CREDIT CORPORATION

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2019

Incorporating the requirements of Appendix 4B (equity accounted)

Appendix 4B

For the full year to 31 December 2019

Results for announcement to the market

Comparisons of the current year to 31 December 2019 are with the year to 31 December 2018

Preliminary Final Report for the year ended 31 December 2019	**FY 2019**	**FY 2018**
Revenue from ordinary activities (PGK Millions)	**K210m**	**K181m**
Net profit after tax for the period Attributable to equity holders (PGK Millions)	K132m	K98m
Full Year dividend Unfranked (PGK toea per share)	13	11
Interim dividend Unfranked (PGK toea per share)	7	6

Appendix 4B

For the Full Year to 31 December 2019. Results for announcement to the market

Credit Corporation (PNG) Limited results for the year to 31 December 2019 compared with results for the year to 31 December 2018.

Directors

The Directors present this report together with the Consolidated Financial Report for the year ended 31 December 2019.

Directors:

The Directors of the Company during or since the end of the year are:

- Sydney Yates, Chairman
- Johnson Kalo (Resigned 10/09/2019)
- Richard Sinamoi
- Fay Zina Lalo
- Michael Varapik
- Albert Mellam
- James Kruse
- Abigail Chang
- David Doig (Retired 27/06/2019).

The Company Secretary for the full year is Beverlyn Malken.

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1. Results overview

NEW STRATEGIC PATH FOCUSED ON SHAREHOLDER VALUE CREATION - CREDIT CORPORATION DELIVERS SOLID RESULT

1.1 Results Highlights

	Full Year Ended			Half Year Ended		
	Dec-19	Dec-18	Change %	Dec-19	Dec-18	Change %
RESULT DRIVERS - GROUP						
Group Core Operating Profit (PGK'000)*	105,019	86,273	21.7%	34,282	34,793	-1.47%
Profit after tax attributable to the shareholders (PGK'000)	131,985	97,923	34.8%	53,573	28,262	89.56%
Expense to Income Ratio**	38.0%	37.7%	0.3%	43.5%	37.7%	5.8%
Group Return on Equity	11.9%	10.4%	1.5%	3.8%	10.4%	-6.6%
Return on Asset	6.8%	6.0%	0.8%	2.2%	2.4%	-0.2%
Earnings Per Share	0.43	0.32	34.8%	0.17	0.09	97.7%
Net Asset Backing Per Share	2.99	2.76	8.2%	2.99	2.76	8.2%
RESULT DRIVERS - FINANCE						
Net Profit After Tax (PGK'000)	37,418	24,317	53.9%	19,274	12,153	58.6%
Net interest margin (%)	11.6%	12.2%	-0.6%	13.1%	15.1%	-2.0%
Net Loan Book	613,111	581,939	5.4%	613,111	581,939	5.4%
Funding	531,993	483,432	10.0%	531,993	483,432	10.0%
Loan impairment expense (PGK'000)	15,794	25,268	-37.5%	9,609	12,862	-25.3%
RESULT DRIVERS - PROPERTY						
Core Operating Profit (PGK'000)	17,569	12,017	46.2%	11,392	8,611	32.3%
Occupancy Rates (Average)	81.7%	76.0%	5.7%	81.7%	76.0%	5.7%
Investment property fair value	275,700	297,410	-7.3%	275,700	297,410	-7.3%
Rental Yields	12.1%	11.7%	0.4%	12%	11.7%	0.4%
RESULT DRIVERS - INVESTMENTS						
Fair Value of Listed Investments (PGK'000)	433,409	377,930	14.7%	433,409	377,930	14.7%
Dividend Yield	11.7%	12.3%	-0.5%	3.2%	3.6%	-0.3%
Dividend Income (PGK'000)	50,583	46,306	9.2%	13,926	13,388	4.0%
Share of loss of equity accounted investee (PGK'000)	(4,179)	(2,999)	39.4%	(6,404)	(5,624)	13.9%

*Core operating profits excludes fair value changes arising from revaluation investments, and income tax expense.
**Expense to income ratio excludes any fair value changes of investments and movement in bad debt provisions.

1.2 Operating performance and earnings

Credit Corporation (PNG) Limited (The Group) recorded a significant increase in Net Profit After Tax of K132m representing an increase of 34.8% from the same period last year. The Core Operating Profit also increased by 21.7% to K105m during the period.

The improved performance for the Group was achieved against a backdrop of macro-economic challenges within key markets. Changing political and economic landscape in PNG, coupled with subdued economic conditions in Solomon Islands and an increasingly competitive market in Fiji have all had a notable impact on the Group's FY19 results.

Against this backdrop, the Group made significant progress on recovery of legacy loans and achieved improved occupancies rates realised from the Property segment.

The finance business experienced growth in lending, while the cost of funds came under pressure due to tight market conditions that resulted in 30bps increase in the cost of funds. While the first half of 2019 (1H19) saw double digit growth from lending, the second half (2H19) has seen more challenging economic conditions in key markets.

Despite these external factors, improved customer partnerships and a continued focus on servicing our lending customers has improved the profile of the finance business in key markets. These initiatives, coupled with attractive market rates, have further strengthened the Group's balance sheet and overall funding capacity. The Total Capital and Tier 1 Capital ratios increased by 200bps to 30% and 22% respectively because of the improved profitability of the Group's finance business. Total Risk Weighted Capital was unquestionably strong at K219.7m

The Group continued to focus on property upkeep and maintenance, and improved services for its customers in 2019. Despite a relatively subdued PNG economy with prevailing low demand for rental properties, the Group has set out to clearly differentiate Credit Corporation's properties and this is continuing to assist occupancy levels as we continue to focus on being the preferred property company in the market.

The investment portfolio also continued to deliver solid yields, predominantly driven by shares in Bank South Pacific (BSP). In line with the non-binding resolution at the 2019 AGM, the board appointed PwC Securities Australia as an external advisor to review the likely impacts of a potential in specie distribution of the BSP shares. Having considered the external advice, and all of the surrounding circumstances, the Board unanimously resolved that an in specie distribution of BSP shares is not in the best interests of the Company at this time.

The Group also made good progress with the implementation of the new Strategic Direction in FY19. The new Strategic Direction focuses on enhancing customer experience in all facets of the Group's business. Significant progress was made with investments in technology, services, and products whilst ensuring that these investments deliver for customers as well as the Group. These strategic initiatives are aimed at improving shareholder value and growing the 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. The activities include:

- Upgrading IT platforms
- Improving and automating key business processes
- Developing the Group funding strategy
- Continuing improvement in marketing Credit Corporation properties
- Strengthening governance, investing in regulatory and compliance programs
- Ongoing review of our investment portfolio
- Continuing to consider potential inorganic strategic growth opportunities as they arise in the market.

