taking institutions by various Pacific regulatory and supervisory bodies (including Central Banks) in the jurisdictions in which we operate.

Accordingly, the Credit Corporation Group must comply with strict regulatory requirements in respect of governance, capital, liquidity, risk management, conduct, financial crime and systems and controls, among other things.

As Credit Corporation is listed on PNGX, it must also comply with the PNGX Listing Rules.

Risk Management Structure

Credit Corporation has a conservative yet consistent approach to risk, which has seen us deliver sustained long-term growth by protecting our capital to lend responsibly and support our business growth.

All of our employees are responsible for the management of risk, with the ultimate accountability residing with the Board. Our risk culture is developing and will be embedded through clear and consistent communication and appropriate training for all employees. A comprehensive risk management framework that is under continuing development, is applied throughout the Group, and is reinforced with our values and code of conduct. Our risk management structure is central to our strategy and was bolstered by the appointment our first dedicated Group Chief Risk Officer in 2019.

II. THE BOARD OF DIRECTORS

1. THE BOARD STRUCTURE AND ROLE

The Board of Directors has the ultimate responsibility for the success of the Group and is charged with delivering sustainable financial performance and long-term shareholder value and is responsible for the overall direction, supervision and control of the Group and its management.

The Board has adopted a Board Charter, that sets out, among other things:

- the role and responsibilities of the Board (the key aspects of which are set out in Table One), including matters specifically reserved to the Board; and
- the role and responsibilities delegated to the Chief Executive Officer, which is primarily the management of the day-to-day operations of Credit Corporation.

The Board comprises 7 Directors: five independent and two non-executive Directors. During 2019, two Directors left the Board being:

- Johnson Kalo
- David Doig

They were not replaced.

TABLE ONE: BOARD ROLE

Strategy and Business Plans	Identify, develop, review and approve the strategic direction and business plan for the key businesses.
Culture, Values and Conduct	Sets the tone on cultural attributes and minimum expectation of code of conduct and value proposition.
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	Establish processes to allow annual evaluations of the performance and effectiveness of the Board including determining its size and composition.
Leadership selection	Establish visible performance criteria for ongoing evaluation and selection of the CEO.
Succession and remuneration planning	Plan for Board, CEO and executive succession and remuneration, and setting Non-executive Director remuneration.
Sustainability	Consider the social, ethical and environmental impact of the Group's activities and operations in the various jurisdictions.
Regulators	Monitor the conduct of Credit Corporation's relationship with key regulators to ensure Credit Corporation's obligations are being met and set standards and monitor compliance with Credit Corporation'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 Credit Corporation's corporate governance policies and practice.

Corporate governance statement

The Board operates within the ambit of the Companies Act 1997, the Credit Corporation's Constitution and the Board Charter. In discharging its duties, the Board has elected to form 5 (five) separate Board committees.

Committee	Functions/Role
Audit Committee	The function of the Audit Committee is to serve as an independent and objective body with oversight of: • the Group's accounting policies, financial reporting and disclosure controls and procedures; • the quality, adequacy and scope of external audit; • the Group's compliance with financial reporting requirements; • the Executives' approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance; and • the performance of the Group's Internal Audit function. The Executives, led by the Group Chief Risk Officer, are responsible for the preparation, presentation and integrity of the Group's financial statements. External auditors are responsible for auditing the Group's annual financial statements and for reviewing the quarterly financial statements.
Risk and Compliance Committee	The function of the Risk and Compliance Committee is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework with oversight into all material risks.
Disclosure Committee	The function of the Disclosure Committee is to assist the CEO, CFO and the audit committee in preparing the disclosures required under the various regulations and listing rules including ensuring: • Disclosure controls and procedures are properly implemented; and • Any communication is appropriate, timely, accurate and complete.
Nomination & Remuneration Committee	The function of this Committee is to: • Govern any Board appointments at the Group level; and • Oversee the Group's remuneration policy. • Oversee the remuneration of Directors and senior Group employees • Review the effectiveness of the remuneration policy in the context of effective risk management.
Strategic & Investment Committee	The function of this committee is to validate and test the Group's strategic plans whilst evaluating the capital deployment in the context of a variety of investment scenarios.

Each committee is governed by its own Charter which defines roles, responsibilities and membership, and each committee provides recommendations to the Board and advice on specific issues.

Up until April 2019, there were 4 (four) Board committees. The Board decided to divide the previous Audit & Risk and Compliance Committee into two completely separate committees, reflecting a sharper focus on Risk Management and driving the *three lines of defence* model (see right).

TABLE TWO: BOARD COMMITTEE MEMBERS AS AT 31 DECEMBER 2019

Director	Board	Member of: Audit Committee	Risk & Compliance Committee	Nomination & Renumeration Committee	Strategy & Investment Committee	Disclosure Committee
Sydney Yates*	M	AC				C
Dr Albert Mellam	M			M	M	
Abigail Chang*	M		C	M		M
Faye-Zina Lalo	M		M	M		
James Kruse*	M	M			C	
Richard Sinamoi*	M	M	M	C	M	
Michael Varapik*	M	M	M			

Key: M-Member, C-Chair, AC-Acting Chair

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

TABLE THREE: DIRECTORS ATTENDANCE AT BOARD & COMMITTEE MEETINGS

	Board meeting	Audit & Risk Committee+	Audit Committee meeting	R & C Committee meeting	N & R Committee meeting	S & I Committee meeting	Disclosure Committee meeting
Number of meetings	**12**	**2**	**3**	**4**	**6**	**3**	**4**
Dr Albert Mellam	6/12				4/6	3/3	
Abigail Chang	9/12	2/2		3/4	5/6		2/2[i]
Faye-Zina Lalo	12/12	2/2		4/4	6/6		
Sydney Yates	12/12		1/1*[ii]			1/1*[vi]	4/4
James Kruse	10/12	2/2	2/3			3/3	
Richard Sinamoi	12/12	2/2	1/1*[iii]	4/4	4/4*[iv]	2/3	
Michael Varapik	9/12		3/3	3/4	2/2*[v]		
Directors who resigned and retired during the year							
Johnson Kalo (resigned 10 September 2019)	5/6	2/2				2/3	2/2
David Doig (resigned 27 June 2019)	5/5				3/4	1/2	

+ Committee ceased on 14 May 2019

* Directors were only members of the Committee for part of the year

i Appointed in September 2019
ii Appointed Interim Chairman of Audit Committee in December 2019
iii Appointed in December 2019
iv Chairman of N&R Committee from May 2019
v Left N&R Committee in May 2019
vi Left S&I Committee in May 2019

Corporate governance statement

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 Group's strategic goals as set by the Board.

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, including both financial matters and material risk 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
- 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 as part of the annual Board Self-Assessment Process. The Board understands that Board leadership is key to having an effective Board that sets the direction of Credit Corporation and its subsidiaries, and discharges its fiduciary and other duties under the Companies Act and other laws.

4. BOARD SKILLS AND COMPOSITION

The Board seeks members who combine a broad spectrum of experience and expertise with a reputation for integrity and localised knowledge in the jurisdictions we operate.

Directors are chosen from external leaders in the community based upon contributions they can make to the Board and management. Our Board are able to challenge management in a constructive manner and drive strategic results.

The Board comprises a majority of independent Directors and, as a collective group, offers a diversity of skills, opinion and perspectives with varying experiences, gender and demographics. This drives robust decision making.

Regular review of membership is conducted by the Board to ensure the 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 Board members are captured below:

- Corporate Governance
- Government Policy & Relations
- Financial services/banking expertise
- Risk Management
- Listed company experience
- Capital management and debt funding
- Insurance
- Tax
- Financial acumen
- Strategic Planning
- Regulatory & Compliance
- Information technology
- Company culture and talent management
- Public affairs and communication
- Crisis management
- Global orientation and exposure
- Operational management
- Market Understanding and Awareness

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 last independent board assessment was conducted in 2019 by an external consultant.

6. DIRECTOR APPOINTMENT AND ELECTION

The appointment of Directors is governed by the Credit Corporation's Constitution.

All Directors are appointed for an initial three-year term. Directors can only serve a total of three terms, being nine years.

All Directors must satisfy two requirements prior to taking up active duty on the Board – they:

i) must be cleared by BPNG as a 'Fit and Proper' person pursuant to the Prudential Standards issued by BPNG under the *Banks and Financial Institutions Act 2000*; and
ii) they must be duly appointed by the Board or the shareholders in a general meeting in accordance with the Constitution.

A Director appointed by the Board holds office only until the next AGM and is eligible for election by the shareholders at that meeting.

Table Four presents the summary of Directors' tenure with an indication of rotation of Directors pursuant to Article 66 (2) of the Constitution.

TABLE FOUR: DIRECTORS' TENURE

Director	Board Appointment date	Current tenure on Board	Shareholder ratification date (Initial appointment)	Rotation and re-election at AGM
Dr Albert Mellam	19.08.2013	6 years 8 months	26.06.2014	27.06.2019
David Doig*	03.12.2015	3 year 6 months	30.06.2016	
Abigail Chang	07.09.2016	3 years 7 months	26.06.2017	27.06.2019
Faye-Zina Lalo	02.12.2016	3 years 4 months	27.06.2018	Due to retire and rotate in the 2020 AGM
Johnson Kalo*	12.03.2018	I year 3 months	27.06.2018	
Sydney Yates	21.05.2018	1 year 11 months	27.06.2018	
Michael Varapik	21.05.2018	1 year 11 months	27.06.2018	
James Kruse	21.05.2018	1 year 11 months	27.06.2018	
Richard Sinamoi	21.05.2018	1 year 11 months	27.06.2018	

Note: * Directors that retired and resigned in the year.

7. DIRECTOR DEVELOPMENT

In 2019, there was number of external workshop and courses that Directors participated in to improve the Board's performance, oversight capability and insight into the business. Most Directors completed the required 20 hours of training in the year.

Corporate governance statement

8. DIRECTOR INDEPENDENCE

The Board determined that a majority of the Directors (6 out of 9 (now 7)) 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 Credit Corporation and its shareholders generally. Independent Directors must not be an ex-employee of Credit Corporation nor should they hold more than a 5% shareholding interest in the company.

As part of the formal independence assessment, the Board considers all business relationships between the Group on the one hand, and the 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 REMUNERATION

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.

In 2019, the Nomination & Remuneration Committee commenced a review of the remuneration structure of the Group which is anticipated to be completed and presented for Board approval in 2020. The remuneration review work is led by a leading global external consulting firm.

10. CONFLICTS OF INTEREST

Any Director who considered they had a conflict of interest or a material personal interest in a matter concerning Credit Corporation 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 Directors. No Director sought independent advice during the 2019 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.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The current Company Secretary was appointed in June 2017 and is a lawyer by profession with over 10 years of legal experience. Prior to her role with Credit Corporation, she worked in various legal capacities with the government of PNG, State Owned Enterprises and was attached with the Permanent Parliamentary Committee on Public Accounts with the PNG Legislator.

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 risk strategy is to operate a "three lines of defence" model, explained below.

