CREDIT CORPORATION

ANNUAL REPORT **2014**


CREDIT CORPORATION
FUNDING
FUTURES.
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COMPANY INFORMATION

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

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

- Chattel Mortgage and Lease Finance for customers to acquire a wide variety of motor vehicles, heavy machinery and plant and equipment for commercial and business use.
- Variable Rate Contracts for business or property purchases.
- Specially tailored financial packages.
- Attractive investment facilities.

In addition, through its subsidiary companies, the Credit Corporation Group owns and manages a portfolio of prime real estate assets.

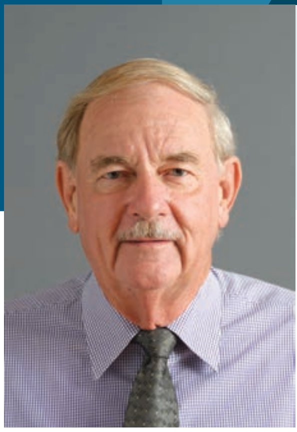
Shareholders have received a dividend each year since the incorporation of the Company in 1978.

The Credit Corporation Group presently owns assets valued at K1.062 billion and operates offices in Port Moresby, Kokopo, Mount Hagen and Lae in Papua New Guinea, in Suva, Nadi, Lautoka and Nakasi in Fiji, in Honiara in the Solomon Islands and in Port Vila in Vanuatu.

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


CREDIT CORPORATION
FUNDI

CHAIRMAN'S REVIEW



Garth McIlwain

CBE

Chairman

The 2014 Credit Corporation (PNG) Limited group financial outcomes as detailed in this annual report actually exceeded Board expectations so far as core cash operating profit is concerned with a moderate increase in total assets;

- 2014 core cash operating profit of K82.50 million, a slight reduction from the record core cash operating profit of K85.20 million achieved during 2013;
- Group total assets reached K1,061.56 million as at year end 2014, a moderate increase from K1,037.24 million as at the end of 2013;
- Shareholders' equity was K719.21 million, a slight reduction from K736.98 million as of year-end 2013, largely as a result of fair value and mark to market adjustments and a dividend payment of K41.23 million distributed to shareholders during August 2014.

In line with international accounting standards, the 2014 group consolidated profit was negatively affected by adjustments as follows:

- K33.00 million in order to recognise the year end Port Moresby Stock Exchange reduction in the fair value of the strategic shareholding of Bank of South Pacific Limited (BSP) share price that reduced from K7.98 to K7.14 during 2014. It is anticipated that a positive write back of the value of the BSP shareholding will feature in the 30 June 2015 results as the BSP share price has now improved to K7.40, most likely due to the record 2014 profit result recently announced by BSP.
- K14.02 million in order to recognise the fair value of group investment properties.

Following these adjustments an after tax profit of K24.52 million is recorded for the year ended 31 December 2014. As recorded in the 2013 annual report, the AGM during June 2014 and the 30 June 2014 release to the Port Moresby Stock Exchange during September 2014, 2014 was defined a "lull year" with a possible reduced profit outcome as the Papua New Guinea economy adjusts to the completion of the massive PNGLNG project and the low agricultural commodity export prices. Whilst 2015 trading prospects will continue to be challenging, the Board is confident that measures are in place that will ensure the best outcomes for profitability as the year progresses. Strong liquidity and generous capital remains a feature relative to all group subsidiary companies. This will ensure that the Credit Corporation (PNG) Limited group retains its respected status amongst the largest locally owned corporations in the South Pacific.

I acknowledge the wise counsel of my fellow Board members, the dedication and commitment of the executive management and staff, the loyal shareholder support and ongoing customer engagement.

Your support in assisting achieve what the Board considers another quite successful year in challenging and competitive economic circumstances is sincerely appreciated.

Garth McIlwain

Chairman

GROUP'S FIVE YEAR FINANCIAL SUMMARY

	2010	2011	2012	2013	2014
Profit and Loss (K'000)					
Core Operating Profit	68,244	74,158	80,540	85,201	82,501
Property Revaluations	-	-	47,752	(6,861)	(14,024)
Investment Revaluations	(24,682)	(15,721)	21,937	(1,730)	(34,420)
Operating Profit before Tax & after Revaluations	43,562	58,437	150,229	76,610	34,057
Income Tax	14,067	16,332	43,302	17,501	9,535
Operating Profit after Tax attributable to the Group	29,495	42,105	106,927	59,109	24,522
Retained Earnings	208,006	242,169	283,828	315,420	343,002
Dividends (K'000)					
Dividend Paid	21,790	25,306	31,737	38,185	41,236
Dividend per share (Kina)	0.07	0.08	0.10	0.12	0.13
Balance Sheet (K'000)					
Finance Receivables	271,906	270,414	332,583	358,375	361,953
Total Assets	849,552	890,555	1,008,939	1,037,243	1,061,558
Deposits	177,149	211,743	229,411	239,539	291,087
Shareholders' Funds	629,168	633,858	711,021	736,978	719,208
Performance Ratios					
Return on Assets	8.0%	8.3%	8.0%	8.2%	7.8%
Return on Equity	10.8%	11.7%	11.3%	11.6%	11.5%
Operating Expense/Income	38.8%	31.6%	28.7%	35.1%	39.6%
Net Asset Backing Per Share	2.01	2.00	2.23	2.32	2.27
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.7074	0.8921	0.8866	0.8349	0.7000
Solomon Islands Dollar	2.9187	3.6400	3.7102	2.9748	2.7800
Vanuatu Vatu	34.8200	42.8500	44.1900	40.8200	37.4100

36 YEAR HIGHLIGHTS

1978

Company incorporated on 25 April. Business commenced in June at Four-Mile, Port Moresby. By year end shareholders' equity had reached K501,016 and a trading profit of K38,201 was achieved.

1979

Operations relocated to Badili. Public share issue resulted in 339,105 additional shares being issued. Total assets had reached nearly K5 million. Rabaul Branch established.

1980

Company awarded land at Gordons 5 and plans commenced to build nine townhouses at this location. Shareholders' equity passed the K1.5 million mark.

1981

Total assets exceed K6.4 million. Operating profit of K293,950 achieved. A recession hits PNG.

1982

Construction of nine townhouses completed at Gordons 5 in the National Capital District.

1983

Shareholders' equity passed the K2 million mark.

1984

An additional six townhouses completed at Gordons 5. Company operations relocated to ADF House.

1985

Assets reached K16.3 million and an operating profit of K626,302 was achieved.

1986

A further 537,000 shares were issued. Negotiations completed for the purchase of land in Cuthbertson Street, downtown Port Moresby. Shareholders' equity approached K4 million.

1987

A residential town subdivision lease was secured over land at Ela Makana in Port Moresby. Assets pass the K20 million mark. A public share issue raises a further 1,777,727 shares.

1988

A tender of K7.6 million was accepted for construction of a high-rise office building in downtown Port Moresby. Nine townhouses constructed at "Era Dorina" Stage 1. Company assets exceed K30 million.

1989

Construction of a further 12 townhouses commissioned at "Era Dorina" in Port Moresby.

1990

"Credit House" opened in September. The 12 townhouses completed at "Era Dorina". Revaluation of assets increased shareholders' equity to K12 million.

1991

24 new apartments commenced at "Era Dorina" Stage 2. First profit of over K1 million achieved.

1992

Credit Corporation (Fiji) established and returns an inaugural profit of FJD66,638 while total assets exceeded FJD5 million. The 24 apartments at "Era Dorina" completed and tenanted.

1993

Founding Chairman, Sir Albert Maori Kiki KBE passed away. Sir Henry ToRobert KBE appointed as Chairman. Decision taken to build a further 12 apartments at "Era Dorina". Equity acquired in the Bank of South Pacific Limited as a long term strategic investment. Group profit exceeded K3 million.

1994

Construction of 12 additional apartments at "Era Dorina" Stage 2 completed bringing the total at the "Era Dorina" estate to 57 fully tenanted townhouses/apartments. Serious volcanic damage in Rabaul necessitates a special provision of K450,000 to cover possible losses. Credit Corporation (Fiji) Limited is issued with a credit institution licence by the Reserve Bank of Fiji.

1995

Revaluation of property increases shareholders' equity to K25.6 million and assets to K118.17 million. Five additional townhouses purchased at Gordons 5. Focus Finance established in Australia.

36 YEAR HIGHLIGHTS

1996
Shareholders' equity reaches K27.5 million and Group operating profit exceeds K4 million. Focus Finance affected by interest rate war in Australia. This investment written off.

1997
Office established in Nadi, Fiji. Group records trading profit of K8.07 million while Group assets exceed K155 million. The Fiji subsidiary achieves a record profit of FJD2.09 million.

1998
Economic recession develops in both Papua New Guinea and Fiji. Group trading profit of K9,176,973 recorded.

1999
Subdued economic conditions continue, however Group trading profit of K6,852,266 achieved. Application for listing of the Company shares on POMSoX lodged.

2000
Company listed on POMSoX. Coup takes place in Fiji. Subdued economic conditions and high interest rates continue. Group assets exceed K200 million and shareholders' equity reaches over K55 million.

2001
Group records trading profit of K11,068,073. Interest rates start to ease. Political stability returns to Fiji following general elections.

2002
Violence mars Papua New Guinea general elections. Recession grips Papua New Guinea. Group assets exceed K243 million and shareholders' equity reaches K85 million.

2003
Group posts record trading profit K25,579,248. Treasury Bills reach year high of 19.69%. Fiji operations show significant increase in profitability to FJD2,704,228.

2004
Total assets reach K306,531,010. Lae Branch established.

2005
Group records trading profit K114,125,633 for 2005.

Total assets reach K408,483,313. Credit Corporation (SI) Limited established in Honiara, Solomon Islands. Construction begins on Stage 3 at Era Dorina.

2006
Riots in Honiara affect Solomon Islands result. Fiji experiences military coup.

2007
Group records trading profit of K187,036,567. Total assets reach K681,383,423. Credit Corporation (Vanuatu) Limited established in Port Vila, Vanuatu. Office established in Lautoka, Fiji. Credit House, 10 Gorrie St, Suva opened. Stage 3 of Era Dorina, 18 townhouses completed and fully tenanted. Dividend Reinvestment Scheme introduced.

2008
Global financial crisis pushes most of the world towards recession.

2009
Total assets reach record K811,356,679. Stage 4 Era Dorina, 18 executive apartments completed and fully tenanted.

2010
Construction of the US$19 billion PNG LNG Project begins. K2 million On Market Share Buy Back launched. Property purchased in Lae for new branch office.

2011
Construction of 20 executive one bedroom units commissioned at Era Dorina.

2012
Total assets reach record K1.009 billion. Ela Makana Developments Limited purchased.

2013
Shareholders reject BSP offer of K250 million for the purchase of the four finance company subsidiaries. Era Dorina Stage 5 20 x 1 bedroom units completed. Office building in Nadi, Fiji completed.

2014
General elections held in Fiji and Solomon Islands. Ela Makana project commenced construction. Mount Hagen branch opened.

CHIEF EXECUTIVE OFFICER'S REPORT

Robert Allport

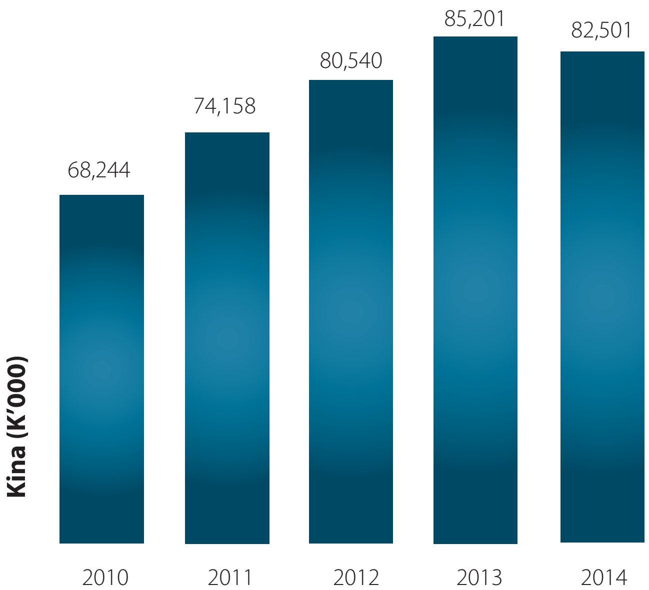
Chief Executive Officer

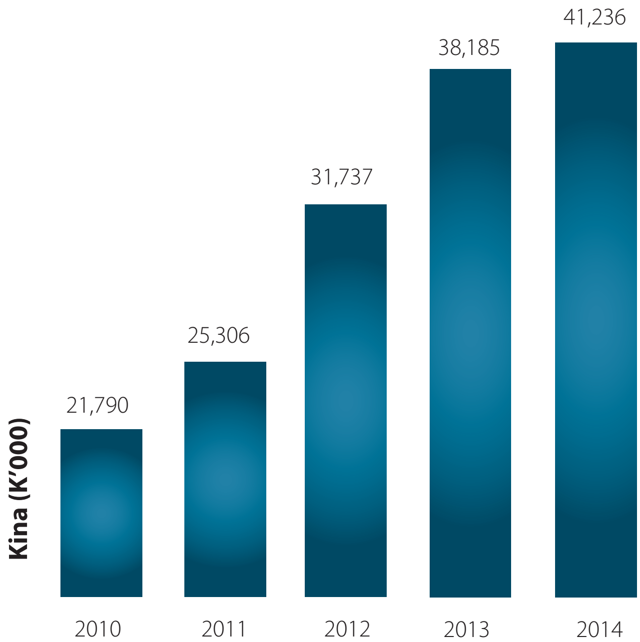
The 2014 financial year was a very challenging one for the Credit Corporation (PNG) Limited Group. Despite a slowdown in the PNG economy during the year the Group recorded solid results for 2014. With the PNG LNG project moving from its construction phase into production phase the demand for both our core business of finance and property slowed considerably during the year.