The Group delivered a higher cost to income ratio of 38%. This has increased by 34bps compared to FY18. The increase was largely attributed to costs associated with strategy implementation, increase in key personnel numbers, increase in funding costs, together with an increase in IT cost pertaining to cybersecurity and software licensing.

Total dividend paid to shareholder in FY19 increased to 20 toea (FY18: 17 toea) per share. This represents a dividend yield of 12.1%. (12.6%)

Group return on equity was also higher at 11.9%, representing a 150bps increase from FY18.

Key operational highlights in FY19:

- Grew loan book in respective regions as follows: CC PNG (12%), CC Fiji (2%), while CC VL and CC SI decreased by 14% and 22% respectively. Growth in Solomon Islands was impacted by sluggish economic conditions whilst growth in Vanuatu was impacted by one-off impairment costs
- Increased occupancy rates by 6% overall to 82%, contributing to improve profitability despite downward pressure on rental rates
- Significant progress recovering a number of legacy loans
- Respected IT firms Data#3 and Symantec Managed Security Services were engaged as lead service providers for IT-related services including outsourcing of cybersecurity services and disaster recovery services
- Increased dividend income stream from BSP has contributed to improved dividend income from the Group to shareholders
- Initiated a more diversified funding strategy which brings more certainty around its funding base, to support a stable growth profile for the Group
- Granted licence as a deposit-taking institution in Timor-Leste. with first deposit customer onboarded in July 2019. The Group will continue to monitor the performance of CC Timor considering restrictive regulatory requirements
- Rolled out key strategic initiatives at the beginning of 1H19 to improve customer experience
- Launched high-speed internet to tenants at Era Dorina estate. Service will soon be introduced to Era Matana Estate.

The key drivers of the results for each segment are discussed below.

1.2.1 Finance Segment

Finance income increased 16.6% to K108m over the period. Due to tight market conditions and a refocus on credit quality management, loan growth for key markets slowed in 2H19.

The cost of funds increased during the period as funding interest rates increased due to tight liquidity conditions.

CC Finance PNG

CC PNG recorded NPAT of K14m, which represented a significant improvement from loss of K1.2m realised in FY18. The result was attributed to revenue growth as well as a significant reduction in impairment costs. The loan book grew by 17% or K39m compared to FY18. Solid progress was made on the recovery of legacy loans during FY19. The Deposit book grew by 20% or K41m. Tight liquidity conditions have contributed to an increase in the cost of funds, resulting in margin compression for CC PNG.

CC Fiji

Market conditions in Fiji in 2H19 have been subdued, resulting in slower than anticipated loan growth.

As a result of tight market conditions, CC Fiji recorded flat growth in NPAT. The Loan book grew marginally by 2% or FJD$2.2m (K6.3m) in FY19 compared to FY18. john

2H19 has also seen increased competition for funds in the market as a result of tight liquidity conditions, thereby putting further pressure on the cost of funds, resulting in a 31% (K2.7m) increase in the cost of funds. As a result, margins have deteriorated in Fiji.

CC Vanuatu

CC Vanuatu did not perform in line with expectations, with profitability being 18% (K1.8m) below FY18. The disappointing performance was attributed to slower loan growth and an increase in impairment costs.

Sales activity slowed in 2H19 resulting in Net loan book being reduced by 14% (K6.7m). Also, one-off credit quality issues were identified in 2H19 and proactively managed through enhanced credit management standards.

Margins were also maintained throughout the year. Market conditions are expected to improve for Vanuatu, mainly driven by tourism and agricultural activities.

CC Solomons

Economic activity in the Solomons has been flat given weaker commodity prices and a lack of inflows from AID and donor agencies.

CC Solomons recorded a loss of K495k compared to a loss of K357k in FY18. This result was driven by negative loan growth and a continued rise in impairment costs. The Group continues to focus on managing this situation. Key initiatives are being implemented to achieve a turnaround in CC Solomons' performance within the next six to 12 months. These initiatives include strengthening the sales process and exploring partnership opportunities with the Central Bank of Solomon Islands to service the SME space.

CC Timor-Leste

CC Timor achieved loan growth of USD$2.2m in 1H19, bringing the total loan book to USD$2.9m. In June 2019, the Central Bank in Timor-Leste granted a licence to CC Timor to take deposits from customers. This was a positive step for CC Timor. It has enabled CC Timor to self-fund its operations and grow its loan portfolio. As a result, CC Timor has raised a total of US$716k in 2H19.

CC Timor made an operating loss of US$82k compared to US$220k in FY18. The business is gaining momentum, with no indication of credit quality issues.

1.2.2 Property Segment

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 oversupply of properties in the Port Moresby market continued to put downward pressure on rental rates. Lease tenure for residential properties has averaged at 24 months. 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 complementing a brand-new children's playground, an observation deck at stage 1 and more recently, renovated swimming pool areas. Era Matana has been positioned as the high-quality product targeting business executives given its recent introduction to the market, its excellent location and design, and 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 also larger companies that have potential to take up multiple tenancies.

1.2.3 Investment Segment

The investment portfolio consists of listed equities, predominantly BSP shares. The valuation of shares in BSP increased by 14.7% in FY19. The dividends from BSP have contributed towards improved dividend yields for Credit Corp.

1.2.4 Asset quality and loan impairment

Impairment costs reduced by 37.5% (K9.5m) compared to FY18.

Significant progress was also made during FY19 in relation to the recovery of legacy loans. Benefits from these recoveries were realised in 1H19 and the Group continued to pursue the recovery of other legacy loans, which are expected to be settled before June 2020.

With a number of macro challenges impacting core business activities, the Group is mindful of managing the overall quality of the loan book. Further improvements have also been achieved through strengthening the collections process across the Group, including recruitment of additional resources. These initiatives have resulted in a notable improvement in arrears levels during the period.

Apart from arrears management, deterioration in collateral values and a longer realisation period to clear loan delinquency in key markets are among the key factors being monitored under International Financial Reporting Standards (IFRS) 9, as any significant change in these variables have implications for provisions.

The Group is keeping a close focus on CC Solomons in order to ensure the asset quality is maintained at required levels, given the subdued state of the economy. At the same time, CC Solomons is investigating opportunities to improve business performance. The Group has also taken appropriate steps to improve the credit quality of CC Vanuatu.

The Group will continue to maintain its focus on disciplined, quality loan growth, while dealing with the impact of the legacy of bad loans.

1.2.5 Property Valuations

The Group continues to adopt the approach of conducting revaluations every three years consistent with IFRS requirements. As such, the most recent revaluation fell due in FY19. The Group appointed Savills from Singapore in June 2019 to perform valuations on all of the Group's properties. The valuation outcome saw a fair value loss of K22m taken up in FY19.