The Board also identifies and implements opportunities to improve the Risk Management Framework. The annual risk review process resulted in enhancements in 2019 including the functional shift of key businesses areas into separate 1st & 2nd line teams within the risk management framework.

The design of the Group's Risk Management Framework was reviewed by the 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, Business Units and Audit.

BOARD OF DIRECTORS

Strategy & Investment Committee | **Nomination & Remuneration Committee** | **Risk & Compliance Committee** | **Disclosures Committee** | **Audit Committee**

EXECUTIVE MANAGEMENT

Operational Performance Metrics | **Staff Consultative Management** | **Risk & Compliance Management** | **Expenditure Approval**

Workplace Health & Safety | **Strategic and Project Oversight** | **IT Monitoring**

BUSINESS	RISK MANAGEMENT	AUDIT
1ST LINE OF DEFENCE	**2ND LINE OF DEFENCE**	**3RD LINE OF DEFENCE**
• Responsible for managing own processes • Responsible for identifying and controlling risks by using business control framework, implement internal processes and adequate controls	• Setting organisation wide Risk Management Framework. • Independent reporting to Board (incl Risk/Audit Com) • Ensure 1st line takes ownership • Advisor/Consultant to 1st line and Board	• Provides assurance about design and effectiveness of 1st and 2nd line • Reporting to Audit Committee • Advisory role to improve processes

Corporate governance statement

2. MATERIAL BUSINESS RISKS

Following a review during the reporting period, the Group identified and confirmed 7 material business risks for the organisation.

MATERIAL RISKS (KEY RISKS)						
Financial Risk	Investment Risk	Reputational Risk	Strategic Risk	Compliance Risk	Credit Risk	Operational Risk

All risks are routinely monitored and corrected. Risks are escalated to the Board where significant impact on 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 2019 (FY19). She was previously lead audit partner from FY10 to FY14.

Details of the non-audit services provided by the external auditor over the reporting period are included in the Financial Statements. The Audit 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 Credit Corporation to access the best advisers for the particular task.

KPMG has provided the required independence declaration to the Board for FY19. The independence declaration forms part of the Directors' Report in the Annual Report.

Credit Corporation does not invite any ex-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 Audit Committee, is the available to meet with members of the Audit Committee as and when required including holding in camera meetings with the Committee without management's presence.

The lead audit partner attends the Credit Corporation'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 Audit Committee;
- having direct access, and being accountable, to the Board through the Audit Committee, with the right to communicate to it in the absence of management; and
- regular reporting to the Audit Committee on the results of its audits.

The Audit 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 Credit Corporation through PNGX announcements, periodic communications and a range of forums and publications, available on Credit Corporation's website. These communications are part of Credit Corporation's continuous disclosure obligations. Shareholders have the option to utilise 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.

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 consistently themed Codes of Conduct throughout the organisation. 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.

Corporate governance statement

3. OTHER POLICIES

The Board and executive management maintain a range of other policies which define Credit Corporation's commitment to good corporate governance and responsible business practices.

VI. DIVERSITY

Credit Corporation drives diversity throughout the Group in a number of lead areas such as social diversity, gender, skills and experience and thought leadership. We celebrate diversity and inclusion and see these as key strengths. Across our operations spanning five nations – in our boardrooms, meeting rooms, branches, and all places in between – this commitment to diversity and inclusion helps ensure that everyone at Credit Corporation feels valued, respected and heard.

We believe teams that are both diverse and inclusive attain higher levels of engagement, loyalty and growth and through diversity of thought comes innovation and better decision-making. As a company that is founded on strong partnerships and relationships, we know that diversity and inclusion help us better reflect different needs and perspectives of the communities we serve so we are better able to meet their needs.

Our commitment to diversity and inclusion goes beyond the doors of our business. We support customers and communities through a range of initiatives, such as making financial services more accessible to customers with diverse needs and contributing to branch level celebrations of cultural expression.

Credit Corporation is proud to promote inclusion in the communities where we operate, and to support the diversity of all our employees and customers.

The Group supports female representation at all levels of management and business operations and has appointed many talented female Directors and employees. Focused leadership coaching and mentoring will continue as part of our overall succession planning for male and female talent.

TABLE FIVE: GENDER BREAKDOWN

		Percentage of women as a total (%)
Board	(2/9)	22
Executive Manager	(1/10)	11
Senior Managers	(5/19)	26
Total women in management	(6/22)	27
Non-management	(66/163)	40
Ancillary Staff	(12/90)	13

VII. CORPORATE SOCIAL RESPONSIBILITY

The Group supports community projects and incentives that relate to women's and children's health welfare, local disaster relief outreach programs and youth through sporting sponsorships. This community support is reported at page 21 of this Annual Report.

Contents

Directors' declaration

Credit Corporation (PNG) Limited and Its Controlled Entities
Annual Report for the year ended 31 December 2019

Directors' Report

Your directors present their annual report on the affairs of Credit Corporation (PNG) Limited (the "Company") and its controlled entities ("the Group") including the financial statements for the year ended 31 December 2019.

Activities

The principal activities of the Group during the course of the financial year remain that of providing general finance, leasing and hire purchase financing, investment property and equity investment.

There were no significant changes in the nature of the activities of the Company and the Group during the year.

Results

The net profit after taxation for the Group attributable to the members of the Group for the year was K131,985,218 (2018: K97,923,411) and for the Company was K114,183,544 (2018: K99,451,756).

Dividends

The Company paid a final dividend of K39,981,000 (K0.13 per share in August 2019) (2018: K33,852,544 (K0.11 per share) in August 2018), an interim dividend of K21,528,000 (K0.07 per share in November 2019) (2018: K18,460,478(K0.06 per share in November 2018).

Events subsequent to balance date

On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 190 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reliably estimate the impact these events will have on the Group's financial position, results of operations or cashflows in the future.

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

Directors

The directors at the date of the report of the Company are listed on page 22 to 25. No director was a shareholder of the Company as 31 December 2019 and none had any material interest in any contract or arrangement with the Company or any related entity during the year.

Remuneration of Directors and Employees

The Directors and employees' remuneration information is disclosed in Note 6.3 (b).

Interests Register

The details of information recorded in the Interests register is disclosed in Note 6.3 (a).

Auditors' remuneration

The detail of the auditors' remuneration is disclosed in Note 2.3.

Donations

During the year, the Company made donations totalling K39,136 (2018: K38,601).

For and on behalf of the board of directors

Sydney Yates
Chairman
Date: 31 March 2020

Michael Varapik
Director
Date: 31 March 2020

Independent Auditor's Report

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

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of the Company and the Group.

In our opinion, the accompanying Financial Report of the Company and the Group is 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 2019 and of its financial performance for the year ended on that date; and
- complying with International Financial Reporting Standards.

The Financial Report comprises:

- statements of financial position as at 31 December 2019;
- income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended 31 December 2019; and
- Notes including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Auditing Standards. 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 Report section of our report.

We are independent of the Company and Group in accordance with the *Companies Act 1997* and the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

The Key Audit Matters we identified are:

- Valuation of investment property;
- Allowance for expected credit losses on finance receivables; and
- Valuation of investment in subsidiaries measured at fair value.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment property (K275,700,416) – Group

Refer to Note 3.6 *Investment property* to the Financial Report

The key audit matter	How the matter was addressed in our audit
The investment property balance is a significant balance and represents 17.9% of the Group's total assets. The valuation of investment properties is dependent on a number of assumptions and inputs including tenant information, property age and location, expected future rental profiles, and prevailing market conditions. Amongst others, the following assumptions are key in establishing fair value: • The occupancy rates and vacancy allowances; • The capitalisation rate; • Capital expenditure allowances; • Letting allowances; • Market lease rates; and • The adopted discount rate. We considered the valuation of investment property to be a key audit matter due to the: • Financial significance of investment property in the statement of financial position. • The property market is largely illiquid and inactive with minimal comparable transactions. This increases the subjectivity as there are minimal comparable transactions and published data on capitalisation rates etc. • Inherently subjective nature of investment property valuations and its sensitivity to key input assumptions, including, vacancy allowance, capitalisation rates and discount rates.	Our procedures included the following: • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used for investment property in the industry, and with the Group's stated valuation policy. • We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to form independent expectations of likely movements in investment property values and underlying key assumptions such as capitalisation rates, discount rates and vacancy allowances. • For a sample of tenancy agreements, we compared the rental income used in the investment property valuations to the tenancy schedules. • We compared the capitalisation rates and discount rates used by the Group in their investment property valuations to rates used for other comparable properties determined reasonable based on their location and asset grade. • We assessed the appropriateness of the Group's accounting policies and disclosures in respect of investment property in accordance with IFRS 13 *Fair value measurement.* As the Group engaged external experts to determine the fair value of investment property, we considered the independence, experience and competency of the Group's independent experts as well as the results of their procedures as noted above.

KPMG

Allowance for expected credit losses on finance receivables (K64,492,205) – Group

Refer to Note 3.2 *Finance receivables* to the Financial Report

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Allowance for credit losses on 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 inherent complexity of the Group's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. The ECL models are reliant on data as well as a number of estimates and assumptions.

The following assumptions are key in establishing the ECL allowances:

• expected future cash receipts;
• collateral valuation, and estimated sale proceeds of the assets held as collateral (haircuts);
• time to realisation of collateral;
• probability and timing of default;
• cure rate;
• determination of significant increases in credit risk; and
• the impact of future changes in macroeconomic environment.

Separate from the ECL calculation, allowances for individually assessed loans are specifically assessed by the Group. These specific allowances are established based on future expected repayments and estimated proceeds from the value of the collateral held by the Group in respect of these loans.

The finance receivables and ECL allowances are also significant to the Group due to the level of required disclosures set out by the requirements of IFRS 7 Financial Instruments: Disclosures.
</td><td>
Our audit procedures for the allowance for ECL and disclosures included assessing the Group's significant accounting policies against the requirements of the accounting standard. Additionally our procedures covered the following:

We tested key controls in relation to:

• Data entry of information from the signed loan agreements to the core banking system. This included the principal amount of the loan, the interest rate and the loan tenure; and
• Key Information Technology and credit risk monitoring controls relating to the accuracy of data, inputs in the provision models and controls in the arrears supervision process.

In addition to controls testing, our procedures included the following:

• We obtained an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against established market practices and criteria in accounting standards;
• Assessed the accuracy of the Group's ECL model predictions by re-performing, for a sample of loans, the ECL allowance and comparing to the amount recorded by the Group;
• Assessed the accuracy of the data used in the ECL models by confirming key data fields such as the account balance, days in arrears, collateral values to relevant source systems for a sample of loans; and
• We challenged the reasonableness of the Group's key judgements and estimates made in complying with IFRS 9 Financial Instruments requirements, including selection of methods, models, key assumptions and data sources.
• Assessed the completeness of additional allowance overlays by checking the consistency of the risks we identified in the general macroeconomic conditions to the Group's assessment.

IFRS 7 Financial Instruments: Disclosures
Assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing against the requirements of the accounting standard.
</td></tr>
</table>

KPMG

<table>
<tr><th colspan="2">Valuation of investment in subsidiaries measured at fair value (K374,707,467) – Company stand-alone</th></tr>
<tr><td colspan="2">Refer to Note 3.4(d) Investments in subsidiaries to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The investment in subsidiary balance is a significant balance and represents 42% of total assets of the Company.