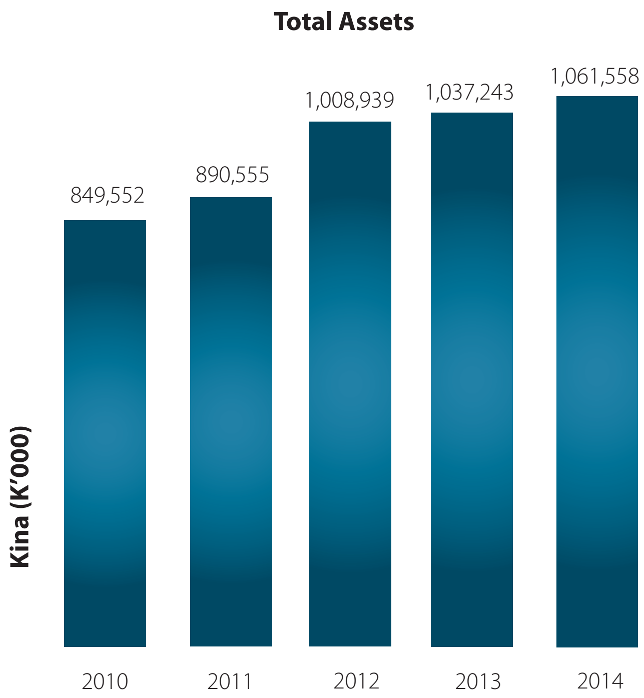
Credit Corporation (PNG) Limited and its subsidiaries recorded a net profit after tax of K24.52 million for the year ended 31 December 2014. The Group recorded a core operating profit of K82.50 million for the year, 3% below the 2013 result.

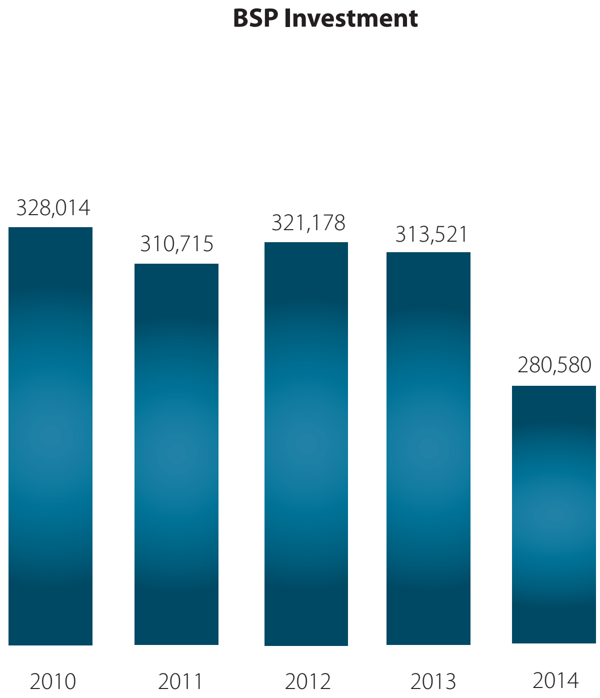
An adjustment of K14.02 million was booked against the profit and loss account due to a write down in the fair value of the Group's Investment Property portfolio. Also a negative adjustment of K34.42 million was made largely due to the reduction in the value of BSP shares traded on the Port Moresby Stock Exchange.

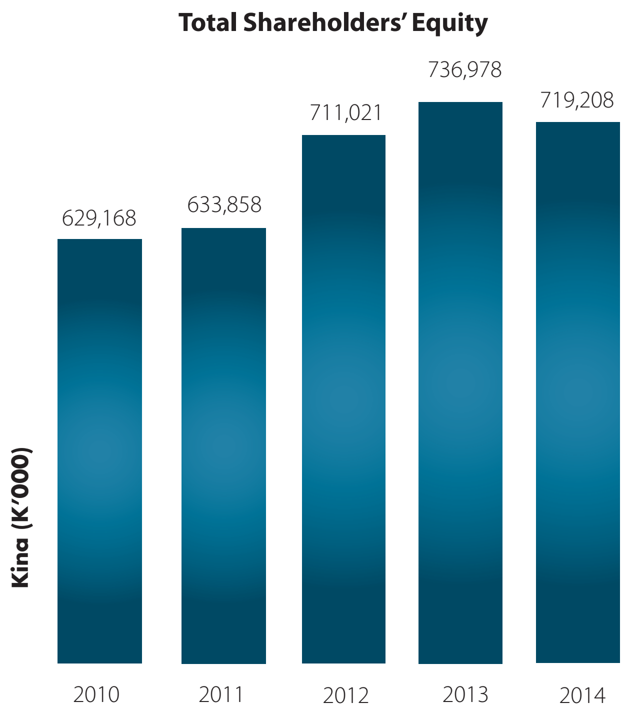
During 2014 the Company's On 'Market Share Buy Back Scheme' that was introduced during 2010 was extended to the end of 2015. The 'Buy Back' has again proven popular with shareholders with no brokerage or other fees being charged.











Credit House

2014 was a very successful year for Credit House, as tenants who had given notice to relocate remained in the building for the full year due to delays in the construction and other major technical issues affecting the new buildings. These issues must be promptly and properly addressed by the regulatory authorities, at the very least to maintain standards across the sector, but more importantly to ensure the safety of future occupants and the surrounding area.

Credit House achieved a cash operating profit of K8.12 million for 2014, which is 15% over the 2013 result. The company also had to book a write down of K4.92 million in the value of its investment property after performing an assessment which took into the account the projected vacancies. We remain confident that the capital expenditure program and the service we provide will ensure Credit House remains a desirable option for corporates wishing to resolve their future office accommodation requirements.

Era Dorina Stage 5.

Era Dorina

The over-supply of executive accommodation in the market over the past 3 years, flat rentals and increased interest expenses impacted on the performance of Era Dorina in 2014. The company posted a cash operating profit of K15.20 million in 2014 and also had to book a write down of K9.10 million in the fair value of its investment property.

With occupancy rates around 80%, we have used this opportunity to renew the older apartments in Stages 1 and 2 and we were able to complete over 30 units throughout the Estate during the year. We will continue with this program in 2015 and we believe this will contribute to achieving higher occupancy levels.

There was a very good take up of the new 1-bedroom studio apartment with 19 of the 20 apartments being leased by the end of the year. These apartments were fully let at the beginning of 2015.

Era Dorina Estate remains a safe and secure compound for families residing in Port Moresby and we are confident that with the ongoing upgrades, the company will continue to achieve good returns for many years to come.

Ela Makana Project construction commenced.

Ela Makana Developments Limited

Construction on Ela Makana Stage 1 and 2 commenced in June 2014 and despite some minor weather delays, work is progressing well on site. All regulatory approvals have been received and the project is scheduled for completion in June 2016.

The development will consist of thirty-five, 2 and 3 bedroom apartments with a swimming and lap pool, entertainment area and gymnasium. We believe these apartments will provide a new standard in modern executive living in Port Moresby and will be a positive addition to an already very successful, high performing portfolio.

Credit Corporation Finance Limited

Credit Corporation Finance Limited has had a challenging year with a slowing of demand caused by the PNGLNG project moving from its construction phase into production and the mining sector also under pressure with a softening in the mineral prices. New business for the year totalled K162.87 million. The Company achieved a profit before tax of K14.65 million considerably down on the 2013 year end result.

Non-performing accounts have increased slightly but we are still within the 3.5% general industry standard. Whilst the increase was anticipated they are well managed with corrective measures in place to keep levels within the industry benchmark. Overall our finance portfolio remains very healthy.

We have a sound and adequately capitalised balance sheet with a net asset position of K103.97 million. This is a 2.00% increase over last year's position of K101.93 million. The net finance book increased to K249.81 million from K242.70 million in 2013; a 2.93% increase. Total assets increased to K317.61 million, an increase of 19.49%. The Capital Adequacy Ratio for 2014 was recorded at 40.60%.

Economic activity in Papua New Guinea was more constrained than prior years during 2014 but with our current extensive "Funding Futures" marketing campaign and increased activity in the highly competitive asset finance market we are confident we can maintain our market share and continue to maximise shareholder returns.

Company Chairman Garth McIlwain addressing clients and guests at the "Funding Futures" marketing campaign launch.

Credit Corporation (Fiji) Limited

2014 was a very successful year for Credit Corporation (Fiji) Limited, with the company returning a record operating profit of F$7.86 million (K11.22 million) for the year, a 7% increase on the prior year's result. A net after tax profit of F$6.4 million (K9.19 million) was recorded for the year, a 18% improvement over the previous year's result.

Total new business volumes of F$50.4 million (K71.95 million) were achieved, being some 6% up on prior year levels and a commendable achievement in an increasingly competitive environment. 2014 saw the continuation of the significant shift toward the financing of second hand vehicles, with the taxi operators in particular taking the opportunity to upgrade vehicles given the greater numbers of affordable second hand vehicles now available in Fiji.

The company's balance sheet remains strong, with total assets of F$94.0 million (K134.19 million) and shareholder's funds of F$33.2 million (K47.14 million) as at 31 December 2014. The Company remains well capitalised with a Capital Adequacy ratio of 36.5% at year end.

National elections were successfully conducted in September 2014 and business sentiment is buoyant and expectations are high that the solid economic growth of recent years will continue under stable government. With new players entering the Fiji asset finance market, 2015 is expected to be a challenge in terms of maintaining margins and market-share. However it is anticipated that business levels will remain buoyant given the expected continuation of positive economic conditions into 2015.

Credit Corporation (SI) Limited

Another good result achieved for 2014, the Company posted an operating profit of SBD11.52 million (K4.15 million). This was achieved despite some challenges experienced during the year.

Going forward we will continue to maintain a high level of customer service, improve and sustain operational efficiency and maximise financial performance.

Credit Corporation (Vanuatu) Limited

The Vanuatu operation had a good year showing an operating profit of Vatu 63.47 million (K1.70 million), an increase of 57.18% over 2013 result of Vatu 40.38 million (K940k).

The economy is still slow and predictions are that there will be minimal recovery over the next 12 months. Tourism is still the main source of income for the country and there are substantial construction projects due to commence in 2015 including the new international wharf.

At the time of writing, we have just experienced Tropical Cyclone Pam, a Category 5 cyclone which has devastated Vanuatu. While we expect some impact on new business and arrears level, measures are in place to assist and service our clients and maintain a reasonable return for our Shareholders.

Outlook

Credit Corporation (PNG) Limited is well positioned with an excellent business, dedicated staff and a very strong balance sheet. Whilst 2015 looks to be a challenging year I am confident that with the support of all at Credit Corporation we will be able to attain our targets and continue to create shareholder wealth in the years to come.

Robert Allport

Chief Executive Officer

BOARD OF DIRECTORS

Garth McIlwain
CBE, F Fin, FAICD

Director since December 2008
Chairman since January 2009

Professor Albert Mellam
PhD (ANU), MSc (Stir), MAICD

Director since August 2013

John Dunlop
C.A.

Director since September 2009

Michael Koisen
ML, FAICD, FAMI, SA Fin

Director since June 2002

Robert Allport
F Fin, MAICD, MPNGID

Director since December 2011

Sir Wilson Kamit
CBE

Director since August 2013

Ian Tarutia
MBE, FAICD, SA Fin, MPNGID

Director since July 2008

DIRECTORS' MEETINGS

Garth McIlwain	4/4
Michael Koisen	4/4
John Dunlop	4/4
Ian Tarutia	4/4
Robert Allport	4/4
Sir Wilson Kamit	3/4
Professor Albert Mellam	4/4

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving the highest standards of corporate governance and ethics and expects similar standards from all employees.

The Board sets the strategic direction for the Group and meets quarterly or as required. All matters pertinent to the Group are discussed by the full Board, including, but not limited to, the operations and financial performance of the Group and achievement of objectives.

Board Composition

The Board consists of seven members, all non-executive Directors except for the Chief Executive Officer, Robert Allport.