Despite improved occupancies across all property portfolios, the valuation position was attributed to market factors such as rental rates, property prices, yields and average lease tenures.

From a market perspective, the rental rates for properties continue to come under pressure due to an oversupply of property in Port Moresby. Lease tenure for residential properties has been reduced on average to 24 months. Despite these challenges, the Group still maintains its status as a preferred supplier in the market and will maintain many of the new tenants, who are coming mainly from referrals from existing tenants.

Average occupancy levels for the property portfolio increased to 82% at the end of FY19 compared to 76 % in FY18.

1.2.6 Operating expenses

Operating expenses reduced by 9% (K6.4m) and this was largely attributed to reduced loan impairment costs (the decrease in impairment costs is further explained in the Asset Quality and Impairment section).

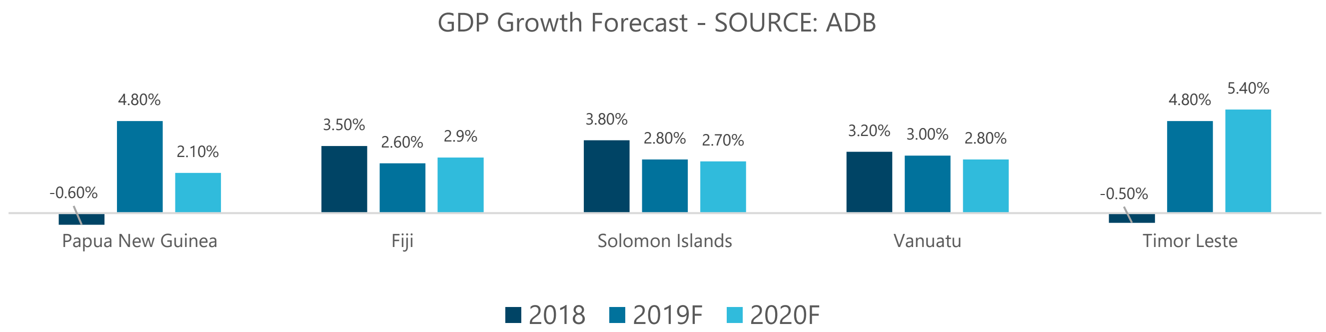
The following expense items increased in FY19:

- Personnel expense costs were higher because of all key management positions being filled for a full 12-month period, together with additional staff being recruited
- Other operating expenses increased by 7% or K1.8m in FY19. The increase was attributed to cost associated with work undertaken in relation to the Group strategy, investor relations and remediation work within the IT space

The Group will continue to implement various cost disciplines to ensure operating expenses are tightly controlled.

1.3 External market conditions

The table below shows the GDP growth estimates for 2018 and forecast for 2019 and 2020 from the Asian Development Bank for each of the countries in which CCP Group is represented.



1.3.1 Papua New Guinea

The PNG economy has moved through a number of challenges in 2019. An important development has been the passing of the 2020 budget by parliament. Total expenditure in the 2020 budget will reach K18,726.5 million. This is the largest government budget expenditure in PNG's history. Total revenue will reach K14,095.4 million – the highest revenue collections in PNG’s history.

Business confidence has been impacted by the delay of Papua LNG projects FEED stage. Papua New Guinea called off negotiations with Exxon Mobil regarding the P’nyang gas project, casting a shadow on a $13 billion plan to double the country’s gas exports by 2024. This is expected to affect economic activities in 2020.

On a positive note, Newcrest, together with its WGJV partner Harmony, will be re-engaging with the State of PNG to progress discussions on the Special Mining Lease for the Wafi-Golpu Project following the dismissal of legal proceedings challenging a Wafi-Golpu Project Memorandum of Understating at the National Court.

The recovery of the LNG production after a massive earthquake in 2018 contributed significantly to GDP growth in 2019. PNG’s Treasury stated in the recent mid-year statement: “The widening of the foreign exchange imbalance in recent months and the tightness in fiscal spending will also impact adversely on non-mining [non-resource] GDP growth in 2019". The 2020 government budget is also expected to reflect tightened fiscal policy.

However, the Marape Government seeks to boost the targeted areas of agriculture, fisheries, forestry, tourism, manufacturing and the small to medium enterprises sector, and business is anticipating a more expansionary approach.

1.3.2 Fiji

The Fiji economy is forecast to achieve broad-based growth of around 3% in 2020 with major contributions from the agriculture, manufacturing, information and communication, wholesale and retail trade, along with accommodation and food services sectors.

The growth of the Fiji economy slowed in 2019 with GDP forecasted to grow by 2.6%. The Fiji Government has been carrying a budget deficit in previous years and it is now refocusing its efforts on balancing the budget. This means consolidation on expenditure and introducing duties on import items such as used motor vehicles. System liquidity has begun to tighten due to high levels of lending and lower savings levels. Delayed Government and statutory body payments have had financial implications for businesses with a flow on effect to the smaller operators. Government expenditure on capital projects is likely to be revised down in the 2020 National Budget which will have a likely negative impact on business sentiment.

1.3.3 Solomon Islands

Solomon Islands economic activity has been flat, given weaker commodity prices and a lack of inflows from AID and donor agencies.

Political uncertainty has also been a key factor in lower investor confidence. In 2019, the Solomon Islands government announced that it has severed ties with Taiwan and started a new relationship with China in exchange for "soft loans" to rebuild major infrastructure.

With low levels of economic activity, there has been a build-up of liquidity in the system which has resulted in a drop in interest rates. According to the Asian Development Bank, GDP decreased by 1% in 2019.

1.3.4 Vanuatu

GDP growth is expected to slow in 2020 from 3% forecasted for 2019 to 2.8% forecasted for 2020. Despite challenges from natural disasters and weaker prices for agriculture exports, construction remains a key driver, sustained by development partner-funded projects.

Stronger earnings from tourism-related activities continue to be a key driver of economic activities. Tourism numbers will grow with the introduction of a new Airbus service in June 2020 and new destination routes for Auckland, New Caledonia and direct long-haul flights from China and Europe. Kava exports continue to grow, overtaking traditional copra export to US, Fiji, Noumea and Asia.

1.3.5 East Timor (Timor-Leste)

The economy of Timor-Leste is highly dependent on the oil and gas industry. Timor also has a sovereign wealth fund valued at USD$17.5b. Timor-Leste also remains highly dependent on both oil-derived (ESI and Excess Withdrawals) and external (loan disbursements) financing streams.

Despite some political and economic uncertainty, the Timor economy is expected to move towards a recovery following approval of its budget. Expenditure within the 2020 budget includes a significant allocation to social capital and predominantly construction, and reconstruction of infrastructure.

1.4 Key strategic priorities

The funding strategy the Group developed in FY19 has provided certainty on the Group's funding profile, with a clear focus on diversifying the deposit portfolio.