Investment in subsidiaries are carried at fair value at the reporting date using the Group's policy as described in Note 3.4(d). The valuation of investment in subsidiaries is dependent on a number of assumptions and inputs including valuation multiples and forecast sustainable earnings.
We considered the valuation of investment in subsidiaries to be a key audit matter due to the:

• Financial significance of investment in subsidiaries in the statement of financial position.
• Inherently subjective nature of investment valuations arising from the use of assumptions in the valuation methodology.
• Sensitivity of valuations to key input assumptions, including, earnings multiples, discount factors and forecast sustainable earnings.</td><td>Our procedures included the following:

• We assessed the accuracy of previous Company's forecasts to inform our evaluation of forecast sustainable earnings incorporated in the fair value of investments in subsidiaries.

• Working with our KPMG Corporate Finance specialists, we challenged the Company's forecast sustainable earnings. We compared forecast growth rates to published studies of industry trends and expectations, and considered differences for the subsidiaries' operations. We used our knowledge of the subsidiaries, their past performance, business and our industry experience.

• We assessed the accuracy of the data used by comparing key underlying financial data inputs to external sources such as financial information of comparable businesses, the investee company audited accounts;

• We assessed the appropriateness of the Company's accounting policies and disclosures in respect of investment in subsidiaries against the requirements of the relevant accounting standards.</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 Report 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 are expected to be made available to us after the date of the Auditor's Report. These Other information are:

- About Credit Corporation;
- Divisions;
- Financial highlights;
- Key highlights;
- Chairman's review;
- Chief Executive Officer's report;
- Group's five year financial summary;
- Our markets;
- Finance divisions;
- Property division;
- Investment division;
- New strategic direction;
- Corporate social responsibility;
- Board of Directors;
- Senior executive team;
- Country heads;
- Corporate governance statement;
- Top 20 shareholders; and
- Corporate directory.

Our opinion on the Financial Report 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 Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives 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 Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company and Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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 Report

Our objective is:

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

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

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

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

- Identify and assess the risks of material misstatement of the financial 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 controls.
- 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 and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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 and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group or 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.

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.

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2019:

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

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
31 March 2020

Statements of financial position

As at year ended 31 December 2019

	Note	Consolidated 2019 K'000	Consolidated 2018 K'000	Company 2019 K'000	Company 2018 K'000
ASSETS					
Cash and cash equivalents	3.1	140,138	93,887	5,948	4,080
Other deposits	3.4(f)	-	-	27,973	18,718
Finance receivables	3.2	613,111	581,939	-	-
Other receivables	3.3	7,841	4,923	35,241	38,324
Interest bearing securities	3.4(a)	1,270	6,459	-	5,047
Other equity investments	3.4(b)	34	34	34	34
Investment in associate	3.4(c)	8,283	12,462	8,283	12,462
Other investments	3.4(d)(e)	433,409	377,930	808,118	722,184
Inventories		953	868	-	-
Income taxes receivable	2.6(b)	3,188	1,172	675	-
Property, plant and equipment	3.5	27,265	25,107	571	355
Investment property	3.6	275,700	297,410	3,800	4,400
Deferred tax assets	2.6(c)	30,066	28,889	423	34
TOTAL ASSETS		**1,541,258**	**1,431,080**	**891,066**	**805,638**
EQUITY					
Share capital	5.1	21,984	21,984	21,984	21,984
Reserves	5.2	442,633	403,161	656,342	570,829
Retained earnings		456,616	426,065	209,925	212,310
TOTAL EQUITY		**921,232**	**851,210**	**888,251**	**805,123**
LIABILITIES					
Trade and other payables	3.7	10,323	6,442	2,609	387
Income taxes payable	2.6(b)	-	-	-	3
Deposits and borrowings	3.8	587,986	546,139	-	-
Employee benefits	3.9	3,157	2,749	99	125
Deferred tax liabilities	2.6(c)	18,560	24,540	107	-
TOTAL LIABILITIES		**620,026**	**579,870**	**2,815**	**515**
TOTAL EQUITY AND LIABILITIES		**1,541,258**	**1,431,080**	**891,066**	**805,638**

For and on behalf of the board of directors

Director
Date: 31 March 2020

Director
Date: 31 March 2020

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 57 to 119.

Income statements

For the year ended 31 December 2019

		Consolidated		Company	
	Note	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Finance income	2.1	109,677	98,857	-	-
Finance costs	2.2	(24,731)	(20,407)	-	-
Net finance income		**84,946**	**78,450**	**-**	**-**
Other income	2.1	92,564	84,088	73,219	74,090
Fair value (loss)/gain on financial assets	3.4(e)	55,480	27,395	55,480	27,395
Fair value (loss)/gain on investment properties	3.6	(22,221)	(8,952)	(600)	-
Net operating income		**210,769**	**180,981**	**128,099**	**101,485**
Impairment loss on finance receivables	3.2	(13,953)	(25,268)	-	-
Change in impairment allowance on other receivables	3.3	-	-	(2,496)	7,485
Personnel expenses	2.4	(19,323)	(17,735)	(2,006)	(1,706)
Depreciation expenses	3.5	(4,638)	(4,935)	(116)	(113)
Other operating expenses		(30,399)	(25,329)	(6,071)	(4,040)
Results from operating activities		**142,456**	**107,714**	**117,410**	**103,111**
Share of (loss)/profit of equity accounted investee (net of tax)	3.4(c)	(4,179)	(2,999)	(4,179)	(2,999)
Profit before tax		**138,277**	**104,716**	**113,231**	**100,112**
Income tax expense	2.6(a)	(6,292)	(6,793)	953	(659)
Profit attributable to equity holders of the company		**131,985**	**97,923**	**114,184**	**99,453**
Earnings per share based on profit for the year					
Basic and Diluted		0.43	0.32	0.37	0.32

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 57 to 119.

Statements of comprehensive income

For the year ended 31 December 2019

		Consolidated		Company	
	Note	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Profit for the period		**131,985**	**97,923**	**114,184**	**99,453**
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations	5.2(c)	(454)	(597)	-	-
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	5.2(a)	-	-	30,453	(11,258)
Other comprehensive income for the year (net of income tax)		**(454)**	**(597)**	**30,453**	**(11,258)**
Total comprehensive income for the year attributable to equity holders of the company		**131,531**	**97,326**	**144,637**	**88,195**

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 57 to 119.

Statements of changes in equity Consolidated

As at year ended 31 December 2019

	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
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	5.2	-	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**
Balance at 1 January 2019		**21,984**	**403,161**	**426,065**	**851,210**
Total comprehensive income for the year		-	-	131,531	131,531
Transfer to reserves	5.2	-	39,472	(39,472)	-
		-	**39,472**	**92,059**	**131,531**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(61,509)	(61,509)
Share buy-back transactions	5.1	-	-	-	-
Total transactions with owners		-	-	**(61,509)**	**(61,509)**
Balance at 31 December 2019		**21,984**	**442,633**	**456,615**	**921,232**

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 57 to 119.

Statements of changes in equity Company

As at year ended 31 December 2019

	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2018		**22,008**	**558,127**	**189,691**	**769,826**
Total comprehensive income for the year		-	(11,259)	99,453	88,194
Transfer to reserves	5.2	-	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**
Total comprehensive income for the year		-	30,453	114,184	144,637
Transfer to reserves	5.2	-	55,060	(55,060)	-
		-	85,513	59,124	144,637
Transactions with owners					
Dividends to equity holders	2.5	-	-	(61,509)	(61,509)
Share buy-back transactions	5.1	-	-	-	-
Total transactions with owners		-	**-**	**(61,509)**	**(61,509)**
Balance at 31 December 2019		**21,984**	**656,342**	**209,925**	**888,251**

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 57 to 119.

Statements of cash flows

For the year ended 31 December 2019

	Note	Consolidated 2019 K'000	Consolidated 2018 K'000	Company 2019 K'000	Company 2018 K'000
OPERATING ACTIVITIES					
Charges earned on leases & loans		109,677	89,986	-	-
Commission, fees and rents		39,888	38,055	6,598	1,688
Dividends received		-	-	67,201	74,731
Interest payments		(24,731)	(20,407)	-	-
Payments to suppliers and employees		(45,414)	(36,363)	(5,881)	(5,165)
Operating cash flows before changes in operating assets		79,420	71,271	67,918	71,254
Net cash received/(advanced) in respect of finance receivables		(45,125)	(124,908)	-	-
Net cash received/(repaid) in respect of deposits		48,535	29,355	-	-
Net cash from subsidiaries		-	-	-	(5,736)
Net cash from operating activities before income tax		82,830	(24,282)	67,918	65,518
Income taxes paid		(14,887)	(8,748)	-	(200)
Cash flows from operating activities		**67,943**	**(33,031)**	**67,918**	**65,318**
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(6,234)	(3,817)	(333)	(289)
Acquisition of investment property		(1,296)	(4,552)	-	-
Proceeds from sale of property		832	371	-	-
Proceeds from sale of listed shares		-	3,699	-	3,699
Dividend received		46,614	46,333	-	-
Interest from funds deposited		2,109	2,506	803	1,080
Net cash flow from short term investments		5,213	873	(5,011)	1,912
Increase in equity of subsidiary		-	-	-	(22,130)
Cash flows from/(used in) investing activities		**47,238**	**45,413**	**(4,541)**	**(15,730)**
FINANCING ACTIVITIES					
Share buy back		-	(584)	-	(584)
Proceeds of borrowings		-	5,000	-	-
Repayment of borrowings		(5,680)	(4,409)	-	-
Repayment of interest		(2,479)	(3,565)	-	-
Dividends paid (net)		(61,509)	(52,313)	(61,509)	(52,313)
Cash flows used in financing activities		**(69,668)**	**(55,871)**	**(61,509)**	**(52,897)**
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		738	(161)	-	-
Net increase/(decrease) in cash and cash equivalents		**46,251**	**(43,650)**	**1,868**	**(3,309)**
Cash and cash equivalents at 1 January		93,887	137,537	4,080	7,389
Cash and cash equivalents at 31 December	3.1	**140,138**	**93,887**	**5,948**	**4,080**

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 57 to 119.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

Notes to and forming part of the financial statements

For the year ended 31 December 2019

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 2019.

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 2019, 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 31 March 2020.

(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 recognised 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 profit and other comprehensive income of the associate, 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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group 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 (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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES

(a) Classification and measurement of financial instruments

(i) 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.

(ii) 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); or
- 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 amortised cost. Interest income on these instruments is recognised as 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 that are measured at FVTPL in 2019 (2018: None).

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 business model of the Group 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 amortisation 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)

(ii) Classification and subsequent measurement of financial assets (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 recognised 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.

(iii) Classification and subsequent measurement of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

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

(iv) 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 maximises 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.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year, there were no transfers between levels of the fair value hierarchy (2018: None).

(v) Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan's terms are modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency, change of counterparty and the extent of change in interest rates, maturity and covenants. If these do not clearly indicate a substantial modification, then;

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

b. Equity instruments (continued)

(v) Modification of financial assets

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised paramount because there remains a high risk of default which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition.