The members of the Board seek to ensure that it contains a blend of experience and skills appropriate to the Group.

Directors retire by rotation each three years and are eligible for re-election.

Committees

The Board meets as a committee to consider issues pertaining to the appointment of new Directors.

An audit and risk management committee of three non-executive Directors meets half-yearly in order to confirm that any matters raised by the Group's external auditors are addressed and to confirm that the Group's financial affairs are conducted in accordance with prudent commercial practice, the requirements of the Group Procedures Manual and the prudential standards issued by the Bank of Papua New Guinea.

Independent Advice

Directors are entitled to seek independent legal advice on their duties at the Group's expense, provided that they seek the prior approval of the Chairman.

Risk Management

The Board is committed to identifying significant business risks and has put in place a number of measures to manage such risks.

Shareholder Information

The Board communicates with shareholders at least once a year by means of a comprehensive annual report. In addition, the Board provides shareholders with continuous disclosure of information considered to be price sensitive to the Group's shares. At all times the Board ensures that statutory requirements regarding disclosure are met.

Staff Matters

The Group is an equal opportunity employer and does not tolerate sexual harassment amongst employees.

Policy and Procedures

The Group has in place both Staff and Procedures Manuals, which set out duties for each staff member and systems for all procedures.

All routine legal documents are standard and used in all instances.

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 2014.

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, 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 K24,522,332 (2013: K59,109,070) and for the Company was K28,421,372 (2013: K39,551,662).

Dividends

The Company paid a final dividend of K41,235,901 (K0.13 per share in August 2014) (2013: K38,185,241 (K0.12 per share)).

Directors

The directors at the date of the report of the Company are listed on page 14. Directors' interests and shareholdings are disclosed in Note 27. No director 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 27.

Interests Register

The details of information recorded in the Interests register is disclosed in Note 27.

Auditors' remuneration

The detail of the auditors' remuneration is disclosed in Note 8.

Donations

During the year, the Group made donations totalling K67,083 (2013: K294,507).

For and on behalf of the Board of Directors

Director

Garth McIlwain

Date 30 March 2015

Director

Robert Allport

Date 30 March 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT CORPORATION (PNG) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2014

Scope

We have audited the accompanying consolidated financial statements of Credit Corporation (PNG) Limited ("Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2014, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 67.

This report is made solely to the Company's members, as a body, in accordance with section 199 of the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' responsibility for the financial statements

The Directors of Credit Corporation (PNG) Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We performed procedures to assess whether in all material respects the consolidated financial statements presents fairly in accordance with Companies Act 1997 and International Financial Reporting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of CPA Papua New Guinea. We do not provide any other services to the Group.

Audit opinion

In our opinion:

(a) the financial statements of Credit Corporation (PNG) Limited is in accordance with Companies Act 1997 including:

  i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2014 and of their performance for the year ended on that date; and

  ii) complying with International Financial Reporting Standards, and

(b) proper accounting records have been kept by the Company as far as appears from our examination of those records.

DATED at Port Moresby this 30th Day of March 2015.

KPMG
Chartered Accountants

Scott Pearce
Partner
Registered under the Accountants Act 1996

Peter Zabaks
Partner

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Consolidated		Company	
		2014	2013	2014	2013
	Note	K	K	K	K
ASSETS					
Cash and cash equivalents	13	67,395,526	26,310,225	1,544,591	4,204,281
Finance receivables	14	361,953,108	358,375,255	-	-
Other receivables	15	8,463,882	14,910,333	18,394,493	14,534,304
Held-to-maturity investments	16(i)	16,244,774	14,628,713	24,964,735	15,795,323
Available-for-sale investments	16(ii)	81,426	80,847	33,600	33,600
Investment in associate	16(iii)	14,074,648	6,935,669	14,074,648	6,935,669
Other investments	16(iv)	287,882,658	321,988,869	648,511,770	741,123,911
Inventories		501,988	375,214	-	-
Property, plant and equipment	17	21,460,773	21,111,251	4,500,086	4,090,737
Investment property	18	279,604,548	272,527,088	-	-
Income tax receivable	12(ii)	3,894,321	-	-	-
Deferred tax assets	22	-	-	23,568	-
Total assets		1,061,557,652	1,037,243,464	712,047,491	786,717,825
EQUITY					
Share capital	23	27,154,232	30,110,208	27,154,232	30,110,208
Reserves	24	349,052,429	391,447,828	517,399,482	610,383,682
Retained earnings		343,001,837	315,420,058	166,736,262	145,072,522
Total equity		719,208,498	736,978,094	711,289,976	785,566,412
LIABILITIES					
Trade and other payables	19	9,658,478	7,496,645	534,481	472,575
Deposits and borrowings	20	308,670,996	258,979,356	-	-
Employee benefits	21	1,932,323	1,856,738	69,693	-
Income taxes payable	12 (ii)	-	6,266,145	153,341	660,561
Deferred tax liabilities	22	22,087,357	25,666,486	-	18,277
Total liabilities		342,349,154	300,265,370	757,515	1,151,413
Total equity and liabilities		1,061,557,652	1,037,243,464	712,047,491	786,717,825

For and on behalf of the Board of Directors

Garth McIlwain
Director
Date 30 March 2015

Robert Allport
Director
Date 30 March 2015

The consolidated 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 24 to 67.

CONSOLIDATED INCOME STATEMENTS

		Consolidated		Company	
	Note	2014 K	2013 K	2014 K	2013 K
Finance income		63,531,938	63,829,596	-	-
Finance costs	6	(8,788,529)	(7,025,214)	-	-
Net finance income		54,743,409	56,804,382	-	-
Other income	7	68,924,879	66,010,526	63,793,489	46,594,133
Fair value loss on financial asset	16(e)	(34,420,463)	(1,730,363)	(34,420,463)	(1,730,363)
Fair value loss on investment properties	18	(14,024,399)	(6,861,368)	-	-
Net operating income		75,223,426	114,223,177	29,373,026	44,863,770
Impairment loss on finance receivables	8	(8,043,090)	(6,340,645)	-	-
Personnel expenses	10	(14,368,531)	(11,764,819)	(986,242)	(182,537)
Depreciation expenses	17	(2,289,598)	(2,036,687)	(223,982)	(246,017)
Other operating expenses		(20,513,179)	(18,894,077)	(3,733,374)	(5,965,820)
Results from operating activities		30,009,028	75,186,949	24,429,428	38,469,396
Share of profit of equity accounted investee (net of tax)	16(c)	4,047,976	1,423,017	4,047,976	1,423,017
Profit before tax		34,057,004	76,609,966	28,477,404	39,892,413
Income tax expense	12	(9,534,672)	(17,500,896)	(56,032)	(340,751)
Profit attributable to equity holders of the Company		24,522,332	59,109,070	28,421,372	39,551,662

The consolidated income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 24 to 67.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Consolidated 2014 K	Consolidated 2013 K	Company 2014 K	Company 2013 K
Profit for the period		24,522,332	59,109,070	28,421,372	39,551,662
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations:	24(c)	1,899,949	7,280,381	-	-
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	24 (a)	-	-	(58,505,931)	75,426,107
Other comprehensive income for the year (net of income tax)		1,899,949	7,280,381	(58,505,931)	75,426,107
Total comprehensive income for the year attributable to equity holders of the Company		26,422,281	66,389,451	(30,084,559)	114,977,769
Earnings per share based on profit for the year					
Basic and Diluted		0.08	0.19	0.09	0.12

The consolidated 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 24 to 67.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Consolidated	Note	Share Capital K	Reserves K	Retained Earnings K	Total K
Balance at 1 January 2013		32,357,794	394,835,683	283,827,993	711,021,470
Total comprehensive income for the year		-	-	66,389,451	66,389,451
Transfer to reserves		-	(3,387,855)	3,387,855	-
		-	(3,387,855)	69,777,306	66,389,451
Transactions with owners					
Dividends to equity holders	11	-	-	(38,185,241)	(38,185,241)
Share buy-back transactions	23	(2,247,586)	-	-	(2,247,586)
Total transactions with owners		(2,247,586)	(3,387,855)	31,592,065	25,956,624
Balance at 31 December 2013		30,110,208	391,447,828	315,420,058	736,978,094
Total comprehensive income for the year		-	-	26,422,281	26,422,281
Transfer to reserves		-	(42,395,399)	42,395,399	-
		-	(42,395,399)	68,817,680	26,422,281
Transactions with owners					
Dividends to equity holders	11	-	-	(41,235,901)	(41,235,901)
Share buy-back transactions	23	(2,955,976)	-	-	(2,955,976)
Total transactions with owners		(2,955,976)	(42,395,399)	27,581,779	(17,769,596)
Balance at 31 December 2014		27,154,232	349,052,429	343,001,837	719,208,498

The consolidated 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 24 to 67.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Company	Note	Share Capital K	Reserves K	Retained Earnings K	Total K
Balance at 1 January 2013		32,357,794	540,822,855	137,840,821	711,021,470
Total comprehensive income for the year		-	75,426,107	39,551,662	114,977,769
Transfer to reserves		-	(5,865,280)	5,865,280	-
		-	69,560,827	45,416,942	114,977,769
Transactions with owners					
Dividends to equity holders	11	-	-	(38,185,241)	(38,185,241)
Share buy back transactions	23	(2,247,586)	-	-	(2,247,586)
Total transactions with owners		(2,247,586)	69,560,827	7,231,701	74,544,942
Balance at 31 December 2013		30,110,208	610,383,682	145,072,522	785,566,412
Total comprehensive income for the year		-	(58,505,931)	28,421,372	(30,084,559)
Transfer to reserves		-	(34,478,269)	34,478,269	-
		-	(92,984,200)	62,899,641	(30,084,559)
Transactions with owners					
Dividends to equity holders	11	-	-	(41,235,901)	(41,235,901)
Share buy back transactions	23	(2,955,976)	-	-	(2,955,976)
Total transactions with owners		(2,955,976)	(92,984,200)	21,663,740	(74,276,436)
Balance at 31 December 2014		27,154,232	517,399,482	166,736,262	711,289,976

The consolidated 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 24 to 67.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Consolidated 2014 K	Consolidated 2013 K	Company 2014 K	Company 2013 K
OPERATING ACTIVITIES					
Charges earned on leases & loans		64,060,802	63,829,596	-	-
Commission, fees and rents		38,905,476	39,172,333	1,625,558	-
Dividends received		-	-	55,465,968	40,232,478
Interest payments		(8,796,002)	(7,025,214)	-	-
Payments to suppliers and employees		(27,656,300)	(28,306,571)	(4,716,887)	(1,653,185)
Operating cash flows before changes in operating assets		66,513,976	67,670,144	52,374,639	38,579,293
Net cash received/(advanced) in respect of leases		(9,916,236)	(32,132,869)	-	-
Net cash received/(repaid) in respect of deposits		60,221,940	8,435,459	-	842,024
Net cash from subsidiaries		-	-	(9,169,843)	(2,000,207)
Net cash from operating activities before income tax		116,819,680	43,972,734	43,204,796	37,421,110
Income taxes paid	12(ii)	(15,633,295)	(18,799,314)	(565,664)	(292,175)
Cash flows from operating activities		101,186,385	25,173,420	42,639,132	37,128,935
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(2,602,317)	(3,455,827)	(633,334)	(121,857)
Acquisition of investment property		(21,101,860)	(20,427,223)	-	-
Proceeds from sale of property		498,843	221,051	36,000	28,000
Acquisition of shares		(3,468,694)	(967,873)	(3,468,694)	(967,873)
Proceeds from sale of listed shares		27,371	4,424,182	27,371	4,424,182
Dividends received		20,130,194	19,261,871	-	-
Interest from funds deposited		1,002,764	1,534,683	811,376	945,251
Net cash flow from short term investments		(10,694,760)	10,434,846	-	-
Cash flows (used in)/from investing activities		(16,208,459)	11,025,710	(3,227,281)	4,307,703
FINANCING ACTIVITIES					
Share buy back	23	(2,955,976)	(2,247,586)	(2,955,976)	(2,247,586)
Repayment of borrowings		(1,856,287)	-	-	-
Dividends paid (net)		(39,115,565)	(35,928,820)	(39,115,565)	(35,928,820)
Cash flows used in financing activities		(43,927,828)	(38,176,406)	(42,071,541)	(38,176,406)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		35,203	6,179,587	-	-
Net increase/(decrease) in cash and cash equivalents		41,085,301	4,202,311	(2,659,690)	3,260,232
Cash and cash equivalents at 1 January	13	26,310,225	22,107,914	4,204,281	944,049
Cash and cash equivalents at 31 December	13	67,395,526	26,310,225	1,544,591	4,204,281

The consolidated 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 24 to 67.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. 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 2014 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.

2. 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 30 March 2015.