The property and investment businesses continue to support the Group as key income generating segments.

The Group will be looking to divest low yield investments while continuing to explore profitable growth opportunities via selective Mergers and Acquisitions, geographic expansion and distribution networks.

FY19 has been focused on implementing the new Strategic Direction for the Group. Key priorities include financial performance, customer value, core systems, governance processes and people.

Notable milestones were achieved in FY19 across all business units.

Completion of upgrades to the core finance platform for CC PNG in November 2019 is a transformative project for the Group. The new platform will deliver improved front office and back office capability, with enhanced customer interface capability. Work has now commenced the upgrade of platforms in CC Solomon and CC Vanuatu, which we expect to be completed by the first quarter of 2020.

In FY20, the Group will focus on investment in upgrading all its IT platforms. In line with strategic direction, the FY19 investment in IT provided the management and Board with a holistic view of the scope of work to be undertaken on investment required in the IT space in relation to key infrastructure, software, data security, cybersecurity, data recovery and licencing arrangements.

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 actions and outcomes.

The next six to 12 months will see a sustained effort to implement remaining initiatives of the new Strategic Direction, building a platform for continued growth.

1.5 Governance and risk

The Group recently appointed Karen Mathers as the Group Chief Risk Officer. The Chief Risk Officer (CRO) role is a new role for the Group. With the appointment of the CRO in place, work has already started strengthening governance throughout the Group, with the aim to implement a robust Risk and Compliance Framework considering the changing regulatory and risk landscape.

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

Brent St Hills was appointed as General Manager Properties. This is a key role that will provide the required leadership to guide the property segment considering various macro challenges impacting on rental rates and an oversupply of rental properties.

The work on strengthening governance structures and processes is also evolving and maturing.

The Board will continue to progress certain initiatives to improve governance and oversight for the Group and its subsidiaries. These have included:

- Implementing the three lines of defence risk management framework

- Changing the way it reports, giving more transparency to the operating divisions of the Group
- Fostering a culture of accountability throughout the Group, with key risk indicators and solid risk appetite direction
- Setting performance benchmarks linked to strategy, risk appetite and budget
- Half-yearly market updates supported by shareholder updates.

During the year, there were also changes in directors on the Board. Johnson Kalo resigned from the Board. David Doig retired from the board in June 2019. Both Mr Kalo and Mr Doig have made significant contributions to the Board during their respective tenures. The Board will be actively seeking to appoint new Directors to fill the skills gap to support a strong, independent Board.

1.6 Disclosure and context

1.6.1 Future performance, forward-looking statements

The information in this document is for general information only. To the extent that certain statements contained in this document may constitute "forward-looking statements" or statements about "future matters", the information reflects Credit Corporation (PNG) Limited's intent, belief or expectations at the date of this document. Subject to any continuing obligations under applicable law or any relevant listing rules of the PNGx (Formerly POMSoX), Credit Corporation (PNG) Limited disclaims any obligation or undertaking to disseminate any updates or revisions to this information over time. Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Credit Corporation (PNG) Limited's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

1.6.2 Rounding

All amounts in this report have been rounded to the nearest million Kina, unless otherwise stated.

1.7 Profit results for the year ended to December 2019

1.7.1 Statutory results

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-19	Dec-18	Change %	Dec-19	Dec-18	Change %
Finance Income	107,720	92,397	16.6%	56,353	48,952	15.1%
Finance cost	(24,731)	(20,407)	21.2%	(13,052)	(10,722)	21.7%
Net Finance income	82,989	71,990	15.3%	43,301	38,230	13.3%
Other income	93,866	91,314	2.8%	32,663	36,760	-11.1%
Fair value gain/(loss) on financial assets	55,480	27,395	102.5%	26,444	9,214	187.0%
Fair value loss on investment properties	(22,221)	(8,952)	148.2%	(1,285)	(8,952)	0.0%
Net operating income	**210,114**	**181,747**	**15.6%**	**101,122**	**75,253**	**34.4%**
Impairment loss on finance receivables	15,794	25,268	-37.5%	9,609	12,860	-25.3%
Personnel expenses	19,323	17,735	9.0%	9,023	8,765	3.0%
Depreciation expense	4,638	4,935	-6.0%	2,124	2,714	-21.7%
Other operating expenses	27,902	26,094	6.9%	14,521	12,549	15.7%
Total expenses	**67,657**	**74,032**	**-8.6%**	**35,277**	**36,887**	**-4.4%**
Results from operating activities	**142,457**	**107,715**	**32.3%**	**65,845**	**38,366**	**71.6%**
Share of loss of equity accounted investee (net of tax)	(4,179)	(2,999)	39.4%	(6,404)	(5,624)	13.9%
Profit before tax	**138,278**	**104,716**	**32.0%**	**59,441**	**32,741**	**81.5%**
Income tax expense	6,292	6,793	-7.4%	5,868	4,479	31.0%
Profit attributable to equity holders of the company	**131,985**	**97,923**	**34.8%**	**53,573**	**28,262**	**89.6%**

The above information reflects the full year audited consolidated financial results for Credit Corporation Group for the financial year ended 31 December and Half year ended 31 December reviewed financial statements.

1.7.2 Net interest margin

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-19	Dec-18	Change %	Dec-19	Dec-18	Change %
Average Interest earning assets	597,525	531,409	12.4%	620,004	512,863	20.9%
Average yield on interest earning assets (%)	16.45%	16.81%	-0.4%	18.18%	19.09%	-0.9%
Average interest bearing liabilities	507,713	468,859	8.3%	512,859	531,091	-3.4%
Average cost on interest bearing liabilities (%)	4.87%	4.61%	0.3%	5.09%	4.04%	1.0%
Interest spread (%)	11.57%	12.20%	-0.6%	13.09%	15.05%	-2.0%

The net interest margin (NIM) reduced by 60bps to 11.57% in FY19. The reduction in margins was caused by increased competition and additional requirements to raise more funds for loan growth.

The increased competition in key markets has resulted in yields on average interest earning assets reduced by 40bps. System liquidity in key markets has been tight, causing interest rates to increase. This has resulted in higher interest costs on deposits, thereby causing cost of funds to increase by 30bps.