For financial assets modified as part of the Group's restructuring policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar restructuring action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

(vi) Derecognition of financial assets and liabilities

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.

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 recognise 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.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

b. Equity instruments (continued)

(vi) Derecognition of financial assets and liabilities (continued)

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 recognised in other comprehensive income is recognised 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 recognised as a gain/loss in the Consolidated Income Statement.

(b) Impairment of financial assets carried at amortised cost

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

(i) Expected credit loss impairment model

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 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2019

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(i) Expected credit loss impairment model (continued)

Qualitative information assumptions on ECL changes.

Assumptions	Scenario	2019	2018	Increase/decrease
Haircut on Collateral	Base	30%	30%	Stable
	Upturn	15%	15%	Stable
	Downturn	75%	75%	Stable
Time to realisation	Base	12 months	12 months	Stable
	Upturn	6 months	6 months	Stable
	Downturn	30 months	30 months	Stable
Costs to recover		0%	0%	Stable
Cure rate	Base	30%	22%	Increased
	Upturn	40%	20%	Increased
	Downturn	0%	0%	Stable
ECL Weighting	Base	75%	80%	Decreased
	Upturn	10%	10%	Stable
	Downturn	15%	10%	Decreased

(ii) 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.

(iii) 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.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at December 31, 2019 for the years 2020 to 2022, for finance receivables.

Country – GDP Growth		2019	2020	2021	2022
Papua New Guinea	Base scenario	5.00%	2.60%	2.50%	3.10%
Fiji	Base scenario	2.70%	3.00%	3.20%	3.20%
Solomon Islands	Base scenario	2.70%	2.90%	2.70%	2.70%
Vanuatu	Base scenario	3.80%	3.10%	2.80%	2.80%
Timor-Leste	Base scenario	4.50%	5.00%	4.80%	4.80%
Group Total GDP Growth					
	Base scenario	18.70%	16.60%	16.00%	16.60%
	Upside scenario 10%	20.57%	18.26%	17.60%	18.26%
	Downside scenario 10%	16.83%	14.94%	14.40%	14.94%

*Source: International Monetary Fund

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(iii) Macroeconomic factors (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 were as follows:

At 31 December 2019

Scenario	Base	Upturn	Downturn
Weighting	75%	15%	10%

At 31 December 2018

Scenario	Base	Upturn	Downturn
Weighting	80%	10%	10%

The 'base case' represents the most likely outcome. The upturn scenario represents more optimistic outcome while the downturn represents 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.

(iv) 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 following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(iv) Assessment of significant increase in credit risk (SICR) (continued)

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.

(v) 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.

(vi) Presentation of allowance for credit losses in the Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction of impairment, if any, 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.

(vii) Restructured financial assets

The contractual terms of a loan my be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

(viii) Definition of default

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

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

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

Financial assets in default are also considered credit impaired.

(ix) Write-off policy

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(x) Sensitivity analysis

The key assumptions affecting the ECL allowances are:

1. Haircut on collateral values;
2. Weighting on economic scenarios;
3. Recovery amount; and
4. Time to realisation.

Set out below is the sensitivity analysis on reasonable changes to these key assumptions:

	31 December 2019	
Increase/(decrease) by	**Increase by 10%**	**Decrease by 10%**
	K'000	**K'000**
Change in collateral values	2,676	(2,550)
Changes in probability weighted scenarios	(2,461)	2,461
Recovery amount	-	-
Time to realisation	626	(631)

	31 December 2018	
	Increase by 10%	**Decrease by 10%**
	K'000	**K'000**
Change in collateral values	3,149	(3,086)
Changes in probability weighted scenarios	(3,776)	3,776
Recovery amount	-	-
Time to realisation	(1,863)	1,860

(xi) 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.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(xi) Collateral (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. Finance receivables that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure (Net of unearned income) PGK'000	Impairment allowance PGK'000	Carrying amount PGK'000	Fair value of collateral held PGK'000
2019				
Stage 1	486,865	12,924	473,942	1,079,369
Stage 2	71,945	4,912	67,033	127,355
Stage 3	118,793	46,657	72,136	121,900
	677,603	**64,492**	**613,111**	**1,328,625**
2018				
Stage 1	455,812	8,154	447,658	804,479
Stage 2	75,299	11,849	63,450	132,180
Stage 3	111,376	41,155	70,221	142,429
	642,487	**61,158**	**581,329**	**1,079,089**

(xii) 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 retranslations for assets denominated in foreign currencies and other movements.
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(xiii) 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.

	2019 K'000	2018 K'000
Stage 1- 12-month ECL	487,379	455,812
Stage 2- Lifetime ECL	71,832	75,299
Stage 3- Lifetime ECL	118,392	111,376
Gross carrying amount	**677,603**	**642,486**
Allowance for credit loss	(64,492)	(60,547)
Net carrying amount	**613,111**	**581,939**

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, such as property plant and equipment, 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 pre-tax 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.

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. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included under 'Deposits and borrowings' in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES (CONTINUED)

(a) The Group as lessee (continued)

The right-of-use assets are included in the 'property, plant and equipment' line in the statements of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.6 (b).

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in profit or loss.

(i) Amounts recognised in the statements of financial position

The statements of financial position shows the following amounts relating to leases:

	Consolidated	
Right-of-use assets	**2019 K'000**	**2018 K'000**
Building		
At 1 January	2,322	-
Additions	-	3,629
Disposals/transfers	(206)	-
Depreciation for the year	(649)	(1,307)
Effect of fx	7	-
At 31 December 2019	**1,474**	**2,322**
Lease liabilities		
Current	335	1,120
Non current	1,255	1,478
	1,590	**2,598**

See note 3.8 (d) for maturity analysis of lease liabilities as at 31 December 2019.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**2019 K'000**	**2018 K'000**
Buildings	648	1,307
Interest expense (included in finance cost)	116	651
Expense relating to short-term leases (included in other operating expenses)	1,992	806
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other operating expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses)	50	40

The total cash outflow for leases in 2019 was K513,912 (2018: K202,156).

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES (CONTINUED)

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

1.9 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019, with early adoption available in annual periods beginning on 1 January 2019. The Group has not applied the following new or amended standards in preparing these financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards,*
- *Definition of a Business (Amendments to IFRS3),*
- *Definition of Material (Amendments to IAS 1 and IAS 8),*
- *IFRS 17 Insurance Contracts,*
- *Sale or Contribution of Assets between an Investor and its associates of joint venture (amendments to IFRS 10 and IAS 28).*

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

1.10 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 2019, unless otherwise indicated:

- *IFRS 16 Leases,*
- *IFRIC 23 Uncertainty over Income tax treatments,*
- *Prepayment Features with Negative Compensation (Amendments to IAS 28),*
- *Long-term Interest in Associates and Joint Ventures (Amendments to IAS 19),*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19),*
- *Annual Improvements to IRFS Standards 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).*

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2019

2. FINANCIAL PERFORMANCE

2.1 FINANCE AND OTHER INCOME

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Finance income	**109,677**	**98,857**	**-**	**-**
Other income				
Profit on sale of listed shares	-	3	-	3
Profit on sale of property, plant and equipment	678	175	30	-
Dividend income				
- from subsidiaries (note 3.4(d))	-	-	20,587	24,989
- from investments in listed companies (note 3.4(e))	50,583	46,333	50,583	46,333
Rental income from property	31,553	30,734	88	151
Rental outgoings	4,216	2,160	128	123
Interest on term deposit, treasury bills and semi-government bonds	3,113	2,456	803	1,080
Other operating income	2,421	2,227	1,000	1,412
Total other income	**92,564**	**84,088**	**73,219**	**74,090**

Recognition and measurement

REVENUE

(a) Finance income

Finance income comprises finance charges earned from the provision of lease finance and is recognised over the finance contract using the effective interest rate method.

(b) Dividend income

Dividend income is recognised 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), gains on the disposal of other equity investments financial assets. Interest income on funds deposited is recognised as it accrues in profit or loss, using the effective interest rate method.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2 FINANCE COSTS

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Interest on customer deposits	(24,731)	(20,407)	-	-

Recognition and measurement

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

2.3 OTHER OPERATING EXPENSES

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

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
General administrative expenses	16,110	15,206	1,952	2,587
Software licensing and other IT costs	2,422	1,760	-	-
Legal Fees	5	9	-	-
Auditors remuneration				
– audit fees	1,044	879	115	192
Professional advisory fees	4,355	1,474	3,872	1,107
Donations	39	39	-	-
Direct operating expenses for investment property that generated rental income	6,424	5,962	132	154
	30,399	**25,329**	**6,071**	**4,040**

2.4 PERSONNEL EXPENSES

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Wages and salaries	12,945	12,193	958	944
Contributions to defined contribution plans	1,822	1,669	338	142
Long service leave and annual leave	395	386	99	76
Other staff costs	4,161	3,487	611	544
	19,323	**17,735**	**2,006**	**1,706**

The number of employees at 31 December 2019 employed in the Group was 255 (2018: 238).

2. FINANCIAL PERFORMANCE (CONTINUED)

2.5 DIVIDENDS

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Final dividend of K0.13 per share (2018: K0.11 per share)	39,981	33,853	39,981	33,853
Interim dividend K0.07 per share (2018: K0.06 per share)	21,528	18,460	21,528	18,460
	61,509	**52,313**	**61,509**	**52,313**

Final dividend for the year ended 31 December 2018 was declared on 3 August 2019 and paid on 23 August 2019 and interim dividend for the year ending 31 December 2019 was declared on 9 November 2019 and paid on 29 November 2019.

2.6 TAXATION

(a) Income tax expense

	Consolidated		Company	
Income tax expense	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Current tax expense	14,127	15,373	-	692
Under/(over) provisions in tax expense	(666)	727	(671)	-
Deferred tax expense	(7,168)	(9,307)	(282)	(32)
	6,292	**6,793**	**(953)**	**659**
Income tax expense/(benefit)				
Profit before tax	138,277	104,716	113,231	100,112
Computed tax using the applicable PNG corporate income tax rate (30%)	41,483	31,415	33,969	30,034
Effect of tax rates in foreign jurisdictions	(4,354)	(5,055)	-	-
Tax effect of:				
Share of profit of equity accounted associate reported net of tax	1,254	900	1,254	900
Current year unrealised gains for which no deferred tax is recognised	(16,644)	(8,218)	(16,644)	(8,218)
Dividend income exempt from tax asset	(15,175)	(13,900)	(15,175)	(13,900)
Revaluation gains and losses on which deferred tax has not been recognised	(2,727)	-	(128)	-
Non-tax deductible impairment provision for capital items	749	-	749	(2,246)
Dividend income exempt from subsidiaries	-	-	(6,176)	(7,497)
Recognition of previously unrecognised deferred tax	-	-	-	-
Non-deductible expenses	102	397	27	338
Under provision in prior years and other	1,604	1,254	1,171	1,249
Tax expense in the income statement	**6,292**	**6,793**	**(953)**	**659**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6 TAXATION (CONTINUED)

(b) Income taxes (receivable)/payable

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
At 1 January	(1,172)	(13,897)	3	(1,690)
Income tax expense for the year	14,127	15,020	-	692
Under/over provision in prior years	(666)	76	(671)	-
Income taxes paid during the year	(14,887)	(8,748)	-	(200)
Interest withholding tax credit	(351)	(201)	(87)	(80)
Reversed GST tax credit offset	781	1,472	-	-
Other	(1,020)	5,106	80	1,281
At 31 December	**(3,188)**	**(1,172)**	**(675)**	**3**

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2019 and 2018 are attributable to the items detailed in the table below:

	2019			2018		
	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	11,908	(18,233)	(6,325)	10,541	(24,276)	(13,735)
Employee benefits	740	-	740	645	-	645
Provision for impairment – finance receivables	13,866	-	13,866	14,446	-	14,446
Other items	3,552	(327)	3,225	3,257	(264)	2,993
Net tax assets/(liabilities)	**30,066**	**(18,560)**	**11,506**	**28,889**	**(24,540)**	**4,349**
Company						
Property, plant and equipment and investment properties	-	(50)	(50)	-	(34)	(34)
Employee benefits	30	-	30	37	-	37
Other items	393	(57)	336	75	(44)	31
Net tax assets/(liabilities)	**423**	**(107)**	**316**	**112**	**(78)**	**34**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6 TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities (continued)

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 taxes

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.

