CREDIT CORPORATION

2017
ANNUAL REPORT

CONTENTS

COMPANY INFORMATION

Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company. It has grown successfully to be recognised as one of Papua New Guinea and 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;
- Insurance premium funding; and
- 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 K1.36 billion and operates offices in Port Moresby, Kokopo, Mount Hagen and Lae in Papua New Guinea, in Suva, Nadi, Lautoka and Nakasi in Fiji, in Honiara in the Solomon Islands, Port Vila in Vanuatu and Dili in Timor-Leste.

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

CHAIRMAN'S REVIEW

Sir Wilson Kamit, CBE
Chairman

Economic growth in our key Papua New Guinea (PNG) market was once again slow in 2017, following slow years in 2015 and 2016. This impacted our key activities in PNG of finance and property rentals, and we are looking forward to improved outcomes in 2018.

- Core Operating Profit in 2017 increased to K75.4 million, an increase of 14.4% from K65.9 million in 2016. Finance revenues improved and net rental income stabilised, while investment returns increased. Pleasingly, impairment costs on loans reduced to more normal levels, following a spike in 2016. Revaluations of property and investment were slightly negative, compared to strong positive revaluations in 2016, once again reflecting the slow PNG economy and property market in particular.
- Operating Profit after revaluations and after tax fell to K73.6 million, a fall of 34.4% from K98.9 million in 2016, equating to Earnings Per Share of K0.24 in 2017 compared to K0.31 in 2016.
- Group total assets increased in 2017 to K1,358.2 million from K1,249.2 million in 2016.
- Total shareholders' equity increased in 2017 to K811.7 million, from K787.3 million in 2016. This continues the strong tradition of increasing shareholders' equity, and equates to Net Asset Backing per share in 2017 of K2.63 compared to K2.50 in 2016.
- Total dividends paid to shareholders in 2017 were maintained at K0.14 per share compared to K0.14 in 2016.

In compliance with International Financial Reporting Standards the following fair value adjustments have been included in the 2017 financial statements.

- Bank of South Pacific Limited (BSP) and shareholdings in other companies listed for trading on Port Moresby Stock Exchange (POMSoX): in 2017 a positive fair value adjustment of K18.6 million was made to recognise the increase in BSP share price from K9.00 to K9.50 per share as reported from the POMSoX, compared to a positive adjustment in 2016 of K56.8 million.
- Investment properties: in 2017 a negative fair value adjustment of K19.8 million was made to Group investment properties, compared to a negative adjustment in 2016 of K22.1 million. This reflects the fall in valuation through lower occupancy levels and falling rental rates.

As I have outlined in this review for the past few years, 2017 was once again a tough year in our core market of PNG. In addition to continued slow mining related activity, the non-mining sectors have continued to struggle especially those businesses requiring foreign exchange to pay for imports. Government spending continues to exceed receipts, and while much of this infrastructure spending supports Credit Corporation clients, funding of continued budget deficits has crowded out private sector activity. As a result of this competition for funds Credit Corporation Finance has also seen higher deposit interest rates, narrowing margins and depressing profits.

2017 saw the re-election of the O'Neill government in Papua New Guinea for a further five year term. We hope the continuity will help business confidence, and that the State of Papua New Guinea will host a successful meeting of APEC in late 2018.

The Board and management addressed several pressing issues during the year, and towards the end of 2017 Mr Tor Bowen resigned as Chief Executive Officer. Mr Peter Aitsi has subsequently been appointed as the new Chief Executive Officer, and will continue implementing the Board's Strategic Plan for the next few years. I am most grateful to Mr

CHAIRMAN'S REVIEW

Peter Dixon who filled the role of Acting Chief Executive Officer in late 2017 and early 2018, balancing his ongoing responsibilities managing our successful Fiji operation and also guiding the Group till a new CEO was appointed. That Plan includes growing the finance business, especially in Papua New Guinea, and improving rental income from properties by improving occupancies. We believe we now have the right team in place to execute our plans and we look forward to an improved performance in 2018. A key focus for management will be to leverage the Group's "Pacific footprint", by not only providing finance to Pacific clients but complimentary services that we might not currently provide.