(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 judgements, 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 14 – Finance receivables
Note 16 – Investments in subsidiaries
Note 18 – Investment property
Note 28– Financial instruments

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Changes in accounting policies

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) were adopted by the Group effective on January 1, 2014, unless otherwise indicated:

IAS 19 Employee Benefits (amendment)
IFRS 13 Fair Value Measurements
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(a) Changes in accounting policies (continued)

Recoverable Amount Disclosures for Non-Financial Assets (amendment to IAS 36)
Investment Entities (Amendments to IFRS 10, 12 and IAS 27)

Other than additional disclosures, the application of the standards has no material impact on the amounts recognised in the financial statements.

The key change relating to the Group was in respect to IFRS 12 *'Disclosures of Interests in Other Entities'* and IFRS 13 *'Fair Value Measurements'* and the following is noted in this regard;

IFRS 12 requires disclosure of the significant judgments and assumptions that an entity has made in determining the nature of its nature of its interest in another or arrangement. It is also contains extensive disclosure requirements for subsidiaries, associates, joint ventures and unconsolidated structured entities. This is effective for annual periods beginning on or after 1 January 2013. As a result, the Group has included additional disclosures in this regard (see Note 16c).

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurement in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Notes 24 and 28).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

(b) Basis of consolidation

(i) 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.

(ii) Investments in associates

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

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

(iii) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(c) Foreign currency

(i) 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.

(ii) Foreign operations

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

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

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

(d) Financial instruments

(i) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss (continued)

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

Held-to-maturity financial assets

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

Finance receivables

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

(ii) Non-derivative financial liabilities

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Share Capital

Ordinary shares

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.

(e) Property Plant and Equipment

(i) 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.

(ii) Reclassification into investment property

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. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

(iii) 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.

(iv) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(f) Investment property

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.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables and held-to-maturity investments securities

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Available for sale financial assets

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

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

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

(i) Employee benefit plans

(i) Defined contribution plans

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(i) Employee benefit plans (continued)

(ii) Other long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2014 in respect of long-term 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.

(iii) 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.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Revenue

(i) Finance income and finance costs

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.

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

(ii) Establishment fees

The establishment fee on finance contract is recognised in the year of receipt on the basis that it is a documentation processing charge and not refundable.

(iii) 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.

(iv) 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.

(l) 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 fulfillment 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(l) Lease payments (continued)

Determining whether an arrangement contains a lease (continued)

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.

(m) Other income

Other income comprises interest income on funds invested (including available-for-sale financial assests), dividend income, establishment fees on finance contracts, gains on the disposal of available-for-sale financial assets, fair value gains and losses on financial assets at fair value through profit or loss and investment properties. Interest income on funds deposited is recognised as it accrues in profit or loss, using the effective interest method. 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.

(n) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it 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.

(o) Earnings per share

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(p) Segment reporting

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 includes 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.

(q) New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2014; however, the Group has not applied the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 29 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment in financial assets, and the new general hedge accounting requirements. It also carries forward the guidance in recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 *Revenue from Contract with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(q) New standards and interpretations not adopted (continued)

The following new or amended standards are not expected to have a significant impact of the Company's financial statements

- IFRS 14 *Regulatory Deferral Accounts*, effective for annual period beginning on or after 1 January 2016.
- *Accounting for Acquisitions of Interest in Joint Operations (amendments to IFRS 11)*, effective for annual period beginning on or after 1 January 2016.
- *Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)*, effective for annual period beginning on or after 1 January 2016.
- *Defined Benefit Plans: Employees Contributions (amendments to IAS 19)*, effective for annual period beginning on or after 1 July 2014.

4. 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).
- *Level 3*: Inputs for the asset or liability that are 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

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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

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, held-to-maturity investments and available-for-sale financial assets 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Determination of fair values (continued)

(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.

5. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

Risk management framework

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

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

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.

(i) Credit risk

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

Finance and other receivables

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

The Audit and Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Lending limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit and Risk Management Committee; these limits are reviewed quarterly.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Financial risk management (continued)

(i) Credit risk (continued)

Finance and other receivables (continued)

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

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

Investments

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

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2014 K62 million (2013: K61.9 million) was guaranteed to wholly owned subsidiaries.

(ii) 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 (see note 20).

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.

The current exposure to liquidity risk is as follows:

	2014 K	2013 K
Finance receivables	54,577,364	63,758,120
Deposits from customers	(259,741,168)	(164,115,042)
Borrowings (Era Dorina Limited secured loan)	(2,139,092)	(3,564,276)
Net	(207,302,896)	(103,921,198)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Financial risk management (continued)

(iii) Market risk

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

(iv) 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 of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme 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.

(v) 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 Company's target in 2014 was to achieve a return on capital of between 3 and 10 percent; in 2014 the actual return was 3.41 percent (2013: 8.02 percent). In comparison the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.02 percent (2013: 2.65 percent).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Financial risk management (continued)

(v) Capital Management (continued)

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

	2014 (K'000)	2013 (K'000)
Total liabilities	342,349	300,265
Less: cash and cash equivalents	(67,395)	(26,310)
Net debt	274,954	273,955
Adjusted capital	719,208	736,978
Debt to adjusted capital ratio at 31 December	0.38	0.37

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.

6. Finance costs

	Consolidated		Company	
	2014 K	2013 K	2014 K	2013 K
Interest on customer deposits	(8,788,529)	(7,025,214)	-	-
Total finance costs	(8,788,529)	(7,025,214)	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. Other income

	Consolidated		Company	
	2014 K	2013 K	2014 K	2013 K
Profit on sale of listed shares	-	39,200	-	39,200
Profit on sale of property, plant and equipment	378,901	188,984	36,000	28,000
Dividend income	26,020,781	23,051,393	61,356,555	44,021,999
Establishment fees	2,329,350	2,274,089	-	-
Rental income from property	33,503,062	33,136,505	324,000	324,000
Rental outgoings	4,016,471	4,424,529	232,908	195,055
Interest on term deposits, treasury bills and semi-government bonds	1,206,892	1,534,683	811,376	945,251
Other operating income	1,469,422	1,361,143	1,032,650	1,040,628
	68,924,879	66,010,526	63,793,489	46,594,133

8. Profit/(loss) before taxation

	Consolidated		Company	
	2014 K	2013 K	2014 K	2013 K
The operating profit for the year is stated after (crediting) / charging the following items:				
Auditors remuneration – audit fees	400,974	486,068	58,000	110,000
Professional advisory fees	369,686	2,206,841	17,579	150,638
Impairment loss on finance receivables	8,043,090	6,340,645	-	-
Donations	67,083	294,507	-	-
Bad Debts recovered	(386,356)	(376,878)	-	-
Depreciation	2,289,598	2,036,687	223,982	246,017

9. Employees

The number of employees as at 31 December 2014 employed in the Group was 160 (2013: 158).

10. Personnel expenses

	Consolidated		Company	
	2014 K	2013 K	2014 K	2013 K
Wages and salaries	9,272,104	8,601,262	477,596	48,963
Contributions to defined contribution plans	808,105	531,655	59,464	-
Long service leave and annual leave expense	109,343	19,318	69,693	-
Other staff costs	4,178,978	2,612,584	379,489	133,574
	14,368,531	11,764,819	986,242	182,537

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. Dividends

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Final dividend of K0.13 per share (2013: K0.12 per share)	41,235,901	38,185,241	41,235,901	33,185,241
	41,235,901	38,185,241	41,235,901	33,185,241

Final dividend was declared on 8 August 2014 and paid on 22 August 2014.

12. Income tax

(i) Income tax expense

Current tax	13,787,423	18,280,544	97,876	301,107
Under/(over) provisions in tax expense	(772,116)	650,900	-	-
Over/(under) provisions -deferred tax	98,494	(609,208)	(1,015)	545,906
Current deferred taxes	(3,579,129)	(821,340)	(40,829)	(506,262)
	9,534,672	17,500,896	56,032	340,751

The Group's applicable tax rate represents the statutory corporate income tax rate of 30% (2013: 30%).
The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense:

Profit before tax	34,057,004	76,609,966	28,477,404	39,892,413
Computed tax using the applicable corporate income tax rate	8,585,693	22,005,984	8,543,221	11,967,694
Non-taxable items	1,741,147	(4,546,780)	(8,486,174)	(12,172,849)
	10,326,840	17,459,204	57,047	(205,155)
Under/(Over) provision in prior years	(792,168)	41,692	(1,015)	545,906
	9,534,672	17,500,896	56,032	340,751

(ii) Income taxes (receivable)/ payable

At 1 January	6,266,145	6,202,401	660,561	711,143
Income tax expense for the year	13,787,423	18,280,544	97,876	301,107
Under/over provision in prior years	(825,174)	650,900	-	-
Income taxes paid during the year	(15,633,295)	(18,799,314)	(565,664)	(292,175)
Interest withholding tax credit	(62,238)	(68,386)	(39,432)	(59,514)
Dividend withholding tax offset	(7,359,391)	-	-	-
Other	(67,791)	-	-	-
At 31 December	(3,894,321)	6,266,145	153,341	660,561

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

For the purpose of the statement 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 statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Cash at bank and on hand	32,223,791	26,310,225	1,544,591	4,204,281
Short term deposits	35,171,735	-	-	-
Cash and cash equivalents	67,395,526	26,310,225	1,544,591	4,204,281

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 does not earn interest while short-term deposits interest rates ranges between 1.5% to 5%.

14. Finance receivables

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Gross finance receivables	453,039,938	444,138,422	-	-
Less : Unearned charges	(68,381,254)	(67,420,352)	-	-
Less : provision for impairment	(22,705,576)	(18,342,815)	-	-
Net finance receivables	361,953,108	358,375,255	-	-
Current	54,577,364	63,758,120	-	-
Non-Current	307,375,744	294,617,135	-	-
Total	361,953,108	358,375,255	-	-
Non – Current				
Finance receivables	369,900,838	358,446,755	-	-
Unearned charges	(62,525,094)	(63,829,620)	-	-
	307,375,744	294,617,135	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. Finance receivables (continued)

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Current				
Finance receivables	83,139,100	85,691,667	-	-
Unearned charges	(5,856,160)	(3,590,732)	-	-
Provision for impairment	(22,705,576)	(18,342,815)	-	-
	54,577,364	63,758,120	-	-
Finance leases included in finance receivables analysed as follows:				
Not later than one year	1,039,555	1,230,133	-	-
Later than one year and not later than five years	18,731,677	21,817,947	-	-
Later than five years	-	-	-	-
	19,771,232	23,048,080	-	-
Less: Unearned charges	(2,490,390)	(3,681,434)	-	-
Net Finance leases	17,280,842	19,366,646	-	-
Analysis of provisions				
Specific provisions (a)	7,212,010	4,913,183	-	-
Portfolio provisions (b)	15,493,566	13,429,632	-	-
	22,705,576	18,342,815	-	-
(a) Specific Provision				
Opening balance	4,913,183	2,975,046	-	-
Net increase in provisions	3,615,489	4,224,020	-	-
Transfer from / (to) general provision	-	168,866	-	-
Bad debts written off	(1,316,662)	(2,454,749)	-	-
Closing balance	7,212,010	4,913,183	-	-
(b) Portfolio Provision				
Opening balance	13,429,632	11,966,294	-	-
Increase in provisions	4,427,601	2,116,625	-	-
Transfer from / (to) specific provision	-	(168,866)	-	-
Bad debts written off	(2,363,667)	(484,421)	-	-
Closing balance	15,493,566	13,429,632	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. Finance receivables (continued)

Analysis of finance receivables by industry

	Consolidated – 2014		Consolidated – 2013	
	%	**K'000**	**%**	**K'000**
Agriculture	1%	3,701	3%	11,295
Mining	3%	13,730	2%	10,218
Manufacturing	3%	13,731	3%	15,457
Forestry and saw-milling	2%	9,509	1%	3,141
Civil contracting	14%	62,903	14%	61,898
Building and construction	11%	48,654	7%	32,417
Real Estate	3%	11,855	1%	5,692
Wholesale / Retail	5%	23,706	10%	42,589
Transport and storage	36%	161,822	47%	209,949
Professional and business services	6%	29,044	6%	28,096
Private and self employed	11%	47,871	3%	13,067
Government & statutory bodies	-	-	1%	100
Other	5%	26,514	2%	10,219
	100%	453,040	100%	444,138

15. Other receivables

	Consolidated		Company	
	2014	**2013**	**2014**	**2013**
	K	**K**	**K**	**K**
Current				
Amounts owed by related corporations	-	-	14,447,813	4,924,244
Dividend withholding tax receivable	2,096,114	8,658,233	2,096,114	8,658,233
Other debtors and prepayments	6,367,768	6,252,100	1,850,566	951,827
	8,463,882	14,910,333	18,394,493	14,534,304

The amounts owed from related corporation relate to intercompany receivable from various subsidiaries. Refer Note 27 (c). These intercompany balances are interest free and repayable on demand.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16. Investments

			Consolidated		Company	
			2014	2013	2014	2013
			K	K	K	K
(i)	**Held-to-maturity investments**					
	Non – Current					
	Held-to-maturity investments	(a)	7,469,873	2,393,852	5,046,712	5,046,712
	Current					
	Held-to-maturity investments	(a)	8,774,901	12,234,861	19,918,023	10,748,611
			16,244,774	14,628,713	24,964,735	15,795,323
(ii)	**Available-for-sale investment**					
	Non-current					
	Available-for-sale financial assets	(b)	81,426	80,847	33,600	33,600
(iii)	**Investment in associate**					
	Non-current					
	Equity accounted investee	(c)	14,074,648	6,935,669	14,074,648	6,935,669
(iv)	**Other investments**					
	Subsidiaries fair valued to equity	(d)	-	-	360,629,112	419,135,042
	Financial assets designated at fair value through profit and loss	(e)	287,882,658	321,988,869	287,882,658	321,988,869
			287,882,658	321,988,869	648,511,770	741,123,911

(a) Held-to-maturity investments

(1) The government and semi-government securities consist of stocks and bonds of Fiji semi-government institutions held by Credit Corporation (Fiji) Limited which earn interest rates of between 5.45% and 8.00% per annum (2013: between 5.45% and 8.00% per annum). Interest is paid on a quarterly basis. The balance including accrued interest as at 31 December 2014 is K2,423,160 (2013:K2,519,844).