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.FINANCIAL PERFORMANCE (CONTINUED)

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); and
   - 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); and
   - Credit Corporation Industrial Limited – commercial investment block of land (CCIL).
3. Investment company
   - Credit Corporation (PNG) Limited (CCPNG)

Parent entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis.

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.

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

At 31 December 2019	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	115,931	33,677	52,633	202,241
Inter-segment revenue	2,365	4,521	20,587	27,472
Finance costs	(24,731)	-	-	(24,731)
Fair value (loss)/gain	-	(21,621)	54,880	33,259
Depreciation	2,275	2,247	116	4,638
Reportable segment profit before income tax	47,413	(4,052)	117,410	160,771
Share of profit of equity-method investee	-	-	(4,179)	(4,179)
Reportable segment assets	812,964	316,735	882,782	2,012,481
Investment in associate	-	-	8,283	8,283
Reportable segment liabilities	585,615	144,785	2,815	733,215

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

Notes to and forming part of the financial statements

For the year ended 31 December 2019

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7 OPERATING SEGMENTS (CONTINUED)

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

	2019 K'000	2018 K'000
Revenues		
Total revenue for reportable segments	229,713	225,731
Fair value (loss)/gain	33,259	18,443
Finance costs	(24,731)	(20,407)
Elimination of inter-segment revenue	(27,472)	(42,020)
Net operating income	**210,769**	**181,747**
Profit or loss		
Total profit or loss for reportable segments	160,771	144,544
Elimination of inter-segment profit	(18,315)	(36,829)
Share of profit of equity-accounted investee	(4,179)	(2,999)
Consolidated profit before tax	**138,277**	**104,716**
Assets		
Total assets for reportable segments	2,012,481	1,867,243
Investment in equity-accounted investee	8,283	12,462
Elimination of inter-company balance	(104,799)	(104,371)
Elimination of investment in subsidiaries	(374,707)	(344,254)
Consolidated total assets	**1,541,258**	**1,431,080**
Liabilities		
Total liabilities for reportable segments	736,215	683,997
Elimination of inter-company balances	(116,189)	(104,127)
Consolidated total liabilities	**620,026**	**579,870**

	Net operating income (K'000)		Net assets (K'000)	
Geographical segments	**2019**	**2018**	**2019**	**2018**
Papua New Guinea	140,926	129,945	815,244	748,813
Fiji	42,157	29,863	72,002	67,027
Solomon Islands	9,982	6,665	13,758	17,573
Vanuatu	17,704	15,273	20,228	17,797
Total	**210,769**	**181,746**	**921,232**	**851,210**

Notes to and forming part of the financial statements

For the year ended 31 December 2019

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 2019 was based on profit attributable to ordinary shareholders of K136,319,615 (2018: K97,923,411), and a weighted average number of ordinary shares outstanding of 307,931,332 (2018: 308,990,373). 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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Cash at bank and on hand	116,223	41,293	5,652	3,784
Short term deposits	23,915	52,594	296	296
Cash and cash equivalents	**140,138**	**93,887**	**5,948**	**4,080**

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 1.25% to 2.5%.

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES

(i) Analysis of net finance receivables

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Gross finance receivables	779,554	747,257	-	-
Less: Unearned charges	(96,104)	(99,398)	-	-
Less: Deferred establishment fees	(5,847)	(5,372)	-	-
Less: Impairment allowance	(64,492)	(60,547)	-	-
Net finance receivables	**613,111**	**581,939**	-	-
Gross finance receivables were split as follows:				
Current	393,956	150,969	-	-
Non-current	385,598	596,288	-	-
	779,554	**747,257**	-	-

(ii) Finance leases included in finance receivables analysed as follows:

	Consolidated 2019 K'000	Consolidated 2018 K'000	Company 2019 K'000	Company 2018 K'000
Note later than one year	6,787	7,575	-	-
Later than one year and not later than five years	32,267	35,001	-	-
	39,054	42,576	-	-
Less: Unearned charges	(6,050)	(6,440)	-	-
Present value of lease payments receivable	33,004	36,136	-	-
Impairment loss allowance	(1,853)	(3,510)	-	-
Net finance leases	**31,151**	**32,626**	-	-

(iii) Analysis of provisions

	Consolidated 2019 K'000	Consolidated 2018 K'000	Company 2019 K'000	Company 2018 K'000
ECL allowance	64,492	60,547	-	-
	64,492	**60,547**	-	-
Impairment allowance				
Opening balance	60,547	28,422	-	-
Effect of IFRS 9 implementation	-	9,848	-	-
Restated balance at 1 January	**60,547**	**38,270**	-	-
Increase in provisions	13,953	25,268	-	-
Effect of FX	212	353	-	-
Bad debts written off	(10,220)	(3,344)	-	-
Closing balance	**64,492**	**60,547**	-	-

None of the finance receivables that have been written off is subject to enforcement activities.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

3. FINANCIAL POSITION (CONTINUED)

3.2 FINANCE RECEIVABLES (CONTINUED)

(iv) Analysis of finance receivables by industry

	Consolidated – 2019		Consolidated – 2018	
	K'000	%	K'000	%
Agriculture	21,125	3%	19,355	3%
Mining	12,532	2%	13,395	2%
Manufacturing	42,457	5%	41,683	6%
Forestry and saw-milling	8,587	1%	10,344	1%
Civil contracting	37,670	5%	41,129	6%
Building and construction	82,884	11%	74,703	10%
Real Estate	38,770	5%	72,832	10%
Wholesale/Retail	82,351	11%	72,418	10%
Transport and storage	265,918	34%	244,575	33%
Professional and business services	70,876	9%	77,900	10%
Private and self employed	77,035	10%	74,222	10%
Other	39,350	5%	4,701	1%
	779,554	**100%**	**747,257**	**100%**

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.

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).

Notes to and forming part of the financial statements

For the year ended 31 December 2019

3. FINANCIAL POSITION (CONTINUED)

3.3 OTHER RECEIVABLES

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Current				
Amounts owed by related corporations	-	-	33,763	37,241
Dividend withholding tax receivable	940	940	940	940
Other debtors and prepayments	6,901	3,983	538	143
	7,841	**4,923**	**35,241**	**38,324**

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 K11,781,454 (2018: K9,285,107).

Other debtors and prepayments comprises of receivables from our rentals properties and GST returns. The majority of the amounts are due to be settled within twelve months of the balance sheet date

3.4 INVESTMENTS

(a) Interest bearing securities

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
	1,270	**6,459**	**-**	**5,047**

Interest bearing deposits relates to semi-government security held by Credit Corporation (Fiji) Limited with the Reserve Bank of Fiji which earns interest at a rate of 5.45% per annum. Interest is paid on a half yearly basis. The balance of K1,270,043 includes accrued interest as at 31 December 2019 (2018: K1,412,208).

The interest bearing security has a tenure of 8 years and matures on the 15 February 2020.

(b) Other equity investments

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
	34	**34**	**34**	**34**

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

Equity investments are non-current and are classified at fair value through profit and loss.

3. FINANCIAL POSITION (CONTINUED)

3.4 INVESTMENTS (CONTINUED)

(c) Investments in associate (non-current)

Equity-accounted investee

	Consolidated		Company	
Equity-accounted investee	**2019 K'000**	**2018 K'000**	**2019 K'000**	**2018 K'000**
	8,283	**12,462**	**8,283**	**12,462**

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (2018: 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 2019, the investment was valued at K8,282,659 (2018:12,462,055).

Capital Insurance Group is a large insurance company in the South Pacific region with subsidiaries operating in both life and general insurance business. The investment was acquired for strategic purposes to complement the opportunities and safeguard the risks inherent within the finance and properties business segments.

The Group and Company's share of losses after tax including impairment losses in Capital Insurance Group for the year was K4,179,395 (2018: K2,998,593). During the year, the Group and Company received no dividend (2018; nil) 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
2019	212,834	21,061	233,895	178,387	2,816	181,203	**52,692**
2018	171,938	11,628	183,566	127,511	6,205	133,716	**49,850**

Financial Performance

Year	Income K'000	Expenses K'000	Profit/Loss K'000
2019	169,542	184,348	**(14,806)**
2018	73,396	85,391	**(11,994)**

The carrying amount of the investment in associate reconciles between opening and closing balances as below:

	Consolidated		Company	
	2019 K'000	**2018 K'000**	**2019 K'000**	**2018 K'000**
Opening balance at 1 January	12,462	15,461	12,462	15,461
Net share of operating and impairment losses	(4,179)	(2,999)	(4,179)	(2,999)
Closing balance 31 December	**8,283**	**12,462**	**8,283**	**12,462**

*2018 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.

3. FINANCIAL POSITION (CONTINUED)

3.4 INVESTMENTS (CONTINUED)

(d) Investments in subsidiaries

	Country	Ownership	2019 K'000	2018 K'000
Credit Corporation Finance Limited	PNG	100%	90,000	80,000
Credit House Limited	PNG	100%	63,687	58,708
Era Dorina Limited	PNG	100%	107,021	114,546
Era Matana Limited	PNG	100%	-	-
Credit Corporation Industrial Limited	PNG	100%	-	-
Credit Corporation (Fiji) Limited	Fiji	100%	80,000	59,000
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	19,000	17,000
Credit Corporation (Solomon Islands) Limited	Solomon Islands	100%	15,000	15,000
			374,709	344,254

Fair value analysis

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 maximises 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.

Valuation techniques used to derive level 3 fair values

(i) Subsidiaries – Property segment

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.

(ii) Subsidiaries – Finance segment

Fair values of investments in other subsidiaries were determined based on P/E multiples of comparable businesses, having regard to sustainable long-term earnings estimated for each individual company, current market environment and competitive position of individual companies. The P/E multiples used ranged from 5 to 7.5.