1.7.3 Investment fair value movement

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-19	Dec-18	Change %	Dec-19	Dec-18	Change %
Property						
Residential property	(19,241)	(9,555)	126.3%	(2,369)	(7,528)	-68.5%
Commercial Property	(2,980)	603	-199.5%	1,084	(1,423)	-176.1%
Total gain/(loss) on property valuation	**(22,221)**	**(8,952)**	**148.2%**	**(1,285)**	**(8,952)**	**-85.6%**
Financial Assets						
Listed equity	55,480	27,395	103%	26,444	9,214	187.0%
Share of loss from equity accounted investee	(4,179)	(2,999)	39%	(6,404)	(5,624)	13.9%
Total gain/(loss) on valuation of financial assets	**51,300**	**24,396**	**110%**	**20,040**	**3,589**	**458.3%**
Total gain/(loss) on valuation of investments	**29,080**	**15,445**	**88%**	**18,755**	**(5,362)**	**-449.7%**

Property valuations

The Group adopted an approach to undertake external revaluations on investment properties at the end of every three-year period, which is in line with IFRS.

The last property valuation was performed in FY16 and the next revaluation was due in FY19. Within the three-year period, an internal assessment of property valuations is performed with external auditors attesting to fair values of investment properties.

In FY19, The Group appointed Savills to revalue all of its properties.

The Group recorded a loss of K21m on property valuation. Despite improved occupancies across all the property portfolios, the valuation positions were attributed to market factors such as rental rates, property prices, and yields, and average lease tenures.

Notwithstanding the external market factors, average occupancy across all property portfolios increased to 82% in FY19. Occupancy by property were as follows:

- Era Dorina – occupancy decreased to 61% (67% in FY18)
- Era Matana – occupancy increased to 97% (69% in FY18)
- Credit House – occupancy increased to 95% (92% in FY18).

Investment valuations

The investment portfolio consists of listed equities with BSP dominating 99% of the investment portfolio. Valuation of shares was based on closing market price as at 31 December 2019. The Group had 36,294,081 shares in Bank South Pacific 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.

1.7.4 Share of profits from equity accounted investee

Figures in PGK'000s	Full Year Ended		
	Dec-19	Dec-18	Change %
Investments - equity accounted	8,283	12,462	-33.5%
Share of loss of equity accounted investee (net of tax)	(4,179)	(2,999)	39.4%

Equity accounted investee represents investment in Capital Insurance Group (CIG). Credit Corporation (PNG) Limited holds a 25% share in Capital Insurance Group. Through this shareholding, Credit Corporation (PNG) Limited has determined that it has significant influence, but does not have a controlling vote, on the Board of Capital Insurance Group. Credit Corporation accounts for interests in associates and joint ventures using the equity accounting method.

Credit Corporation accounts for interests in associates and joint ventures using the equity accounting method. Due to a time lag between the date of Credit Corporation Reporting Requirements and those of investee company Capital Insurance Group, Directors have taken a prudent approach in their consideration of the investee's impairment indicators. As such, Directors have decided to adopt a K4.2m impairment charge on this interest to reflect the latest view of CIG's financial position. If the actual outcomes for the investee, based on its audited accounts, are significantly different from projections, there may be a reversal of this impairment loss in future periods. During the year, there were no dividends received from Capital Insurance Group.

During the year, there were no dividends received from Capital Insurance Group.

1.7.5 Operating expenses

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-19	Dec-18	Change %	Dec-19	Dec-18	Change %
Impairment loss on finance receivables	15,794	25,268	-37.5%	9,609	12,860	-25.3%
Personnel expenses	19,323	17,735	9.0%	9,023	8,765	3.0%
Depreciation expense	4,638	4,935	-6.0%	2,124	2,714	-21.7%
Other operating expenses	27,902	26,094	6.9%	14,521	12,549	15.7%
Total Expenses	67,657	74,032	-8.6%	35,277	36,887	-4.4%

Operating expenses reduced by 8.6% (K6.4m) and this was largely attributed to reduced loan impairment costs. The increase in impairment costs is further explained in the Asset Quality and Impairment section.

The following expense items increased in FY19:

- Personnel expense costs were higher because of all key management positions being filled for a full 12-month period, together with additional staff being recruited
- Other operating expenses increased by 6.9% (K1.9m) in FY19. The increase was attributed to costs associated with work undertaken in relation to the Group strategy and investor relations and within the IT space.

The Group will continue to implement various cost disciplines to ensure operating expenses are tightly controlled.

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1.7.6 Asset quality and impairment

Figures in PGK'000s	Full Year Ended		
	Dec-19	Dec-18	Change %
Loan Balance (net of unearned income)			
· Stage 1 -12 month ECL	486,865	456,489	6.7%
· Stage 2 - Life time ECL	71,945	74,218	-3.1%
· Stage 3 - Life time ECL	118,793	111,727	6.3%
Total loans (Net of unearned income)	677,603	642,434	5.5%
Loan Provisions	(64,492)	(60,495)	6.6%
Net loan book	613,111	581,939	5.4%
Loan impairement expense	15,794	25,268	-37.5%

Significant progress was also made during FY19 in relation to recovery of legacy loans. Benefits from the recoveries made were realised in FY19, while the Group will continue to pursue the progress of other legacy in 2020.

With varying macro challenges impacting core business activities, the Group is mindful of managing the overall quality of the loan book. Further improvements have also been made with strengthening the collections process across the Group, including the recruitment of additional resources. These have resulted in a notable improvement in arrears levels wherein benefits were realised during the period

Impairment costs reduced by 37% (K9.5m) compared to FY18. The decrease was attributed to:

- Progress made on recovery of legacy loans
- Improved collections and arrears management.

1.7.7 Group Capital Adequacy

Group Capital Adequacy is based on the prudential requirements of respective central banks in Papua New Guinea, Fiji Solomon Islands, and Vanuatu. The prudential standards in respective jurisdictions prescribe the capital adequacy ratios and leverage ratios to ensure the finance businesses are well capitalised.

Figures in PGK'000s	Full Year Ended	
	Dec-19	Dec-18
Total Risk Weighted Capital	219,784	188,068
Tier 1 Capital	175,062	157,207
Tier 2 Capital	44,722	30,861
Total RWC	30.1%	28.3%
Tier 1 RWC	22.4%	20.0%
Leverage Ratio	18.1%	18.1%

The Total Capital and Tier 1 Capital increased by 200bps in FY19 due to improved profitability in its finance business. As at 31 December 2019, all finance subsidiaries were well capitalised and above regulatory limits, despite the IFRS 9 adjustments.

1.7.8 Lending

Figures in PGK'000s	Full Year Ended		
	Dec-19	Dec-18	Change %
Gross balance	779,554	754,250	3.4%
Unearned income	(101,951)	(111,764)	-8.8%
Provision	(64,492)	(60,547)	6.5%
Net loans	613,111	581,939	5.4%

Despite tough market conditions in 2H19, the net loan book grew by 5.4% in FY19.

The Group fostered a renewed focus on sales across key markets. Growth in 2H19 was hindered by challenging market conditions and credit quality management for most of the markets.

Despite the headwinds, improved customer partnerships and continued focus on delivering to our lending customers have improved the profile of the finance business in key markets. PNG and Fiji were the key markets that experienced growth. Growth in Solomon Islands was impacted by sluggish economic conditions, whilst growth in Vanuatu was impacted by one-off impairment costs.