(2) In June 2009, Credit Corporation (PNG) Limited (CCP) subscribed for a 10-year, fixed rate (11%), unsecured, subordinated K5 million Bank of South Pacific (BSP) note. The interest is payable half yearly on 29 May and 29 November. The balance including accrued interest as at 31 December 2014 is K5,046,712 (2013: K5,046,712).

(3) Treasury bills consist of Bank of Papua New Guinea Bills held by Credit Corporation Finance Limited which earn interest of between 1.83% to 7.25%. The balance including accrued interest as at 31 December 2014 is K4,758,252 (2013: K1,997,160).

(b) Available-for-sale financial assets

The Company purchased shares in Credit & Data Bureau (K33,600) in 2008. As of 31 December 2014, the unlisted shares acquired by Credit Corporation (Fiji) Limited amounted to FJ$37,500 (K47,826).

(c) Equity-accounted Investee

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (2013: 31%) of the issued shares of Capital Insurance Group 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 2014, the investment was valued at K14,074,648 (2013: K6,935,669).

The Group and Company's share of profit after tax in Capital Insurance Group for the year was K4,047,976 (2013: K1,423,017).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16. Investments (continued)

(c) Equity-accounted Investee (continued)

Capital Insurance Group financial statements:

Year	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net Assets	Income	Expenses	Profit/ (loss)
2014	71,790,170	43,612,168	115,402,338	44,769,908	14,333,839	59,103,747	56,298,591	55,538,584	43,446,854	12,091,730
2013	20,878,310	21,957,952	42,836,262	20,453,989	9,138	20,463,127	22,373,135	19,387,754	13,372,112	6,015,642

(d) Subsidiaries

	Country	Ownership	2014 K	2013 K
Credit Corporation Finance Limited	PNG	100%	104,000,000	157,000,000
Credit House Limited	PNG	100%	50,329,713	50,581,579
Era Dorina Limited	PNG	100%	141,659,192	144,891,293
Ela Makana Development Limited	PNG	100%	4,640,207	4,662,170
Credit Corporation (Fiji) Limited	Fiji	100%	38,000,000	42,000,000
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	4,000,000	4,000,000
Credit Corporation (SI) Islands	Solomon Islands	100%	18,000,000	16,000,000
			360,629,112	419,135,042

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

Credit Corporation (PNG) Limited owns 8.69% (2013: 8.69%) of the issued shares in Bank of South Pacific Limited (BSP). As 31 December 2014, the investment was valued at market value amounting to K280,580,452 (2013: K313,520,950).

The decline in market value of K34,420,463 (2013: K1,730,363) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

Listed Shares	% Held	2014 No. of shares	2014 Fair Value K	2014 Fair Value Gain/(loss) K	2013 No. of Shares	2013 Fair Value K	2013 Fair Value Gain/(loss) K
Bank of South Pacific Limited	8.69%	39,296,982	280,580,452	(32,998,433)	38,728,331	313,520,950	(3,143,066)
Airlines PNG Limited	0.90%	2,000,000	660,000	(40,000)	2,000,000	700,000	(20,000)
City Pharmacy Limited	1.25%	1,953,544	2,813,103	(1,015,843)	1,953,544	3,828,947	800,953
Kina Asset Management Ltd	7.74%	3,829,103	3,829,103	(366,187)	4,661,768	3,938,972	631,750
			287,882,658	(34,420,463)		321,988,869	(1,730,363)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. Property, plant and equipment

Consolidated	Buildings & Capital WP K	Furniture & Fittings K	Motor Vehicles K	Office Equipment K	Total K
Cost					
At 1 January 2013	10,971,448	7,925,421	3,069,576	4,218,313	26,184,758
Additions	1,923,592	704,793	667,904	159,538	3,455,827
Disposals/ Transfers	-	-	(452,115)	(3,174)	(455,289)
Effect of exchange variances	894,436	112,365	165,733	162,346	1,334,880
At 31 December 2013	13,789,476	8,742,579	3,451,098	4,537,023	30,520,176
At 1 January 2014	13,789,476	8,742,579	3,451,098	4,537,023	30,520,176
Additions	486,778	623,085	1,174,643	317,811	2,602,317
Disposals/ Transfers	-	-	766,182	-	766,182
Effect of exchange variances	175,447	24,900	3,264	12,014	215,625
At 31 December 2014	14,451,701	9,390,654	5,395,187	4,866,848	34,104,300
Depreciation					
At 1 January 2013	414,129	4,509,051	869,613	1,768,581	7,561,374
Charge for the year	251,901	679,100	555,975	549,711	2,036,687
Disposals/ Transfers	-	-	(420,046)	-	(420,046)
Effect of exchange variances	39,623	40,423	76,700	74,164	230,910
At 31 December 2013	705,653	5,228,574	1,082,242	2,392,456	9,408,925
At 1 January 2014	705,653	5,228,574	1,082,242	2,392,456	9,408,925
Charge for the year	175,710	752,737	669,575	691,576	2,289,598
Disposals/ Transfers	-	-	(617,883)	-	(617,883)
Effect of exchange variances	(2,928)	4,069	29,806	(424)	30,523
At 31 December 2014	878,435	5,985,380	1,163,740	3,083,608	11,111,163
Carrying amounts					
At 1 January 2013	10,557,319	3,416,370	2,199,963	2,449,732	18,623,384
At 31 December 2013	13,083,823	3,514,005	2,368,856	2,144,567	21,111,251
At 31 December 2014	13,573,266	3,522,086	2,699,083	1,666,428	21,460,773

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. Property, plant and equipment (continued)

Company	Buildings & Capital WP K	Motor Vehicles K	Office Equipment K	Total K
Cost				
At 1 January 2013	3,736,885	1,032,365	1,164,762	5,934,012
Additions	-	79,227	14,630	93,857
Disposals	-	(152,079)	-	(152,079)
At 31 December 2013	3,736,885	959,513	1,179,392	5,875,790
At 1 January 2014	3,736,885	959,513	1,179,392	5,875,790
Additions	478,864	95,899	58,571	633,334
Disposals	-	(80,276)	-	(80,276)
At 31 December 2014	4,215,749	975,136	1,237,963	6,428,848
Depreciation				
At 1 January 2013	76,538	858,941	755,636	1,691,115
Charge for the year	63,034	96,906	86,077	246,017
Disposals	-	(152,079)	-	(152,079)
At 31 December 2013	139,572	803,768	841,713	1,785,053
At 1 January 2014	139,572	803,768	841,713	1,785,053
Charge for the year	66,458	74,307	83,217	223,982
Disposals	-	(80,273)	-	(80,273)
At 31 December 2014	206,030	797,802	924,930	1,928,762
Carrying amounts				
At 1 January 2013	3,660,347	173,424	409,126	4,242,897
At 31 December 2013	3,597,313	155,745	337,679	4,090,737
At 31 December 2014	4,009,719	177,334	313,033	4,500,086

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. Investment property

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Balance as at 1 January	272,527,088	258,961,232	-	-
Revaluation	(14,024,399)	(6,861,368)	-	-
Transfer to property, plant and equipment	-	-	-	-
Acquisitions (including Era Dorina Stage 5 WIP)	21,101,860	20,427,224	-	-
Balance as at 31 December	279,604,548	272,527,088	-	-

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

Investment Property	Valuation Basis	Valuer	Valuation Date	Value as at 31 December 2014
Era Dorina	Discounted Cash Flows	Director valuations	31 December 2014	193,578,000
Credit House	Discounted Cash Flows	Director valuations	31 December 2014	57,377,703
Ela Makana Land	Discounted Cash Flows	Director valuations	31 December 2014	28,648,845

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:

Discounted Cash Flows: is a fair valuation model which considers the present value of net cash flows to be generated from the property. The expected net cash flows are discounted using risk-adjusted market discount rates adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs secondary). Key unobservable inputs include the risk-adjusted discount rates and market lease rates.

Fair value hierarchy

The fair value measurement for investment properties of K279,604,548 million have been categorised at Level 3 fair value, as the inputs to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market discount rate of 11.33%. Accordingly, an increase in market lease rental rates and / or a decrease in the discount rate would increase the fair value of the properties. A decrease in market lease rates and / or an increase in discount rate would decrease the fair value of the properties. A sensitivity analysis is provided on the following page.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. Investment property (continued)

Sensitivity analysis

	Effect on profit or loss increase / (decrease) 2014 (K'000)	2013 (K'000)
Increase of 1% in market capitalisation rates	(10,981)	(21,203)
10% increase in market lease rentals	35,943	24,017

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

19. Trade and other payables

	Consolidated 2014 K	Consolidated 2013 K	Company 2014 K	Company 2013 K
Interest accrued on deposits	294,746	164,310	-	-
Rental bonds payable	1,831,784	2,137,698	-	-
Rental income in advance	585,377	1,069,792	-	-
Other creditors and accrued expenses	6,946,571	4,124,845	534,481	472,575
	9,658,478	7,496,645	534,481	472,575

20. Deposits and borrowings

		Consolidated 2014 K	Consolidated 2013 K	Company 2014 K	Company 2013 K
Non-current					
Secured bank loan - note 20, (c) (iv)	(a)	15,444,815	15,875,918	-	-
Interest bearing deposits	(b)	31,345,921	75,424,120	-	-
		46,790,736	91,300,038	-	-
Current					
Current-portion of secured bank loan – note 20, (c),(iv)		2,139,092	3,564,276	-	-
Interest bearing deposits	(b)	259,741,168	164,115,042	-	-
		261,880,260	167,679,318	-	-
Total Deposits and Borrowings		308,670,996	258,979,356	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. Deposits and borrowings (continued)

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
(a) Principal repayments for non-current secured bank loans are scheduled as follows:				
More than one year, less than two years	2,332,363	2,046,591	-	-
More than two years, less than three years	2,541,653	2,241,317	-	-
More than three years, less than four years	2,769,723	2,454,570	-	-
More than four years, less than five years	3,018,258	2,688,114	-	-
More than five years	4,782,818	6,445,326	-	-
	15,444,815	15,875,918	-	-

(b) Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K31,345,921 are repayable within 2 years.