The fair value of a financial asset is the price (using quoted market prices, where available), that would be received to sell an asset in an orderly transaction between market participants. The movement in fair value of investments in subsidiaries is recognised in the statement of other comprehensive income. It is excluded from statement of profit before tax because the gains and losses have not yet been realised. An unrealised gain or loss occurs when an investment has appreciated or depreciated in fair value, but a sale transaction has not yet occurred for the gain or loss to be realised. And therefore, total gains/(losses) are recognised through the statement of comprehensive income.

3. FINANCIAL POSITION (CONTINUED)

3.4 INVESTMENTS (CONTINUED)

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

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

Listed shares

	2019				2018		
	% 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	427,544	55,167	36,294,081	372,377	27,590
PNG Air	0.65%	2,000,000	240	-	2,000,000	240	-
City Pharmacy Limited	0.95%	1,953,544	1,582	313	1,953,544	1,270	(195)
Kina Asset Management Ltd.	8.65%	4,255,463	4,043	-	4,255,463	4,043	-
			433,409	**55,480**		**377,930**	**27,395**

The increase in market value of K55,479,570 (2018: K27,394,813) 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)	
	2019 K'000	**2018 K'000**
Increase of 10% in share prices	43,341	37,793

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

(f) Other deposits (current)

	Consolidated		Company	
	2019 K'000	**2018 K'000**	**2019 K'000**	**2018 K'000**
Other deposits	-	-	**27,973**	**18,718**

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 2019 is K27,972,932 (2018: K18,717,832).

Notes to and forming part of the financial statements

For the year ended 31 December 2019

3. FINANCIAL POSITION (CONTINUED)

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 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	12,389	5,963	9,165	43,543
At 1 January 2019	16,025	12,389	5,963	9,165	43,543
Additions	16	2,739	1,924	2,380	7,059
Disposals/transfers	-	(3)	(1,530)	(28)	(1,561)
IFRS 16 Right of Use Asset	(1,282)	-	-	-	(1,282)
Effect of fx	126	21	28	23	198
At 31 December 2019	14,885	15,146	6,385	11,540	47,957
Depreciation					
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 – ROUA	1,307	-	-	-	1,307
Disposals/transfers	-	(3,250)	(462)	(521)	(4,234)
Effect of fx	-	2	(3)	(1)	(2)
At 31 December 2018	2,435	7,256	3,115	5,631	18,436
At 1 January 2019	2,435	7,256	3,115	5,631	18,436
Charge for the year	129	1,701	1,071	1,088	3,989
IFRS 16 Depreciation – ROUA	649	-	-	-	649
Disposals/transfers	(1,076)	(2)	(1,337)	(21)	(2,436)
Effect of fx	19	5	11	19	54
At 31 December 2019	2,155	8,960	2,860	6,717	20,692
Carrying amounts					
At 1 January 2018	11,373	5,817	2,730	2,881	22,801
At 31 December 2018	13,591	5,133	2,848	3,534	25,107
At 31 December 2019	12,731	6,186	3,525	4,823	27,265

* 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 2018	-	136	1,264	1,400
Additions	-	166	124	290
Disposals/transfers	-	-	-	-
At 31 December 2018	-	302	1,388	1,690
At 1 January 2019	-	302	1,388	1,690
Additions	-	320	12	332
Disposals/transfers	-	-	-	-
At 31 December 2019	-	621	1,400	2,022
Depreciation				
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
At 1 January 2019	-	122	1,213	1,335
Charge for the year	-	75	41	116
Disposals/transfers	-	-	-	-
At 31 December 2019	-	197	1,254	1,451
Carrying amounts				
At 1 January 2018	-	54	124	178
At 31 December 2018	-	180	175	355
At 31 December 2019	-	425	146	571

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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Balance as at 1 January	297,410	301,810	4,400	4,400
Fair value gain/(loss) recognised in profit or loss	(22,221)	(8,952)	(600)	-
Transfer from/(to) property, plant and equipment	(785)	-	-	-
Acquisitions	1,296	4,552	-	-
Balance as at 31 December	**275,700**	**297,410**	**3,800**	**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 with a total carrying amount of K275,700,416 (2018: K297,410,022) was encumbered at 31 December 2019.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

3. FINANCIAL POSITION (CONTINUED)

3.6 INVESTMENT PROPERTY (CONTINUED)

Investment property	Valuation basis	Independent valuer	Valuation date	Value as at 31 December 2019 K'000	Value as at 31 December 2018 K'000
Era Dorina	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd	31 December 2019	137,937	152,555
Credit House	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd	31 December 2019	72,928	75,331
Era Matana	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd	31 December 2019	56,936	60,523
Credit Corporation Industrial Limited land	Replacement cost	Savills Valuation & Professional Services (S) Pte Ltd	31 December 2019	4,100	4,601
Credit Corporation (PNG) Limited property	Direct capitalisation	The Professional Real Estate Valuation	31 December 2019	3,800	4,400
				275,700	**297,410**

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 of 10% – 11.5% (2018: 10% – 10.75%) and market lease rates.

Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between 1 to 3 years, usually with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value over the last 29 years. The Group did not identify any indications that this situation will change.

3. FINANCIAL POSITION (CONTINUED)

3.6 INVESTMENT PROPERTY (CONTINUED)

Maturity analysis of operating lease payments	Consolidated 2019 K'000	Consolidated 2018 K'000	Company 2019 K'000	Company 2018 K'000
Year 1	24,092	20,272	88	151
Year 2	8,568	5,608	-	-
Year 3	4,017	4,066	-	-
Year 4 onwards	1,890	7,904	-	-
Total	**38,567**	**37,850**	**88**	**151**
Amounts reported in profit or loss				
Lease income on operating leases	31,553	30,734	88	151

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

The Group decided to use direct capitalisation approach to ensure consistency with the fair valuation model used by external valuations available as at the 2019 year end.

Fair value hierarchy:

The fair value measurement for investment properties of K277 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 capitalisation rates of between 10% to 11.5% (2018: 10.5% – 10.75%). Accordingly, an increase in market lease rental rates and / or a decrease in the discount rate and/or decrease capitalisation 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 capitalisation 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) 2019 K'000	2018 K'000
Increase of 1% in market capitalisation rate	(23,255)	(26,838)
10% increase in market lease rentals	29,045	29,976

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 capitalised 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 (CONTINUED)

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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Rental bonds payable / (receivable)	1,853	2,062	(24)	-
Rental income in advance	671	402	-	-
Other creditors and accrued expenses	7,799	3,978	2,633	387
	10,323	**6,442**	**2,609**	**387**

Other creditors and accrued expenses are payable within the next 12 months.

3.8 DEPOSITS AND BORROWINGS

		Consolidated		Company	
	Notes	20219 K'000	2018 K'000	2019 K'000	2018 K'000
Current					
Interest bearing deposits	(a)	481,837	433,235	-	-
IFRS 16 lease liability	(d)	335	1,120	-	-
Secured bank loans	(b) and (c)	54,430	60,110	-	-
		536,602	494,465	-	-
Non-current					
Interest bearing deposits	(a)	50,129	50,196	-	-
IFRS 16 lease liability	(d)	1,255	1,478	-	-
		51,384	51,674	-	-
		587,986	**546,139**	-	-

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 K50,129,109 is repayable within 4 years.

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

The loan granted to Era Matana of K43,551,400 as at 31 December 2019 is scheduled to be repaid in monthly instalments of K463,220 (including interest) to 2028. The loan granted to Era Dorina of K10,878,278 as at 31 December 2019 is scheduled to be repaid in monthly instalments of K216,720 to 14 April 2022. Interest on these loans of K2,478,857 (2018: K3,565,492) 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 K9.5 million (FJD$6m) (2018: K9.4 million (FJD$6m)) with Bank South Pacific Limited. The facility is secured by a first registered fixed and 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 2019, this facility has not been used.

ii. Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K2.9million (VT100m) (2018: K2.9million (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 K2.9 million. As at 31 December 2019, this facility has not been used.

iii. Credit Corporation (PNG) Limited has a bank overdraft facility with Westpac Bank PNG Limited (2018: K20 million) of K20 million at 31 December 2019. 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 2019 this facility has not been used.

iv. Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited (2018: K10 million) of K10 million at 31 December 2019. 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 2019, this facility has not been used.

v. Era Dorina Limited has an advance facility from Bank South Pacific Limited of K19.5 million 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 the residential property situated on Vol 36, Folio 97, Allotment 32 and 33, Section 34 and Portion 2259, Ela Makana, 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 the residential property situated on Vol 13, Folio 80, 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) ((2018: 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 191-009-16 situated at Tavioa. As at 31 December 2019, this facility has not been used.

3. FINANCIAL POSITION (CONTINUED)

3.8 DEPOSITS AND BORROWINGS (CONTINUED)

(d) Lease liabilities

Maturity analysis of IFRS 16 lease liabilities – See note 1.8 (a)

	Consolidated	
Maturity analysis:	**2019 K'000**	**2018 K'000**
Year 1	335	1,120
Year 2	360	332
Year 3	322	357
Year 4	285	320
Year 5	163	283
Onwards	125	186
	1,590	**2,598**
Less unearned interest	-	-
	1,590	**2,598**

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3.9 EMPLOYEE BENEFITS

	Consolidated		Company	
	2019 K'000	**2018 K'000**	**2019 K'000**	**2018 K'000**
Long service leave	680	672	40	31
Annual leave	975	946	59	93
Others	1,502	1,130	-	-
	3,157	**2,749**	**99**	**125**

Recognition and measurement

Long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2019 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

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.

(a) 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.

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.

(b) 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.

(i) 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 reflects the present value of all cash shortfalls related to default events either over the 12 months or 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.

4. FINANCIAL INSTRUMENT DISCLOSURES

4.1. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Investments, other deposits, cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid securities (government securities and interest bearing deposits with banks). For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand 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 1.25% to 2.5%.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2019, K69.5 million (2018: K69.5 million) was guaranteed to wholly owned subsidiaries.

(c) 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.

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:

	2019 K'000	2018 K'000
Current assets	463,545	216,640
Current liabilities	(547,605)	(501,595)
Net	(84,060)	(284,955)

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rate 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.

(i) Equity price risk

The Group is exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (see note 3.4 (b)) are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group invested in a portfolio of listed shares which are held for trading (see note 3.4 (e)). This type of investment is approved by the board as the alternative to investment in money market funds in order to generate higher investment return on the spare funds.

Refer to note 3.4 (e) for equity price sensitivity analysis.

(ii) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise.

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

The table below shows the balances of monetary assets and liabilities denominated in foreign currency.