Loan provisions increased by 6.5% in FY19. The increase was attributed to additional provisions due to impact from one-off credit quality issues for CC Vanuatu, and the impact of sluggish economic conditions in Solomon Islands.

1.7.9 Funding

Figures in PGK'000s	Full Year Ended		
	Dec-19	Dec-18	Change %
On Call	76	509	-85.1%
1 month	23,710	25,952	-8.6%
2 months	37,098	35,207	5.4%
3 months	85,948	75,318	14.1%
6 months	116,935	137,848	-15.2%
12 months	218,071	155,981	39.8%
24 months	50,155	52,617	-4.7%
Total Deposits for Credit Corp	531,993	483,432	10.0%

Funding grew by 10% in FY19. The growth was attributed to the need to raise more funding to grow the loan book and diversify the funding base in order to reduce dependency on large institutional customers. The Group worked on its funding plan in FY19 which was focused on diversifying its funding base, in order to bring more certainty around its funding profile.

The Finance business has been actively focused on ensuring it manages its liquidity, in line with best practice. There also has been cost pressure on deposit pricing in order to attract new deposits. The focus for FY19 has been on growth in the loan book that is aligned with funding growth. The Group is also committed to strengthening its treasury function, with additional resources and expertise to assist with meeting funding requirements, and to manage funding risk in the future.

2. Consolidated profit and loss account

		Current period – K'000	Previous corresponding period - K'000
2.1	Sales (or equivalent operating) revenue	139,274	125,448
2.2	Share of +associates' "net profit (loss) attributable to shareholders" (equal to item 23.7)	(4,179)	(2,999)
2.3	Other revenue	95,571	76,706
2.4	**+Operating profit (loss) before abnormal items and tax**	138,278	104,716
2.5	Abnormal items before tax (detail in item 3.4)	-	-
2.6	+Operating profit (loss) before tax (items 2.4 + 2.5)	138,278	104,716
2.7	Less tax	(6,292)	(6,793)
2.8	+Operating profit (loss) after tax but before outside +equity interests	131,985	97,923
2.9	Less outside +equity interests	-	-
2.10	**+Operating profit (loss) after tax attributable to shareholders**	131,985	97,923
2.11	Extraordinary items after tax (detail in item 3.6)	-	-
2.12	Less outside +equity interests	-	-
2.13	Extraordinary items after tax attributable to **shareholders**	-	-
2.14	**Total +operating profit (loss) and extraordinary items after tax** (items 2.8 + 2.11)	**131,985**	**97,923**
2.15	+Operating profit (loss) and extraordinary items after tax attributable to outside +equity interests (items 3.9 + 3.12)	-	-
2.16	**+Operating profit (loss) and extraordinary items after tax attributable to shareholders** (items 3.10 + 3.13)	131,985	97,923
2.17	Retained profits (accumulated losses) at beginning of financial period	426,065	403,648
2.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description) Adjustment from implementation of IFRS 9	-	(4,937)
2.19	Aggregate of amounts transferred from reserves	(39,925)	(18,256)
2.20	Total available for appropriation *(carried forward)*	518,125	478,378
2.21	Dividends provided for, or paid Final Dividend: 13 toea per share Interim Dividend: 7 toea per share	(39,981) (21,528)	(33,853) (18,460)
2.22	Aggregate of amounts transferred to reserves	-	-
2.23	**Retained profits (accumulated losses) at end of financial period**	**456,616**	**426,065**
2.24	+Operating profit (loss) after tax before outside +equity interests (items 3.8) and amortisation of goodwill	131,985	97,923
2.25	Less (plus) outside +equity interests	-	-
2.26	+Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	131,985	97,923

3. Intangible, abnormal and extraordinary items

		Consolidated - current period			
		Before tax K'000	Related tax K'000	Related outside +equity interests K'000	Amount (after tax) attributable to shareholders K'000
3.1	Amortisation of goodwill	-	-	-	-
3.2	Amortisation of other intangibles	-	-	-	-
3.3	**Total amortisation of intangibles**	-	-	-	-
3.4	Abnormal items	-	-	-	-
3.5	**Total abnormal items**	-	-	-	-
3.6	Extraordinary items	-	-	-	-
3.7	**Total extraordinary items**	-	-	-	-

4. Comparison of half year profits

(Preliminary final report only)

		Current year – K''000	Previous year - K''000
4.1	Consolidated +operating profit (loss) after tax attributable to **shareholders** reported for the *1st* half year (item 2.10 in the half yearly report)	78,413	69,662
4.2	Consolidated +operating profit (loss) after tax attributable to **shareholders** for the *2nd* half year	53,572	28,261

5. Consolidated balance sheet

(See note 5)

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
Current assets				
5.1	Cash	140,138	93,887	135,179
5.2	Receivables – net of portfolio & specific provisions	121,882	110,585	95,575
5.3	Investments	1,269	6,459	-
5.4	Inventories	953	868	903
5.5	Other – (Other Debtors & Income & Dividend WTax)	10,998	6,039	940
5.6	**Total current assets**	275,240	217,838	234,597
Non-current assets				
5.7	Receivables – net of portfolio & specific provisions	491,229	471,354	529,322
5.8	Investments in +associates	8,283	12,462	14,687

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
5.9	Other investments	709,143	675,374	685,508
5.10	Inventories	-	-	-
5.11	Exploration and evaluation expenditure capitalised (see para .71 of *AASB 1022*)	-	-	-
5.12	Development properties (+mining entities)	-	-	-
5.13	Other property, plant and equipment (net)	27,265	25,107	25,229
5.14	Intangibles (net)	32	56	44
5.15	Other (provide details if material)	30,066	28,816	29,305
5.16	**Total non-current assets**	**1,266,018**	**1,214,169**	**1,284,095**
5.17	**Total assets**	**1,541,258**	**1,431,007**	**1,518,692**
Current liabilities				
5.18	Accounts payable	10,323	6,442	8,267
5.19	Borrowings	54,435	60,110	57,859
5.20	Provisions	3,157	2,749	43,084
5.21	Other (provide details if material) - Deposits	482,224	434,097	436,082
5.22	**Total current liabilities**	**550,139**	**503,398**	**545,292**
Non-current liabilities				
5.23	Accounts payable	-	-	-
5.24	Borrowings	-	-	-
5.25	Provisions (Deferred tax liability)	18,560	24,467	17,088
5.26	Other (provide details if material) - Deposits	51,328	51,932	63,485
5.27	**Total non-current liabilities**	**69,887**	**76,399**	**80,573**
5.28	**Total liabilities**	**620,026**	**579,797**	**625,865**
5.29	**Net assets**	**921,232**	**851,210**	**892,827**
Equity				
5.30	Capital	21,983	21,983	21,983
5.31	Reserves	442,632	403,161	420,777
5.32	Retained profits (accumulated losses)	456,617	426,065	450,067
5.33	Equity attributable to **shareholders** of the parent entity	921,232	851,209	892,827
5.34	Outside +equity interests in controlled entities		-	-
5.35	**Total equity**	**921,232**	**851,209**	**892,827**
5.36	Preference capital included as part of 5.33	**-**	**-**	**-**

6. Exploration and evaluation expenditure capitalised

To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit.