(c) Bank Facilities and Security

Interest bearing deposits and borrowings include:

i. Credit Corporation (Fiji) Limited has a bank overdraft facility of K7.7 million (2013:K7.5 million) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and floating charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 31 December 2014 this facility has not been used.

ii. Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K2.5 million (2013:K2.4 million) 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 K2.5 million. As at 31 December 2014 this facility has not been used.

iii. Credit Corporation Finance Limited has a bank overdraft facility with Bank South Pacific Limited of K10 million at 31 December 2014 and 2013. This facility is secured by a K10 million guarantee (joint and several) by Credit House and Credit Corporation (PNG) Limited. As at 31 December 2014 this facility has not been used.

iv. Era Dorina Limited has an advance facility from Bank of South Pacific Limited of K18 million. The loan is secured by a registered equitable mortgage over the fixed and floating assets of Era Dorina Limited, first registered mortgage over Allotment 33 Section 34, Granville, Port Moresby, first registered mortgage over Portion 2259, being Allotment 27 Section 34, Granville, Port Moresby, first registered Mortgage over Lots 2,3 and 8 Section 45, Granville, Port Moresby known as "Credit House", deed of guarantee and indemnity for K49.5 million by Credit House Limited and a first registered equitable mortgage over the fixed and floating assets of Credit House Limited.

v. Credit Corporation (SI) Limited has a bank overdraft facility with Bank South Pacific Limited of K 1.0 million (2013:K1.0 million). 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 2014 this facility has not been used.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. Employee benefits

	Consolidated		Company	
	2014	2013	2014	2013
	K	K	K	K
Long service leave	942,842	1,041,960	44,175	-
Annual leave	592,081	526,571	25,518	-
Others	397,400	288,207	-	-
	1,932,323	1,856,738	69,693	-

22. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2014 and 2013 are attributable to the items detailed in the tables below:

	2014			2013		
	Asset	Liability	Net	Asset	Liability	Net
	K	K	K	K	K	K
(a) Consolidated						
Property, plant and equipment	51,937	(27,700,818)	(27,648,881)	-	(30,608,372)	(30,608,372)
Employee benefits	398,487	(13,696)	384,791	508,565	-	508,565
Provision for impairment – finance receivables	3,686,232	-	3,686,232	4,578,566	-	4,578,566
Other Items	1,680,697	(190,196)	1,490,501	-	(145,245)	(145,245)
Net tax assets/ (liabilities)	5,817,353	(27,904,710)	(22,087,357)	5,087,131	(30,753,617)	(25,666,486)
(b) Company						
Property, plant and equipment	-	(1,543)	(1,543)	-	(1,224)	(1,224)
Employee benefits	20,908	-	20,908		-	-
Other items	10,110	(5,907)	4,203	-	(17,053)	(17,053)
Net tax assets / (liabilities)	31,018	(7,450)	23,568	-	(18,277)	(18,277)

23. Share capital

	Consolidated & Company	
	2014	2013
	K	K
Issued ordinary share capital		
317,731,195 shares in issue at 1 January 2014	30,110,208	32,357,794
Shares repurchased during the year 1,104,083 (2013:919,163)	(2,955,976)	(2,247,586)
316,627,112 shares in issue at 31 December 2014	27,154,232	30,110,208

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. Reserves

		Consolidated		Company	
		2014	2013	2014	2013
		K	K	K	K
Asset revaluation reserve	(a)	101,603,185	111,420,264	263,667,222	322,173,153
Asset realisation reserve	(b)	1,328,824	1,328,824	149,294	149,294
Exchange fluctuation reserve	(c)	(7,462,546)	(9,362,495)	-	-
General reserve	(d)	253,582,966	288,061,235	253,582,966	288,061,235
		349,052,429	391,447,828	517,399,482	610,383,682
(a) Asset revaluation reserve					
Balance at 1 January		111,420,264	116,223,220	322,173,153	246,747,046
Surplus/(deficit) on revaluation of properties		(14,024,399)	(6,861,366)	-	-
Tax effect on revaluation of properties		4,207,320	2,058,410	-	-
Surplus/(deficit) on revaluation of investments		-	-	(58,505,931)	74,426,107
Balance at 31 December		101,603,185	111,420,264	263,667,222	322,173,153
(b) Asset realisation reserve					
Balance at 1 January		1,328,824	1,328,824	149,294	149,294
Transfer from retained earnings		-	-	-	-
Balance at 31 December		1,328,824	1,328,824	149,294	149,294
(c) Exchange fluctuation reserve					
Balance at 1 January		(9,362,495)	(16,642,876)	-	-
Translation adjustment		1,899,949	7,280,381	-	-
Balance at 31 December		(7,462,546)	(9,362,495)	-	-
(d) General reserve					
Balance at 1 January		288,061,235	293,926,515	288,061,235	293,926,515
Transfer (to)/from retained earnings		(34,478,269)	(5,865,280)	(34,478,269)	(5,865,280)
Balance at 31 December		253,582,966	288,061,235	253,582,966	288,061,235

Asset revaluation reserve

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

Asset realisation reserve

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

Exchange fluctuation reserve

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

General Reserve

The General reserve represents amounts of net gains on long-term investments transferred from the profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. Employee benefit plans

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 2014, the Group expensed K808,105 (2013:K531,655) in contributions payable.

26. Commitments and contingencies

Commitments

The Group expects a capital outlay of K50.2 million for the partial completion of the Ela Makana property development project. The total project cost is K81.2 million. There are no other capital commitments as at 31 December 2014.

Contingencies

The Company and its subsidiaries have provided various assets as security to the bank facilities provided to the Group (refer Note 20(c)). Other than the above, there are no contingencies as at 31 December 2014.

27. Related party transactions

(a) Interest register

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

Name: Garth McIlwain **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit Corporation (Fiji) Limited, Credit Corporation (SI) Limited, Credit Corporation (Vanuatu) Limited, Era Dorina Limited, Credit House Limited, Ela Makana Developments Limited and East New Britain Properties Limited.
Name: Garth McIlwain **Nature of Interest:** Trustee	**Companies** RSL PNG Education and Memorial Trust and Janie Moala Trust
Name: John Dunlop **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit Corporation (Fiji) Limited, Era Dorina Limited, Credit House Limited, Ela Makana Developments Limited, Steamships Trading Company Limited, CPL Group Limited, Hardware Haus Ltd and Mainland Holdings Limited.
Name: Robert Allport **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit Corporation (Fiji) Limited, Credit Corporation (SI) Limited, Credit Corporation (Vanuatu) Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited, Capital Insurance Group and Credit & Data Bureau Limited.
Name: Michael Koisen **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited, Capital Insurance Group Limited, Independent Public Business Corporation and Dominion Insurance Group (Fiji)
Name: Michael Koisen **Nature of Interest:** Chief Executive	**Company** Teacher Savings and Loan Society Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. Related party transactions (continued)

(a) Interest register (continued)

Name: Ian Tarutia **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited, Nasfund Contributors Savings & Loan Society, East New Britain Properties Limited, Air Niugini, and Federation of Savings and Loan Societies Limited.
Name: Ian Tarutia **Nature of Interest:** Chief Executive	**Company** National Superannuation Fund
Name: Sir Wilson Kamit **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited, PNG Sustainable Development Program Limited, InterOil Corporation, Kamit Consultancy Limited, PNG Microfinance Limited and Kam Child Limited.
Name: Professor Albert Mellam **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited, Nambawan Super Limited, Brian Bell Group of Companies and Investment Promotion Authority – Papua New Guinea.
Name: Professor Albert Mellam **Nature of Interest:** Vice Chancellor and Chief Executive	**Organisation** University of Papua New Guinea.

(b) Transactions with Directors and key management personnel

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

	2014	2013
Michael Koisen, a Director of the Company and is also a Director of Federation of Savings and Loans Societies Limited that holds shares as follows:	16,621,878	16,621,878
Michael Koisen, a Director of the Company, is the Chief Executive Officer of Teachers Savings and Loan Society Limited that holds shares as follows:	48,613,500	48,613,500
Ian Tarutia, a Director of the Company, is the Joint Chief Executive Officer of National Superannuation Fund Limited that holds shares as follows:	62,099,367	62,099,367
Garth McIlwain, a Director of the Company holds shares as follows:	8,779,066	8,779,066

(ii) Remuneration of Directors

	2014 K	2013 K
Garth McIlwain	112,500	100,000
Michael Koisen	82,500	40,000
Ian Tarutia	82,500	40,000
John Dunlop	104,426	100,000
Wilson Kamit	82,500	35,000
Albert Mellam	82,500	35,000
Robert Allport (CEO)	-	-
	546,926	350,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. Related party transactions (continued)

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

(ii) Remuneration of Directors (continued)

Chief Executive Officer receives no fees for his services as Director during the year. The remuneration as Chief Executive Officer has been included in the remuneration of key management personnel.

Director fees for Ian Tarutia was paid directly to the Company (National Superannuation Fund Limited (2014 and 2013)) he represents.

(iii) Directors Retirement Benefit Scheme

Shareholders, at the June 2005 annual general meeting, have approved a retirement benefit scheme for directors of the Company, in respect of which a sum of K Nil (2013:K Nil) has been charged to the profit and loss account during the year.

(iv) 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 with in the specified bands as follows:

			2014	2013
250,000	–	259,999	1	-
480,000	–	489,999	-	1
530,000	–	539,999	-	1
570,000	–	579,999	-	1
630,000	–	639,999	1	-
650,000	–	659,999	-	1
670,000	–	679,999	1	-
720,000	–	729,999	1	-
1,000,000	–	1,009,999	1	-
1,040,000	–	1,049,999	-	1
1,130,000	–	1,139,999	-	1
1,210 000	–	1,219,999	1	-
1,660,000	–	1,669,999	-	1
1,740,000	–	1,749,999	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. Related party transactions (continued)

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

(v) Key Management personnel compensation

Key management personnel compensation are as follows;

	Note	Transaction value for the year ended 31 December 2014 K	2013 K	Balance outstanding as at 31 December 2014 K	2013 K
Short term benefits	(i)	6,246,379	6,194,850	-	-
Long term benefits	(ii)	48,000	79,074	906,551	857,897
		6,294,379	6,273,924	906,551	857,897

(i) Short-term employee benefits includes 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.

(vi) 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 ended 31 December 2014 K	2013 K	Balance outstanding as at 31 December 2014 K	2013 K
Management personnel	Personal Loan	(i)	19,648	15,006	233,578	119,510
Director	Deposit	(ii)	-	-	(104,005)	(168,280)
Total			19,648	15,006	(129,573)	(48,770)

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 10% per annum.

(ii) A non-interest bearing deposit with Credit Corporation Finance Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. Related party transactions (continued)

(c) Transaction with subsidiaries

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 ended 31 December		Balance outstanding as at 31 December	
		2014	2013	2014	2013
Transaction	Note	K	K	K	K
Management fee	(i)	1,000,000	1,000,000	1,250,000	250,000
Guarantee fee	(ii)	32,650	34,120	-	-
Interest bearing deposit	(iii)	264,360	45,657	19,918,023	10,748,180
Dividends	(iv)	35,354,523	21,202,052	-	-
Other	(v)	13,397,461	3,855,445	13,197,813	5,123,273

(i) Management fees paid by Credit Corporation Finance Limited (K1,000,000) to Credit Corporation (PNG) Limited annually.

(ii) Guarantee fees paid by Credit Corporation (Solomon Islands) Limited (SBD$100,000) per annum. Credit Corporation (PNG) Limited did not receive management fees from Credit Corporation (Vanuatu) Limited.

(iii) Credit Corporation (PNG) Limited invested the excess funds from dividends, management and guarantee fees, in a 1-year deposit with Credit Corporation Finance Limited. The interest earned during 2014 was K264,360 (2013: K45,657).

(iv) Dividends received from all the subsidiary companies except Ela Makana Development Limited.

(v) Provisional tax offset on dividend withholding tax credits owing to Credit Corporation (PNG) Limited. Also includes amount owing by subsidiary company Ela Makana Development 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 K4,329,494 as at 31 December 2014 (2013: K2,777,777) with Credit Corporation Finance Limited. The net interest paid was K85,009 (2013: K63,251).

(ii) Directors and entities have interest bearing deposits with the Group at commercial rates prevailing at the time of the deposit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. 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	
	2014	2013	2014	2013
	K	K	K	K
Held-to-maturity investments	16,244,774	14,628,713	24,964,735	15,795,323
Financial assets designated at fair value through profit or loss	287,882,658	321,988,869	287,882,658	321,988,869
Available-for-sale financial assets	81,426	80,847	33,600	33,600
Finance receivables (net)	361,953,108	358,375,255	-	-
Other receivables	8,463,882	14,910,333	18,394,493	14,534,304
Cash and cash equivalents	67,395,526	26,310,225	1,544,491	4,204,281
Total	742,021,374	736,294,242	332,819,977	356,556,377

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

Papua New Guinea	215,709,056	230,771,485	18,394,493	14,534,304
Fiji	101,587,155	97,378,837	-	-
Solomon Islands	41,562,384	33,635,837	-	-
Vanuatu	11,558,395	11,499,429	-	-
Total	370,416,990	373,285,588	18,394,493	14,534,304

The maximum exposure to credit risk for finance and other receivables at the reporting date by type of counterparty was (in K'000s):

Transport & Storage	161,822	209,949	-	-
Civil Contracting, Building & Construction and Real Estate	123,411	61,898	-	-
Wholesale/ Retail	23,706	42,589	-	-
Others	152,565	144,613	18,394	14,534
	461,504	459,049	18,394	14,534
Unearned charges	(68,381)	(67,420)	-	-
Doubtful debts	(22,706)	(18,343)	-	-
Total	370,417	373,286	18,394	14,534

Impairment losses

The aging of finance receivables (net of unearned charges) at the reporting date was:

Not past due	221,328,937	212,441,651	-	-
Past due 1-30 days	56,778,599	69,490,008	-	-
Past due 31-180 days	73,962,990	68,865,089	-	-
Past due 181-360 days	7,579,679	5,407,523	-	-
Past due more than 1 year	2,302,903	2,170,984	-	-
Total	361,953,108	358,375,255	-	-

The quality of those not past due is considered to be recoverable based on a specific and portfolio approach to reviewing recoverability.