	Fiji	Solomon Islands	Vanuatu	Timor-Leste
	FJ$'000	SB$'000	VuV'000	US$'000
As at 31 December 2019				
Assets				
Finance receivables	148,724	64,591	1,448,134	2,948
Cash and cash equivalents	31,219	36,924	728,428	1,096
Interest bearing securities	800	-	-	-
Other receivables	449	88	7,447	8
Income tax receivable	674	-	-	2
Net deferred tax assets	1,977	15,036	-	125
	183,843	116,639	2,184,009	4,179
Liabilities				
Trade and other payables	3,279	1,025	19,927	26
Deposits and borrowings	141,083	82,503	1,489,815	716
Income tax payable	-	6,728	-	-
Employee benefits	1,223	-	-	19
	145,585	90,256	1,509,742	761
Net foreign currency exposure	38,258	26,383	674,267	3,418
As at 31 December 2018				
Assets				
Finance receivables	146,462	84,148	1,677,177	1,255
Cash and cash equivalents	30,176	24,720	269,807	2,263
Interest bearing securities	900	-	-	-
Other receivables	378	117	3,233	5
Net deferred taxes	1,722	7,896	-	104
	179,638	116,881	1,950,217	3,627
Liabilities				
Trade and other payables	3,870	852	169,722	20
Deposits and borrowings	138,966	87,919	1,193,436	-
Income tax payable	555	2,263	-	-
Employee benefits	1,090	-	5	-
	144,481	91,034	1,363,163	20
Net foreign currency exposure	35,157	25,847	587,054	3,607

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

Foreign exchange risk sensitivity analysis

The following analysis is performed for reasonably possible movements in the foreign exchange rates to PGK (assumption:+/- 10%) with all other variables held constant, showing the impact on profit/(loss) before income tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. There are no changes from prior year on this assumption.

Increase/(decrease) on profit/(loss) before income tax	Change	Fiji K'000	Solomon Islands K'000	Vanuatu K'000	Timor- Leste K'000
31 December 2019	10%	(1,760)	64	(777)	66
31 December 2019	-10%	1,760	(64)	777	(66)
31 December 2018	10%	(1,767)	49	(943)	105
31 December 2018	-10%	1,767	(49)	943	(105)
Increase/(decrease) on equity					
31 December 2019	10%	(6,546)	(1,251)	(1,839)	(1,057)
31 December 2019	-10%	6,546	1,251	1,839	1,057
31 December 2018	10%	(6,051)	(1,248)	(1,618)	(1,105)
31 December 2018	-10%	6,051	1,248	1,618	1,105

As shown in the table above, the Group is primarily exposed to changes in PGK exchange rates against other functional currencies used by the group companies in their respective jurisdictions. The main functional currencies that are used to denominate monetary assets and liabilities are shown in the sensitivity table above.

Exchange rates used by the Group in preparing financial statements

PGK 1 is equivalent to the rates below.

	2019		2018	
	Average	At year-end	Average	At year-end
Fijian Dollar	0.6387	0.6299	0.6357	0.6373
Solomon Islands Dollar	2.4185	2.4119	2.4218	2.4208
Vanuatu Vatu	34.0400	33.9300	33.4650	33.92
US Dollar	0.3026	0.3010	0.3136	0.3045

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income.

	2019 K'000	2018 K'000
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other operating expenses	(367)	311
Net gains (losses) recognised in other comprehensive income		
Foreign currency translation differences on foreign operations	(454)	(597)

(e) 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.

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.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) 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 2019 was to achieve a return on capital of between 5 and 15 percent; in 2019, the actual return was 14.33 percent (2018: 11.5 percent). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 4.65 percent (2018: 3.85 percent).

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

	2019 K'000	2018 K'000
Total liabilities	620,026	579,870
Less: cash and cash equivalents	(140,138)	(93,887)
Net debt	479,888	485,983
Adjusted capital	921,232	851,210
Debt to adjusted capital ratio at 31 December	0.52	0.57

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 2019.

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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Interest bearing securities	1,270	6,459	-	5,047
Other equity investments	34	34	34	34
Finance receivables (net)	613,111	581,939	-	-
Other deposits	-	-	27,973	18,718
Other receivables	7,841	4,923	35,241	38,324
Cash and cash equivalents	140,138	93,887	5,948	4,080
Total	**762,394**	**687,242**	**69,196**	**66,203**

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

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Papua New Guinea	297,755	260,343	-	-
Fiji	236,108	229,816	-	-
Solomon Islands	26,772	38,220	-	-
Vanuatu	42,680	49,440	-	-
Timor- Leste	9,796	4,120	-	-
Total	**613,111**	**581,939**	**-**	**-**

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

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Transport & Storage	265,918	244,575	-	-
Civil Contracting, Building & Construction and Real Estate	159,324	188,664	-	-
Wholesale/Retail	82,351	72,418	-	-
Others	271,962	241,600	-	-
	779,555	**747,257**	**-**	**-**

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

	Consolidated		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Not past due	368,891	348,902	-	-
Past due 1-30 days	105,729	97,782	-	-
Past due 31-180 days	85,066	97,727	-	-
Past due 181-360 days	10,381	28,540	-	-
Past due more than 1 year	43,045	8,988	-	-
Total	**613,111**	**581,939**	**-**	**-**

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.

Credit quality analysis

Asset quality impairment

	2019		
Figures in PGK'000	**Carrying amount**	**Provisions**	**Net Carrying Amount**
Loan Balance (net of unearned income)			
Stage 1 – 12 month ECL	486,865	(12,924)	473,942
Stage 2 – Life time ECL	71,945	(4,912)	67,033
Stage 3 – Life time ECL	118,793	(46,657)	72,136
Total	**677,603**	**(64,492)**	**613,111**

	2018		
Figures in PGK'000	**Carrying amount**	**Provisions**	**Net Carrying Amount**
Loan Balance (net of unearned income)			
Stage 1 – 12 month ECL	456,692	(8,154)	448,538
Stage 2 – Life time ECL	74,252	(11,849)	62,403
Stage 3 – Life time ECL	111,542	(40,544)	70,997
Total	**642,487**	**(60,547)**	**581,939**

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Reconciliation of opening and closing balance of loss allowance for each stage.

Consolidated	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	(8,154)	(11,849)	(40,544)	**(60,547)**
Transfer to Stage 1	(7,043)	4,006	3,037	**-**
Transfer to Stage 2	1,062	(2,637)	1,575	**-**
Transfer to Stage 3	546	2,777	(3,323)	**-**
Net remeasurement of loss allowance	4,291	2,454	(14,393)	**(7,648)**
New financial assets originated	(4,706)	(1,279)	(1,668)	**(7,653)**
Financial assets that have been derecognised	1,102	1,213	1,749	**4,064**
Write-offs	55	419	7,036	**7,510**
Foreign exchange and other movement	(76)	(16)	(126)	**(218)**
Balance at 31 December 2019	**(12,923)**	**(4,912)**	**(46,657)**	**(64,492)**

(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 2019 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	54,430	58,359	58,359	-	-	-
Interest bearing deposits	531,966	548,150	494,245	48,343	5,562	-
Lease liabilities	1,590	1,590	335	682	448	125
Trade and other payables	10,323	10,323	10,323	-	-	-
Total	**598,309**	**618,422**	**563,262**	**49,025**	**6,010**	**125**

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	-
Lease liabilities	2,598	2,598	1,120	689	603	186
Trade and other payables	6,442	6,442	6,442	-	-	-
Total	**552,581**	**573,801**	**518,163**	**47,280**	**8,172**	**186**

(ii) Company

At 31 December 2019, non-derivative financial liabilities, all of which are due within the year were K2,608,996 (2018: K387,327).

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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Fixed rate instruments				
Financial assets	25,185	54,039	28,269	23,765
Finance receivables	380,797	428,390	-	-
Financial liabilities	(531,966)	(483,431)	-	-
Total net	**(125,984)**	**(1,002)**	**28,269**	**23,765**
Variable rate instruments				
Finance receivables	232,314	226,457	-	-
Financial liabilities	(54,430)	(60,110)	-	-
Total net	**177,884**	**166,347**	**-**	**-**

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 2018.

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 2019	(1,779)	(1,779)	1,779	1,779
As at 31 December 2018	(1,663)	(1,663)	1,663	1,663

Company (not applicable)

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 2019 K'000	Fair values 2018 K'000	Carrying amounts 2019 K'000	Carrying amounts 2019 K'000
Assets					
Interest bearing securities	1	1,270	6,459	1,270	6,459
Financial assets designated at fair value through profit and loss	1	433,409	377,930	433,409	377,930
Other equity investments	3	34	34	34	34
Finance receivables	2	613,111	581,939	613,111	581,939
Other receivables	2	7,841	4,923	7,841	4,923
Cash and cash equivalents	1	140,138	93,887	140,138	93,887
		1,195,803	**1,065,172**	**1,195,803**	**1,065,172**
Liabilities					
Trade and other payables	2	(10,323)	(6,442)	(10,323)	(6,442)
Secured bank loans	2	(54,430)	(60,110)	(54,430)	(60,110)
Interest bearing deposits	2	(531,966)	(483,431)	(531,966)	(483,431)
Lease liabilities	2	(1,590)	(2,598)	(1,590)	(2,598)
		(598,310)	**(552,581)**	**(598,310)**	**(552,581)**
Company					
Assets					
Interest bearing securities	1	-	5,047	-	5,047
Financial assets designated at fair value through profit and loss	1	433,409	377,930	433,409	377,930
Investments in subsidiaries	3	374,709	344,254	374,709	344,254
Other equity investments	3	34	34	34	34
Other deposits	2	27,973	18,718	27,973	18,718
Other receivables	2	35,241	38,324	35,241	38,324
Cash and cash equivalents	1	5,948	4,080	5,948	4,080
		877,314	**788,386**	**877,315**	**788,386**
Liabilities					
Trade and other payables	2	(10,323)	(6,442)	(10,323)	(6,442)

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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy

Consolidated 31 December 2019	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Interest bearing securities	1,270	-	-	1,270
Other investments (financial assets designated at fair value through profit and loss account)	433,409	-	-	433,409
Other equity investments	-	-	34	34
Finance receivables	-	613,111	-	613,111
Other receivables	-	7,841	-	7,841
Cash and cash equivalents	140,138	-	-	140,138
Total Assets	**574,818**	**620,952**	**34**	**1,195,803**
Liabilities				
Trade and other payables	-	(10,323)	-	(10,323)
Secured bank loans	-	(54,430)	-	(54,430)
Interest bearing deposits	-	(531,966)	-	(531,966)
Lease liabilities	-	(1,590)	-	(1,590)
	-	**(598,309)**	**-**	**(598,309)**
31 December 2018				
Interest bearing securities	6,459	-	-	6,459
Other investments (financial assets designated at fair value through profit and loss account)	377,930	-	-	377,930
Other equity investments	-	-	34	34
Finance receivables	-	581,939	-	581,939
Other receivables	-	4,923	-	4,923
Cash and cash equivalents	93,887	-	-	93,887
Total Assets	**384,389**	**586,862**	**34**	**1,065,172**
Liabilities				
Trade and other payables	-	(6,442)	-	(6,442)
Secured bank loans	-	(60,110)	-	(60,110)
Interest bearing deposits	-	(483,431)	-	(483,431)
Lease liabilities	-	(2,598)	-	(2,598)
	-	**(552,581)**	**-**	**(552,581)**

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy (continued)

Company **31 December 2019**	**Level 1** **K'000**	**Level 2** **K'000**	**Level 3** **K'000**	**Total** **K'000**
Interest bearing securities	-	-	-	-
Other investments (financial assets designated at fair value through profit and loss account)	433,409	-	-	433,409
Investment in subsidiaries	-	-	374,709	374,709
Other equity investments	-	-	34	34
Other deposits	-	27,973	-	27,973
Other receivables	-	35,241	-	35,241
Cash and cash equivalents	5,948	-	-	5,948
Total Assets	**439,357**	**63,214**	**374,743**	**877,314**
Liabilities				
Trade and other payables	-	(10,323)	-	(10,323)
31 December 2018				
Interest bearing securities	5,047	-	-	5,047
Other investments (financial assets designated at fair value through profit and loss account)	377,930	-	-	377,930
Investment in subsidiaries	-	-	344,254	344,254
Other equity investments	-	-	34	34
Other deposits	-	18,718	-	18,718
Other receivables	-	38,324	-	38,324
Cash and cash equivalents	4,080	-	-	4,080
Total Assets	**387,056**	**57,042**	**344,288**	**788,386**
Liabilities				
Trade and other payables	**-**	**(6,442)**	**-**	**(6,442)**

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

Level 2 investments consist mainly of investments in deposits, trade receivables and payables.