		Current period - K'000	Previous corresponding period - K'000
6.1	Opening balance	NA	NA
6.2	Expenditure incurred during current period	NA	NA
6.3	Expenditure written off during current period	NA	NA
6.4	+Acquisitions, disposals, revaluation increments, etc.	NA	NA
6.5	Expenditure transferred to development properties	NA	NA
6.6	**Closing balance as shown in the consolidated balance sheet** (item 5.11)	NA	NA

7. Development properties

(To be completed only by entities with mining interests if amounts are material)

		Current period - K'000	Previous corresponding period - K'000
7.1	Opening balance	NA	NA
7.2	Expenditure incurred during current period	NA	NA
7.3	Expenditure transferred from exploration and evaluation	NA	NA
7.4	Expenditure written off during current period	NA	NA
7.5	+Acquisitions, disposals, revaluation increments, etc.	NA	NA
7.6	Expenditure transferred to mine properties	NA	NA
7.7	**Closing balance as shown in the consolidated balance sheet** (item 5.12)	NA	NA

8. Consolidated statement of cash flows

(See note 6)

		Current period - K'000	Previous corresponding period - K'000
Cash flows related to operating activities			
8.1	Receipts from customers	147,746	128,041
8.2	Payments to suppliers and employees	(42,861)	(35,630)
8.3	Dividends received from +associates	-	-
8.4	Other dividends received	50,583	46,332
8.5	Interest and other items of similar nature received	-	-

		Current period - K'000	Previous corresponding period - K'000
8.6	Interest and other costs of finance paid	(24,731)	(20,407)
8.7	Income taxes paid	(18,046)	(8,748)
8.8	Other (provide details if material) – Movements in loans advanced and deposits by finance entities	(2,019)	(95,553)
8.9	**Net operating cash flows**	110,672	14,035
Cash flows related to investing activities			
8.10	Payment for purchases of property, plant and equipment	(4,486)	(4,548)
8.11	Proceeds from sale of property, plant and equipment	832	371
8.12	Payment for purchases of equity investments	-	-
8.13	Proceeds from sale of equity investments	-	3,699
8.14	Loans to other entities		-
8.15	Loans repaid by other entities		-
8.16	Other (provide details if material) - (Short-term investments & interest income from funds deposited, including acquisition of investment property, interest income from other investments)	8,229	(1,173)
8.17	**Net investing cash flows**	4,575	(1,651)
Cash flows related to financing activities			
8.18	Proceeds from issues of +securities (shares, options, etc.)		-
8.19	Proceeds from borrowings	-	5,000
8.20	Repayment of borrowings	(4,577)	(4,409)
8.21	Dividends paid	(61,509)	(52,313)
8.22	Other (provide details if material)	(3,582)	(4,152)
8.23	**Net financing cash flows**	(69,668)	(55,874)
8.24	**Net increase (decrease) in cash held**	45,579	(43,490)
8.25	Cash at beginning of period *(see Reconciliation of cash)*	93,887	137,537
8.26	Exchange rate adjustments to item 8.25.	672	(160)
8.27	**Cash at end of period** *(see Reconciliation of cash)*	140,138	93,887

9. Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

10. Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period - K'000	Previous corresponding period - K'000
10.1	Cash on hand and at bank	116,223	93,887
10.2	Deposits at call	23,915	-
10.3	Bank overdraft	-	-
10.4	Other (provide details)	-	-
10.5	**Total cash at end of period** (item 9.27)	**140,138**	**93,887**

11. Ratios

		Current period - K'000	Previous corresponding period - K'000
11.1	**Profit before abnormals and tax / sales** Consolidated +operating profit (loss) before abnormal items and tax (item 2.4) as a percentage of sales revenue (item 2.1)	99%	83%
11.2	**Profit after tax / +equity interests** Consolidated +operating profit (loss) after tax attributable to **shareholders** (item 2.10) as a percentage of equity (similarly attributable) at the end of the period (item 5.33)	14%	12%

12. Earnings per security (EPS)

		Current period - K'000	Previous corresponding period - K'000
12.1	Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
	(a) Basic EPS	0.43	0.32
	(b) Diluted EPS (if materially different from (a)	Same as above	Same as above
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	307,936,332	308,990,373

13. NTA backing

(See note 7)

		Current period - K'000	Previous corresponding period - K'000
13.1	+Net tangible asset backing per +ordinary security	K2.99	K2.76

14. Details of specific receipts/outlays, revenues/expenses

		Current period - K'000	Previous corresponding period - K'000
14.1	Interest revenue included in determining item 2.4	107,720	92,397
14.2	Interest revenue included in item 14.1 but not yet received (if material)	-	-
14.3	Interest expense included in item 2.4 (include all forms of interest, lease finance charges, etc.)	(24,731)	(20,407)
14.4	Interest costs excluded from item 14.3 and capitalised in asset values (if material)	-	-
14.5	Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	-	-
14.6	Depreciation and amortisation (excluding amortisation of intangibles)	(4,638)	(4,935)

15. Control gained over entities having material effect

(See note 8)

15.1	Name of entity (or group of entities)	NA
15.2	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was +acquired	K
15.3	Date from which such profit has been calculated	
15.4	+Operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	K

16. Loss of control of entities having material effect

(See note 8)

16.1	Name of entity (or group of entities)	NA
16.2	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	K
16.3	Date to which the profit (loss) in item 14.2 has been calculated	
16.4	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	K
16.5	Contribution to consolidated +operating profit (loss) and extraordinary items from sale of interest leading to loss of control	K

17. Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this report. However, the following is the presentation adopted in the Appendices to AASB 1005 and indicates which amounts should agree with items included elsewhere in this report.