The movement in the allowance for impairment in respect of loans and receivables was as follows:

Balance as at 1 January	18,342,815	14,941,340	-	-
Impairment recognised during the year	8,043,090	6,340,645	-	-
Impairment reversed during the year	(3,680,329)	(2,939,170)	-	-
Balance as at 31 December	22,705,576	18,342,815	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(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 2014

Non-derivative financial liabilities	Carrying amount	Contracted cash flows	Less than one year	1-2 years	3-5 years	More than 5 years
Secured borrowings	17,583,907	23,108,723	3,564,276	3,564,276	10,692,828	5,287,343
Interest bearing deposits	291,087,089	297,544,638	263,017,471	21,502,649	12,863,314	161,204
Trade and other payables	9,658,478	9,658,478	9,658,478	-	-	-
Total	318,329,474	330,311,839	276,240,225	25,066,925	23,556,142	5,448,547

Amounts at 31 December 2013

Non-derivative financial liabilities	Carrying amount	Contracted cash flows	Less than one year	1-2 years	3-5 years	More than 5 years
Secured borrowings	19,440,194	26,981,557	3,564,276	3,564,276	10,692,828	9,160,177
Interest bearing deposits	239,539,162	243,428,142	219,182,182	17,785,177	6,460,783	-
Trade and other payables	7,496,645	7,496,645	7,496,645	-	-	-
Total	266,476,001	277,906,344	230,243,103	21,349,453	17,153,611	9,160,177

(ii) Company

At 31 December 2014, non-derivative financial liabilities, all of which are due within the year were K534,481 (2013: K472,575).

(c) Currency risk

(i) The Group's exposure to foreign currency risk was as follows based on notional amounts:

Amounts at 31 December 2014

	FJD	SBD	VATU
Interest bearing deposits	(59,610,092)	(88,271,960)	(218,663,452)
Trade and other payables	(683,618)	(890,355)	(8,393,751)
Finance receivables	78,679,971	116,259,372	459,808,448
Held-to-maturity investments	1,937,500	-	-
Cash and cash equivalents	4,494,982	7,555,830	242,457,690
Net Exposure	24,818,743	34,652,887	475,208,935

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(c) Currency risk (continued)

(i) The Group's exposure to foreign currency risk was as follows based on notional amounts: (continued)

Amounts at 31 December 2013:

	FJD	SBD	VATU
Interest bearing deposits	(58,124,665)	(72,302,158)	(11,493,734)
Trade and other payables	(348,405)	(2,003,279)	(9,340,881)
Finance receivables	76,976,021	100,114,763	468,030,917
Held-to-maturity investment	2,037,500	-	-
Cash and cash equivalents	6,508,839	6,044,218	(1,530,063)
Net Exposure	27,049,290	31,853,544	445,666,239

(ii) The Group's exposure to foreign currency risk was as follows based on notional amounts:

Amounts at 31 December 2014:

Particulars	FJD	SBD	VATU
Total assets	94,006,293	127,682,051	709,417,505
Total liabilities	(60,767,336)	(89,162,315)	(235,554,326)
Net Exposure	33,238,957	38,519,736	473,863,179

Amounts at 31 December 2013:

Particulars	FJD	SBD	VATU
Total assets	95,114,785	109,887,805	473,187,101
Total liabilities	(58,857,666)	(74,305,437)	(30,792,306)
Net Exposure	36,257,119	35,582,368	442,394,795

(iii) Currency sensitivity analysis

The significant exchange rates applied during the year were as follows:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
FJD	0.7000	0.8349	0.7841	0.7937
SBD	2.7800	3.2760	2.8123	2.9748
VATU	37.4100	44.9992	40.0000	40.8200

A 10 percent strengthening or weakening of the PNG Kina against the following currencies at 31 December would have increased /(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(c) Currency risk (continued)

(iii) Currency sensitivity analysis (continued)

Consolidated	Strengthening		Weakening	
	Profit or Loss	Equity	Profit or Loss	Equity
As at 31 December 2014				
FJD	-	4,722,889	-	(3,864,182)
SBD	-	1,521,876	-	(1,245,171)
VATU	-	1,316,287	-	(1,076,962)
As at 31 December 2013				
FJD	-	5,075,682	-	(4,152,831)
SBD	-	1,329,029	-	(1,087,388)
VATU	-	1,204,189	-	(985,245)

Company	Strengthening		Weakening	
	Profit or Loss	Equity	Profit or Loss	Equity
As at 31 December 2014				
FJD	-	4,722,889	-	(3,864,182)
SBD	-	1,521,876	-	(1,245,171)
VATU	-	1,316,287	-	(1,076,962)
As at 31 December 2013				
FJD	-	5,075,682	-	(4,152,831)
SBD	-	1,329,029	-	(1,087,388)
VATU	-	1,204,189	-	(985,245)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(d) Interest rate risk

Profile

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

	Consolidated 2014 K	Consolidated 2013 K	Company 2014 K	Company 2013 K
Fixed rate instruments				
Financial assets (Held-to-maturity investments)	16,244,774	14,628,713	24,964,735	15,795,323
Finance receivables	318,455,994	298,187,434	-	-
Financial liabilities	(291,087,089)	(239,539,162)	-	-
Total net	43,613,679	73,276,985	24,964,735	15,795,323
Variable rate instruments				
Finance receivables	66,202,690	78,530,636	-	-
Financial liabilities	(17,583,907)	(19,440,194)	-	-
Total net	(48,618,783)	59,090,442	-	-

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 2013.

Consolidated	100bp increase Profit or Loss	100bp increase Equity	100bp decrease Profit or Loss	100bp decrease Equity
Variable rate instruments				
As at 31 December 2014	(486,188)	-	486,188	-
As at 31 December 2013	(590,904)	-	590,904	-

Company	100bp increase Profit or Loss	100bp increase Equity	100bp decrease Profit or Loss	100bp decrease Equity
Variable rate instruments				
As at 31 December 2014	-	-	-	-
As at 31 December 2013	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(e) 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	**Fair values**		**Carrying amounts**	
	2014	**2013**	**2014**	**2013**
	K	**K**	**K**	**K**
Held to maturity investments	16,244,774	14,628,713	16,244,774	14,628,713
Financial assets designated at fair value through profit or loss	287,882,658	321,988,869	287,882,658	321,988,869
Available-for-sale financial assets	81,426	80,847	81,426	80,847
Finance receivables	361,953,108	358,375,255	361,953,108	358,375,255
Cash and cash equivalents	67,395,526	26,310,225	67,395,526	26,310,225
Secured bank loans	(17,583,907)	(19,440,194)	(17,583,907)	(19,440,194)
Interest bearing deposits	(291,087,089)	(239,539,162)	(291,087,089)	(239,539,162)
Total	424,886,496	462,404,553	424,886,496	462,404,553
Company				
Held to maturity investments	24,964,735	15,795,323	24,964,735	15,795,323
Financial assets designated at fair value through profit or loss	287,882,658	321,988,869	287,882,658	321,988,869
Available-for-sale financial assets	33,600	33,600	33,600	33,600
Cash and cash equivalents	1,544,491	4,204,281	1,544,491	4,204,281
Total	314,425,484	342,022,073	314,425,484	342,022,073

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 in fair value and carrying value of fixed rate instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(f) Fair value hierarchy

Refer Note 4 for details of fair value hierarchy.

	Level 1	Level 2	Level 3	Total
Consolidated:				
31 December 2014				
Other investments (Financial assets designated at fair value through profit and loss account)	287,882,658	-	-	287,882,658
Available-for-sale investment (Financial assets classified as held for trading)	-	-	80,847	80,847
Total Assets	287,882,658	-	80,847	287,963,505
31 December 2013				
Other investments (Financial assets designated at fair value through profit and loss account)	321,988,869	-	-	321,988,869
Available-for-sale investment (Financial assets classified as held for trading)	-	-	75,896	75,896
Total Assets	321,988,869	-	75,896	322,064,765

	Level 1	Level 2	Level 3	Total
Company:				
31 December 2014				
Financial assets designated at fair value through profit and loss account	287,882,658	-	-	287,882,658
Investment in subsidiaries	-	164,000,000	196,629,112	360,629,112
Financial assets classified as held for trading	-	-	33,600	33,600
Total Assets	287,882,658	164,000,000	196,662,712	648,545,370
31 December 2013				
Financial assets designated at fair value through profit and loss account	321,988,869	-	-	321,988,869
Investment in subsidiaries	-	219,000,000	200,135,042	419,135,042
Financial assets classified as held for trading	-	-	33,600	33,600
Total Assets	321,988,869	219,000,000	200,168,642	741,157,511

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. Financial Instruments (continued)

(f) Fair value hierarchy (continued)

Level 2 investments consist of the finance subsidiaries in the Group. In the current year, this has been transferred to Level 3 as there were no recent observable arm's length transactions in the shares.

Level 3 investments consist primarily of investment property subsidiaries held at Net Assets Value. The investment properties within the subsidiaries were all valued during the year. The investment properties in the subsidiaries are included within the Group in note 18. Sensitivity analysis of these properties conducted in note 18 would have similar effect on the valuation of the Level 3 subsidiaries above.

29. Operating segments

The Group has eight (8) 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 (CC Finance)*
    - *Credit Corporation (SI) Limited (CCSI)*
    - *Credit Corporation (Fiji) Limited (CCFJ)*
    - *Credit Corporation (Vanuatu) Limited (CCVT)*
2. Property investment –
    - *Era Dorina Limited – residential (EDL)*
    - *Credit House – commercial (office spaces) (CHL)*
    - *Ela Makana Developments Limited – residential investment block of land (ELAM)*
3. Investment Company –
    - *Credit Corporation (PNG) Limited (CCPNG)*

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29. Operating segments (continued)

Information about reportable segments

2014 (K'000)

	CCPNG	CC Finance	CHL	ELAM	EDL	CCSI	CCFJ	CCVT	Total
Revenue	26,158	35,369	12,713	-	25,182	8,117	21,060	4,281	132,880
Inter-segment revenue	37,635	2,256	519	-	633	-	-	-	41,043
Finance costs	-	(4,646)	-	-	-	(1,481)	(2,994)	(91)	(9,212)
Fair value (loss)/gain	(34,420)	-	(4,921)	-	(9,104)	-	-	-	(48,445)
Depreciation	224	503	90	-	752	78	591	52	2,290
Reportable segment profit before income tax	24,429	14,647	3,199	(74)	6,098	4,145	11,222	1,697	65,363
Share of profit of equity-method investee	4,048	-	-	-	-	-	-	-	4,048
Reportable segment assets	697,980	315,599	64,617	30,889	201,655	45,438	120,742	17,735	1,494,655
Investment in associate	14,075	-	-	-	-	-	-	-	14,075
Reportable segment liabilities	765	211,626	14,287	26,249	59,996	31,730	78,351	5,889	428,893

2013 (K'000)

	CCPNG	CC Finance	CHL	ELAM	EDL	CCSI	CCFJ	CCVT	Total
Revenue	24,438	39,932	11,681	-	25,707	6,650	18,290	3,330	130,028
Inter-segment revenue	22,156	1,885	417	-	566	-	-	-	25,024
Finance costs	-	(3,356)	-	-	-	(948)	(2,861)	(47)	(7,212)
Fair value (loss)/gain	(1,730)	-	-	-	(6,861)	-	-	-	(8,591)
Depreciation	(246)	(617)	(95)	-	(688)	(62)	(459)	(45)	(2,212)
Reportable segment profit before income tax	38,469	24,994	7,008	(99)	12,023	4,039	8,805	940	96,179
Share of profit of equity-method investee	1,423	-	-	-	-	-	-	-	1,423
Reportable segment assets	779,765	265,814	67,920	9,785	212,250	36,839	119,572	11,592	1,503,537
Investment in associate	6,935	-	-	-	-	-	-	-	6,935
Reportable segment liabilities	1,133	163,882	17,339	5,123	67,359	24,878	73,891	754	354,359

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29. Operating segments (continued)

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

(K'000)	2014	2013
Revenues		
Total revenue for reportable segments	173,923	155,052
Fair value gain/(loss)	(48,445)	(8,591)
Finance costs	(9,212)	(7,212)
Elimination of inter-segment revenue	(41,043)	(25,026)
Net operating income	**75,223**	**114,223**
Profit or loss		
Total profit or loss for reportable segments	65,364	96,179
Elimination of inter-segment profit	(35,355)	(20,992)
Share of profit of equity-accounted investee	4,048	1,423
Consolidated profit before tax	**34,057**	**76,610**
Assets		
Total assets for reportable segments	1,494,722	1,503,537
Investment in equity-accounted investee	14,075	6,935
Elimination of intercompany balance	(80,794)	(49,006)
Elimination of investment in subsidiaries	(360,628)	(419,135)
Consolidated total assets	**1,067,375**	**1,042,331**
Liabilities		
Total liabilities for reportable segments	428,961	354,359
Elimination of intercompany balances	(80,794)	(49,006)
Consolidated total liabilities	**348,167**	**305,353**

Geographical segments	**Revenue (K'000)**		**Non-current Assets* (K'000)**	
	2014	**2013**	**2014**	**2013**
Papua New Guinea	46,332	89,810	1,123,464	1,216,109
Fiji	18,066	15,429	114,247	105,120
Solomon Islands	6,635	5,702	37,471	32,436
Vanuatu	4,190	3,284	9,147	9,693
Total	75,223	114,225	1,284,329	1,363,358

*Non-current assets presented consist of property and equipment, finance and other receivables, investment property, other investments and deferred tax assets.