Level 3 investments consist primarily of investments in equity of subsidiaries. The investments in the subsidiaries were all valued as at 31 December 2019.

4. FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2 FINANCIAL INSTRUMENTS (CONTINUED)

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 categorised 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 categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) 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.

(b) Equity and debt securities

The fair value of financial assets at fair value through profit or loss, is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes.

(c) 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.

(d) 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

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	**2019 K'000**	**2018 K'000**
307,936,332 shares in issue at 1 January	21,984	22,008
Shares issued arising from dividend reinvestment plan (2018: nil)	-	-
Shares repurchased during the year none (2018: 344,500)	-	(24)
307,936,332 shares in issue at 31 December	**21,984**	**21,984**

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 Papua New Guinea National 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	
		2019 K'000	2018 K'000	2019 K'000	2018 K'000
Asset revaluation reserve	(a)				
Balance at 1 January		51,531	57,797	225,414	236,672
Surplus/(deficit) on revaluation of properties		(22,221)	(8,952)	(600)	-
Tax effect on revaluation of properties		6,666	2,686	180	-
Surplus/(deficit) on revaluation of investments		-	-	30,453	(11,258)
Balance at 31 December		**35,976**	**51,531**	**255,447**	**225,414**
Asset realisation reserve	(b)				
Balance at 1 January		149	149	149	149
Transfer from retained earnings		-	-	-	-
Balance at 31 December		**149**	**149**	**149**	**149**
Exchange fluctuation reserve	(c)				
Balance at 1 January		6,216	6,813	-	-
Translation adjustment		(454)	(597)	-	-
Balance at 31 December		**5,762**	**6,216**	**-**	**-**
General reserve	(d)				
Balance at 1 January		345,266	321,306	345,266	321,306
Transfer (to)/from retained earnings		55,480	23,960	55,480	23,960
Balance at 31 December		**400,745**	**345,266**	**400,746**	**345,266**
Total Reserves		**442,633**	**403,161**	**656,342**	**570,829**

Notes to and forming part of the financial statements

For the year ended 31 December 2019

5. EQUITY (CONTINUED)

5.2 RESERVES (CONTINUED)

(a) 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.

(b) Asset realisation reserve

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

(c) 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.

(d) 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 2019, the Group expensed K1,822,161 (2018: 1,669,356) 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

(i) Commitments

The Group expects a capital outlay of K13.78 million for the acquisition of various plant and equipment for its Property Division. There are no contractual capital commitments as at 31 December 2020.

(ii) Contingencies

There are no contingencies as at 31 December 2019.

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 (Retired 27/06/2019)	**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, Employers Federation of PNG, Brian Bell Company 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, Nambawan Super Limited, Association of Asia Pacific Business School South Korea, National Road Authority, National Skills Agency.
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, Fizo Holdings Limited, AFL PNG Development Limited, Trident Security Group Limited.
Name: Johnson Pyar Kalo **Nature of Interest**: Director (Resigned 10/09/2019)	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Pyarlyn Limited, Port Moresby Stock Exchange Limited, PNG Cricket Inc.
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, Manus Island Shipping & Transport Limited, Ndracalpu Holdings Limited, Fairway No. 129 Limited, Health Save Limited, PNG Water Limited, Siarra Enterprises Pty. Limited, Manus Building Supplies Limited.

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, Kina Asset Management Limited, PNG Olympic Committee.
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, Waigani Asset 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.

(b) Transactions with Directors and key management personnel

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

	2019	2018
Sydney Yates, Chairman of the Company, sole owner of Columbus Investments Ltd. that holds shares as follows:	143,580	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	1,899,960
David Doig, a former Director of the Company, is a Director of National Superannuation Fund Limited that holds shares as follows:	62,099,367	62,099,367
Professor Albert Mellam, a Director of the Company, is a Director of Nambawan Superannuation Limited that holds shares as follows:	62,947,271	62,947,271
Johnson Kalo, a Director of the Company holds shares as follows:	6,000	2,000
James Kruse, a Director of the Company holds shares as follows:	75,000	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	2,082,333
Michael Varapik, a Director of the Company holds shares as follows:	5,000	5,000
Richard Sinamoi, a Director of the Company holds shares as follows:	485,629	485,629
Allan Marlin, a former Director of the Company holds shares as follows:	-	45,195
Abigail Chang, a Director of the Company holds shares as follows:	21,000	-

Notes to and forming part of the financial statements

For the year ended 31 December 2019

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

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

(ii) Remuneration of Directors

	2019 K	2018 K
Sydney Yates	140,000	69,890
Sir Wilson Kamit	-	58,288
Graham John Dunlop	-	65,000
Professor Albert Mellam	121,000	114,214
David Doig	55,000	114,214
Allan Marlin	-	53,625
Abigail Chang	128,000	114,214
Faye-Zina Lalo	123,000	114,214
James Byron Kruse	121,500	69,891
Michael Varapik	123,000	69,891
Richard Sinamoi	126,000	69,891
Johnson Kalo	91,500	86,667
	1,029,000	1,000,000

(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:

All amounts in Kina	2019	2018
130,000 – 139,999	1	1
140,000 – 199,999	-	1
200,000 – 259,999	1	-
260,000 – 319,999	1	1
320,000 – 379,999	1	1
380,000 – 439,999	1	-
440,000 – 499,999	-	1
560,000 – 669,999	-	1
780,000 – 889,999	1	1
890,000 – 999,999	1	2
1,110,000 – 1,219,999	2	-
1,440,000 – 1,549,999	1	-
1,550,000 – 1,659,999	-	1

Notes to and forming part of the financial statements

For the year ended 31 December 2019

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

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

(iv) Key management personnel compensation

	Note	Transaction value for the year end 31 December		Balance outstanding as at 31 December	
		2019 K'000	2018 K'000	2019 K'000	2018 K'000
Short term benefits		101	6,366	556	455
Long term benefits		36	25	36	-
		137	6,391	592	455

A related party is a person or an entity that is related to the reporting entity and has significant influence over the reporting entity in making financial or operational decisions.

The transactions were processed an arms length by the related parties concerned.

(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.

(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:

Related Party	Transaction	Note	Transaction value for the year end 31 December		Balance outstanding as at 31 December	
			2019 K'000	2018 K'000	2019 K'000	2018 K'000
Management personnel	Personal Loan	(i)	136	142	245	457
Management & Director	Deposit	(ii)	14	80	(94)	(80)
Total			150	222	151	377

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.

6. OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(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**	**2019 K'000**	**2018 K'000**	**2019 K'000**	**2018 K'000**
Management fee	(i)	1,000	1,000	-	-
Interest bearing deposit	(ii)	577	525	28,269	19,014
Dividends	(iv)	20,587	24,989	3,969	8,831
Insurance premiums	(iv)	1,545	1,263	-	-
Other	(v)	4,174	14,009	33,780	37,954

(i) Management fees paid by Credit Corporation Finance Limited (K1,000,000) to Credit Corporation (PNG) Limited annually.
(ii) Credit Corporation (PNG) Limited invested the excess funds from dividends and management at call and 1 year deposit with Credit Corporation Finance Limited at 2.1% interest rate per annum. The Interest earned during 2019 was K576,825 (2018: K525,150).
(iii) Dividends received from all the subsidiary companies except Era Matana Limited, Credit Corporation Industrial Limited and Credit Corporation Solomon Island.
(iv) Insurance premiums were paid to Credit Insurance Group Limited, an associate company.
(v) Other transaction with subsidiaries including receivable from the subsidiary company Era Matana Limited and Credit Corporation Industrial Limited.

(d) Other related party transactions

(i) The associate company of Credit Corporation (PNG) Limited, Capital General Insurance, has interest bearing deposit accounts amounting to K2,249,241 as at 31 December 2019 (2018: K10,045,397) at 5.75% to 5.85% per annum with Credit Corporation Finance Limited. The net interest paid was K93,483 (2018: 333,931).

(ii) 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

On 11 March 2020, the World Health Organisation (WHO) declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 190 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reliably estimate the impact these events will have on the Group's financial position, results of operations or cashflows in the future.

There were no other 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 2019

		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	ESTATE GARTH MCILWAIN	8,729,066	2.83%
8	MINERAL RESOURCES STAR MOUNTAINS LIMITED	4,374,011	1.42%
9	BANK SOUTH PACIFIC 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	CAPUCHIN FRIARS MINOR OF PNG	2,452,214	0.80%
13	KINA ASSET MANAGEMENT NO. 1 LIMITED	2,146,337	0.70%
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 TRUST DEED NO 2 A/C	2,000,000	0.65%
17	PACIFIC MMI INSURANCE LIMITED	1,872,406	0.61%
18	DAUGHTERS OF OUR LADY OF SACRED HEART OLSH PROVINCIALATE	1,800,000	0.58%
19	NASFUND CONTRIBUTORS SAVINGS & LOAN SOCIETY LIMITED	1,550,000	0.50%
20	MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED	1,361,316	0.44%
		268,265,742	**87.12%**

Shareholding range	
1 – 1,000	340,938
1,001 – 5,000	999,043
5,001 – 10,000	2,695,936
10,001 – 100,000	8,521,220
100,001 and above	259,374,195
	307,931,332

Shares trade	No	Volume
2015	695	2,955,858
2016	312	3,765,352
2017	213	7,792,844
2018	150	2,820,515
2019	174	3,144,863

Corporate directory

Registered Office
Ground Floor, Credit House, Cuthbertson Street Port Moresby, Papua New Guinea

Principal Place of Business
Ground & 4th Floor, Credit House, Cuthbertson Street Port Moresby, Papua New Guinea

Directors
Sydney Yates
Dr Albert Mellam
David Doig (retired)
Abigail Chang
Faye-Zina Lalo
Johnson Kalo (resigned)
James Kruse
Michael Varapik
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 – KPMG (Fiji)

Vanuatu – Law Partners

Tax Advisors
PriceWaterhouseCoopers
PwC Haus, Level 6
Harbour City, Konedobu
Port Moresby, NCD 125
Papua New Guinea

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
Bank 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
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
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