18. Dividends (in the case of a trust, distributions)

18.1	Date the dividend (distribution) is payable	23 August, 2019 29 November, 2019
18.2	+Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrable transfers received up to 5.00 pm	1 July, 2019 13 November, 2019
18.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	Yes

19. Amount per security

			Amount per +security	K'000s
	(Preliminary final report only)			
19.4	**Final dividend:**	Current year	Toea 13 per share	39,981
19.5		Previous year	Toea 11 per share	33,853
	(Half yearly and preliminary final reports)			
19.6	**Interim dividend:**	Current year	Toea 7 per share	21,528
19.7		Previous year	Toea 6 per share	18,460

20. Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

		Current year	Previous year
20.8	+Ordinary securities	K0.20	K0.17
20.9	Preference +securities	-	-

21. Half yearly report - interim dividend (distribution) on all securities *or*

22. Preliminary final report - final dividend (distribution) on all securities

		Current period - K'000	Previous corresponding period - K'000
22.10	+Ordinary securities	39,981	33,853
22.11	Preference +securities		-
22.12	**Total**	**39,981**	**33,853**

The +dividend or distribution plans shown below are in operation.

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The last date(s) for receipt of election notices for the +dividend or distribution plans	-

Any other disclosures in relation to dividends (distributions)

-

23. Details of aggregate share of profits (losses) of associates

Entity's share of associates'		Current period - K'000	Previous corresponding period - K'000
23.1	+Operating profit (loss) before income tax	(5,970)	(4,283)
23.2	Income tax expense	1,791	1,284
23.3	+Operating profit (loss) after income tax	(4,179)	(2,999)
23.4	Extraordinary items net of tax	-	-
23.5	Net profit (loss)	(4,179)	(2,999)
23.6	Outside +equity interests	-	-
23.7	Net profit (loss) attributable to shareholders	(4,179)	(2,999)

24. Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 1.14)	
24.1 Equity accounted +associated entities	**Current period**	**Previous corresponding period**	**Current period – K'000**	**Previous corresponding period – K'000**
Capital Insurance Group	25%	25%	(4,179)	(2,999)

Name of entity		Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 1.14)	
24.2	Total	25%	25%	(4,179)	(2,999)
24.3	Other material interests	-	-	-	-
24.4	Total	25%	25%	(4,179)	(2,999)

25. Issued and quoted securities at end of current period

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of +securities		Number issued	Number quoted	Amount paid per share (toea)	
25.1	**Preference +securities** *(description)*	-	-		
25.2	Issued during current period	-	-		
25.3	**+Ordinary securities** **Shares**	308,324,034	307,936,332		
25.4	Issued during current period (dividend reinvestment)	-	-		
25.5	**+Convertible debt securities** *(description and conversion factor)*	-	-		
25.6	Issued during current period	-	-		
25.7	**Options** *(description and conversion factor)*	-	-	*Exercise price*	*Expiry date (if any)*
25.8	Issued during current period	-	-	-	-
25.9	Exercised during current period	-	-	-	-
25.10	Expired during current period	-	-	-	-
25.11	**Debentures** *(totals only)*	-	-		
25.12	**Unsecured notes** *(totals only)*	-	-		

26. Comments by Directors

Comments on the following matters are required by PNGx (Formerly POMSoX) or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the Directors' Report (as required by the Companies Act 1997) and may be incorporated into the Directors' Report. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.

Material factors affecting the revenues and expenses of the economic entity for the current period

NIL

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Changes in accounting policies since the last +annual report are disclosed as follows.

(Disclose changes in the half yearly report in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure.)

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27. Additional disclosure for trusts

27.1	Number of +units held by the management company or a +related party of it	NA
27.2	A statement of the fees and commissions payable to the management company. Identify: • initial service charges • management fees • other fees	

28. Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:	
Place	Grand Papua Hotel, Port Moresby
Date	25th June, 2020
Time	11:00AM
Approximate date the +annual report will be available	20 May, 2020

Compliance statement

1. This report has been prepared under accounting policies which comply with accounting standards approved by the Accounting Standards Board pursuant to the Companies Act 1997 or other standards acceptable to PNGx (Formerly POMSoX) (see note 13).

Identify other standards used	None

2. This report, and the financial statements prepared under the Companies Act 1997 (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed (see note 2).
4. This report is based on financial statements to which one of the following applies.
   (Tick one)

✓	The financial statements have been audited.	☐	The financial statements have been subject to review.
☐	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have *not* yet been audited or reviewed.

5. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available*.
6. The entity has a formally constituted audit committee.

Sign here: .... Date: 25/02/2020
(Chairman)

Print name: SYDNEY YATES OBE

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section.

2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated profit and loss account**

   Item 2.1 The definition of "operating revenue" and an explanation of "sales revenue" (or its equivalent) and "other revenue" are set out in *AASB 1004: Disclosure of Operating Revenue*.

   Item 2.2 'Share of +associates' "net profit (loss) attributable to shareholders"' would form part of "other revenue" in *AASB 1004* to the extent that a profit is to be reported. PNGx (Formerly POMSoX) has elected to require disclosure of a share of a loss in the same location for consistency of presentation.

   Item 2.4 "+operating profit (loss) before abnormal items and tax" is calculated before dealing with outside +equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.

   Item 2.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax (if any) but excludes taxes treated as operating expenses.

4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

5. **Consolidated balance sheet**

   a. Format
   The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029* and *AASB 1034*.

   b. Basis of revaluation
   If there has been a material revaluation of non-current assets (including investments) since the last +annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of paragraphs 9.1 - 9.4 of AASB 1010: Accounting for the Revaluation of Non-Current Assets. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of AASB 1029 and paragraph 11 of AASB 1030.

6. **Statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. +Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the +ordinary securities (i.e., all liabilities, preference shares, outside +equity interests etc.). +Mining entities are *not* required to state a +net tangible asset backing per +ordinary security.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated +operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.

9. **Rounding of figures** This report anticipates that the information required is given to the nearest K1,000. However, an entity may report exact figures, if the K'000 headings are amended.

10. **Comparative figures** Comparative figures are the unadjusted figures from the previous corresponding period. However, if there is a lack of comparability, a note explaining the position should be attached.

11. **Comparative figures when equity accounted information first included in the accounts** There will be a lack of comparability in the figures for the previous corresponding period when equity accounted information is first included if this information has a material effect on the consolidated accounts. If it does have a material effect, attach a note providing a better comparison by restating "+Operating profit (loss) after tax attributable to shareholders" (item 1.10) and "Investments in +associates" (item 4.8) for the previous corresponding period to incorporate equity accounted information. In addition, as required by Note 1, no directional or percentage changes in profit are to be reported in the "For announcement to the market" section. Where the disclosures were not previously required in Appendix 4B, no comparatives need be shown.

12. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +Registrar under the Companies Act 1997 must also be given to PNGx (Formerly POMSoX). For example, a directors' report and statement, if lodged with the +Registrar, must be given to PNGx (Formerly POMSoX).

13. **Accounting Standards** PNGx (Formerly POMSoX) may for foreign entities accept, for example, the use of accounting standards not approved under the Companies Act 1997 if the entity is not subject to, or is exempted from, the requirements of Section 390 of the Companies Act 1997.

14. [Not used]