30. Earnings per share

The calculation of basic earnings per share (consolidated) at 31 December 2014 was based on profit attributable to ordinary shareholders of K24,522,332 (2013: K59,109,070), and a weighted average number of ordinary shares outstanding of 317,179,154 (2013: 318,190,777). There is no difference between basic and diluted earnings per share.

31. Events occuring after balance sheet date

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

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2014

	Number	%
NAMBAWAN SUPER LIMITED	63,331,117	20.00%
NATIONAL SUPERANNUATION FUND LIMITED	62,099,367	19.61%
TEACHERS SAVINGS AND LOAN SOCIETY LTD	48,613,500	15.35%
LAMIN TRUST FUND	19,158,710	6.05%
MOTOR VEHICLES INSURANCE LIMITED	17,100,000	5.40%
FEDERATION OF SAVINGS & LOAN SOCIETIES LIMITED	16,621,878	5.25%
GARTH MCILWAIN	8,779,066	2.77%
NGIP AGMARK LIMITED	8,006,946	2.53%
MINERAL RESOURCES STAR MOUNTAINS LIMITED	4,374,011	1.38%
BSP LIFE (FIJI) LIMITED	4,091,838	1.29%
MINERAL RESOURCES OK TEDI NO 2 LIMITED	4,064,848	1.28%
HEDURU MONI LIMITED	3,500,000	1.11%
FINANCE CORPORATION LIMITED	3,190,647	1.01%
CAPUCHIN FRIARS MINOR OF PNG	2,452,214	0.77%
COMRADE TRUSTEE SERVICES LTD	2,082,333	0.66%
KINA NOMINEES LIMITED	2,010,000	0.63%
WEST NEW BRITAIN PROVINCIAL GOVERNMENT	2,000,000	0.63%
DAUGHTERS OF OUR LADY OF SACRED HEART OLSH PROVINCIALATE	1,800,000	0.57%
VADA NO 3 LIMITED	1,625,028	0.51%
PACIFIC MMI INSURANCE LIMITED	1,587,406	0.50%
TOTAL	**276,488,909**	**87.30%**

SHAREHOLDING BANDS AS AT 31 DECEMBER 2014

Shareholding	No. of Shareholders	No. of Shares
1 - 1,000	681	354,995
1,001 - 5,000	407	921,191
5,001 - 10,000	321	2,748,401
10,001 - 100,000	236	7,255,435
100,001 and above	88	305,347,090
Total	**1,733**	**316,627,112**

SHARE TRADES

Year	No.	Volume
2010	363	11,625,353
2011	500	13,740,727
2012	528	7,226,532
2013	431	4,878,096
2014	386	16,054,508

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CREDIT CORPORATION (FIJI) LIMITED

Peter Dixon

Managing Director

2014 was a very successful year for Credit Corporation (Fiji) Limited, with the company returning a record operating profit of F$7.86 million (K11.22 million) for the year, a 7% increase on the prior year's result. A net after tax profit of F$6.43 million (K9.19 million) was recorded for the year, a 18% improvement over the previous year's result reflecting continued effective cost control and improved collection efforts.

Despite strong competition, new business volumes increased by 6% over prior year levels on the back of stable economic conditions and increasing level of vehicle imports both new and second hand. There was a significant increase in 2014 in the numbers of second hand vehicles which were financed; with the taxi operators in particular taking the opportunity to upgrade vehicles given the greater numbers of affordable second hand vehicles now available in Fiji. The continuation through 2014 of the Government's major commitment to fund the program of rejuvenation of roads and bridges across Fiji again led to good financing opportunities as sub-contractors continued to upgrade their fleets to cope with the work being undertaken.

National elections held in September 2014, the country's first since the 2006 coup, were successfully conducted and expectations are high that the solid economic growth of recent years will continue under stable government. Business sentiment has been buoyant and international agencies and governments have shown strong support with pledges to provide significant funding for Fiji's development program.

Economic indicators remain positive, with tourism, Fiji's major foreign exchange earner recording a strong performance in 2014 with visitor arrivals significantly up on the previous year and sugar production also well up on 2013 on the back of improved mill efficiency. Demand conditions remained upbeat through the year, with strong increases in the level of consumption goods being imported and in new lending for consumption purposes. On the investment front, solid increases in construction activity and in the level of financing activity for investment purposes were evident in 2014.

A high level of liquidity existed in the banking system during the course of the year, with interest rates at historically low levels at the end of 2014. Low interest rates have fuelled strong growth in the level of private sector credit.

With new players entering the Fiji asset finance market, 2015 is expected to be a challenge in terms of maintaining market-share. However it is anticipated that business levels will remain buoyant given the expected continuation of positive economic conditions into 2015. Our efficient and hard-working team play a significant part in the success of this company. On behalf of our board I thank them for their efforts in 2014 and look forward to their valued contribution to the business in the year ahead.

Peter Dixon

Managing Director

CREDIT CORPORATION (FIJI) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2014 FJD	2013 FJD
Assets		
Cash and cash equivalents	4,494,982	6,508,839
Finance receivables	78,679,971	76,976,021
Investments	1,937,500	2,037,500
Other receivables	1,626,216	2,451,701
Property, plant and equipment	7,209,154	7,051,169
Intangible assets	58,470	89,555
Total assets	94,006,293	95,114,785
Liabilities		
Other payables	683,618	348,405
Employee entitlements	473,626	384,596
Deposits from customers	59,610,092	58,124,665
Total liabilities	60,767,336	58,857,666
Net assets	33,238,957	36,257,119
Shareholders' equity		
Share capital	2,150,000	2,150,000
Share premium reserve	1,300,000	1,300,000
Capital profits reserve	633,814	633,814
Retained earnings	29,155,143	32,173,305
Total shareholders' equity	33,238,957	36,257,119
Retained Earnings		
Net Profit After Tax	6,433,516	5,451,678
Retained earnings at the beginning of the year	32,173,305	28,263,541
Dividends paid	(9,451,678)	(1,541,914)
Retained earnings at the end of the year	29,155,143	32,173,305

Board of Directors

Garth McIlwain
John Dunlop
Lionel Yee
Abigail Erica Chang
Robert Allport
Peter Dixon

CREDIT CORPORATION (SI) LIMITED

Tony Langston

Managing Director

Credit Corporation (SI) Limited enjoyed a reasonable result in 2014; posting an operating profit before tax of SBD11.52 million (K4.15 million), below by 12.90% compared to 2013. This was achieved despite some challenges experienced during the year, notably the flash flood which occurred in Honiara in April. This caused significant losses to businesses and decapitated key transport infrastructures within Honiara and surrounding areas for some time.

Total revenue generated from core activity is SBD18.45 million (K6.64 million), slightly down by 1.38% compared to 2013. Operating expenses (exclusive of depreciation and doubtful debts) were well within budget and cost to income ratio was 17.94%.

New business volume increase by 46.15% to SBD73.28 million (K26.36 million) compared to 2013. Balance sheet remains strong with both sides of the book showing active movement. The public confidence in our business continues to grow as evident from steady growth in our deposit and finance portfolios.

The level of non-performing loans is maintained at an acceptable position with adequate provision in place to address the same.

As a good corporate citizen, Credit Corporation donated through World Vision International SBD100,000 (K35.970) to assist with rehabilitation of victims affected by the flash flood. Furthermore we continue to support sport development programs in schools and other charitable activities.

On the domestic economy, GDP growth was reported above 3% in the first half of 2014 but declined to just above 1% at the end of the year. This was largely influenced by the flash flood occurred in April. But despite the challenges, major industries indicated an optimist outlook for 2015.

The national general election was conducted successfully in November and subsequently a new coalition government (Democratic Coalition for Change- DCC) was formed. The government has released its policy strategy with main focus on growing the country's economy.

We will continue to maintain high level of customer service, improve and sustain operational efficiency and maximise financial performance in 2015.

Tony B. Langston
Managing Director

CREDIT CORPORATION (SI) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2014 SBD	2013 SBD
Assets		
Cash and cash equivalents	7,555,830	6,044,218
Finance receivables	116,259,372	100,114,763
Other receivables	530,928	243,428
Property, plant and equipment	3,335,921	3,485,396
Total assets	127,682,051	109,887,805
Liabilities		
Other payables	890,355	2,003,279
Deposits from customers	88,271,960	72,302,158
Total liabilities	89,162,315	74,305,437
Net assets	38,519,736	35,582,368
Shareholders' equity		
Share capital	20,000,000	20,000,000
Retained earnings	18,519,736	15,582,368
Total shareholders' equity	38,519,736	35,582,368
Retained Earnings		
Net Profit After Tax	9,187,368	11,154,061
Retained earnings at the beginning of the year	15,582,368	10,928,307
Dividends paid	(6,250,000)	(6,500,000)
Retained earnings at the end of the year	18,519,736	15,582,368

Board of Directors

Garth McIlwain

Robert Allport

Tony Langston

CREDIT CORPORATION (VANUATU) LIMITED

David Weston

Managing Director

Net profit for the year totalled Vt 63.47 million (K1.70 million), a marked improvement over 2013 result of Vt 40.39 million (K940k). This represents a 57% increase in a difficult market but also indicates that we are firmly entrenched in Vanuatu and we continue to increase our customer base. Our Shareholder's Equity has also increased by 7.11% from Vt 442.39 million (K10.84 million) to Vt 473.86 million (K11.85 million).

In November 2014, the Reserve Bank of Vanuatu (RBV) gave us permission to introduce a new Variable Rate Contract (VRC) that caters for the clients wishing to enter into or develop the property market or assist with business funding. The RBV were pleased that we were looking to increase our product range and we are adamant that responses to this new product will be positive. Advertising will commence in the 1st quarter to start promoting this product.

Arrears were a concern 2014 however processes were put in place during the year to manage and improve our position. Our portfolio is also adequately provisioned.

Government's proposed duty increase on utility and second hand vehicles may have some impact on our business as these popular vehicles would become more expensive. Tourism is expecting 230 ships in 2015 which will boost the economy. Real GDP growth is forecast at 3.8% for 2015 and 4.0% for 2016 whilst inflation should remain steady at 3.0% Vanuatu has signed an agreement for USD38 million of aid from the EU which will be used to develop the country's rural areas. A number of infrastructure projects will commence in 2015. These include extension and redevelopment to two major wharves and road infrastructure development in preparation for the 2017 Pacific Mini Games. Nautilus underwater exploration will also continue. With all these projects happening, there will be a spinoff for business for Credit Corporation (Vanuatu) Limited.

In light of the above, we feel that 2015 will be a year to rebuild and expand the business. We are promoting new products, retraining staff in all areas of the operation and we are aggressively targeting the commercial market that the Banks have controlled for many years.

At the time of writing, we have just experienced Tropical Cyclone Pam, a Category 5 cyclone which has devastated Vanuatu. While we expect some impact on new business and arrears level, measures are in place to assist and service our clients and strive to achieve a reasonable return for our Shareholders.

David Weston

Managing Director

CREDIT CORPORATION (VANUATU) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2014 Vatu	2013 Vatu
Assets		
Cash and cash equivalents	242,457,690	(1,530,063)
Finance receivables	459,808,448	468,030,917
Other receivables	2,424,437	1,238,513
Property, plant and equipment	4,726,930	5,447,734
Total assets	709,417,505	473,187,101
Liabilities		
Other payables	8,393,751	9,340,881
Deposits from customers	218,663,452	11,493,734
Deferred fee income	8,497,123	9,957,691
Total liabilities	235,554,326	30,792,306
Net assets	473,863,179	442,394,795
Shareholders' equity		
Share capital	50,000,000	50,000,000
Share premium reserve	318,188,000	318,188,000
Retained earnings	105,675,179	74,206,795
Total shareholders' equity	473,863,179	442,394,795
Retained Earnings		
Net Profit After Tax	63,468,384	40,387,441
Retained earnings at the beginning of the year	74,206,795	49,819,354
Dividends paid	(32,000,000)	(16,000,000)
Retained earnings at the end of the year	105,675,179	74,206,795

Board of Directors

Garth McIlwain

Robert Allport

David Weston

CORPORATE DIRECTORY

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

Principal Place of Business
Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea

Directors
Garth McIlwain (Chairman)
Michael Koisen
Ian Tarutia
John Dunlop
Sir Wilson Kamit
Professor Albert Mellam
Robert Allport

Chief Executive Officer
Robert Allport

Company Secretary
Rennie Wekina

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KPMG Chartered Accountants
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Papua New Guinea

Fiji - KPMG
Solomon Islands - Morris & Sojnocki
Vanuatu - Law Partners

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Bank of South Pacific Limited
National Bank of Vanuatu
Westpac Bank PNG Limited

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CREDIT CORPORATION

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