We sincerely appreciate the loyalty of our key clients, and this is most appreciated by staff and the Board. I acknowledge the ongoing support and wise counsel of my fellow Board members and the dedicated staff including our executive team.

Sir Wilson Kamit, CBE
Chairman

GROUP'S FIVE-YEAR FINANCIAL SUMMARY

	2013	2014	2015	2016	2017
Profit and Loss (K'000)					
Core Operating Profit	85,201	82,501	75,762	65,943	75,424
Property Revaluations	(6,861)	(14,024)	(18,562)	(22,052)	(19,821)
Investment Revaluations	(1,730)	(34,420)	13,303	56,859	18,590
Operating Profit before Tax & after Revaluations	**76,610**	**34,057**	**70,503**	**100,749**	**74,193**
Income Tax	17,501	9,535	7,361	1,812	555
Operating Profit after Tax attributable to the Group	**59,109**	**24,522**	**63,142**	**98,937**	**73,638**
Retained Earnings	**315,420**	**343,002**	**364,762**	**374,104**	**403,648**
Dividends (K'000)					
Final Dividend Paid	38,185	41,236	41,072	44,095	30,837
Dividend per share (Kina)	0.12	0.13	0.13	0.14	0.10
Interim Dividend Paid	-	-	-	12,597	12,317
Dividend per share (Kina)	-	-	-	0.04	0.04
Total Paid	38,185	41,236	41,072	56,692	43,154
Balance Sheet (K'000)					
Finance Receivables	358,375	361,953	406,555	395,381	480,879
Total Assets	1,042,331	1,067,375	1,164,880	1,249,150	1,358,179
Deposits	239,539	291,087	345,803	361,448	454,352
Shareholders' Funds	736,978	719,208	743,692	787,292	811,720
Performance Ratios					
Return on Assets*	8.2%	7.7%	6.5%	5.3%	5.6%
Return on Equity**	11.6%	11.5%	10.2%	8.4%	9.3%
Expense/Income***	30.6%	34.7%	37.1%	42.6%	44.3%
Net Asset Backing Per Share	2.32	2.27	2.36	2.50	2.63
EPS (Basic and Diluted)	0.19	0.08	0.20	0.31	0.24
No. of o/s ordinary shares	317,731,195	316,627,112	314,966,049	314,866,510	308,280,832
Weighted ave. no. of ordinary shares	318,190,777	317,179,154	316,001,285	314,948,497	312,672,856
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.835	0.700	0.761	0.684	0.651
Solomon Islands Dollar	2.975	2.780	2.703	2.600	2.451
Vanuatu Vatu	40.820	37.410	38.583	37.240	33.360
USD	N/A	N/A	N/A	0.308	0.317

* Core Operating Profit/Total Assets

** Core Operating Profit/Total Equity

*** Calculated before any fair value changes of investments and movement in bad debts provision

39-YEAR HIGHLIGHTS

1978
Company incorporated on 25th 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.

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

39-YEAR HIGHLIGHTS

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. Era Matana Stage 1 & 2 project commenced construction.
Mount Hagen branch opened.

2015

Cyclone Pam devastates Vanuatu.

2016

Completion of Era Matana Estate, Port Moresby's newest and most luxurious apartment complex. Launch of Insurance Premium Funding product.

2017

Total assets reach record K1.358 billion. Gross loans advanced exceeded K600 million for the first time. Credit Corporation Timor-Leste opened in September 2017.

CHIEF EXECUTIVE OFFICER'S REPORT

Peter Dixon
Acting Chief Executive Officer

Despite the continuation of tough market conditions in both Papua New Guinea (PNG) and the Solomon Islands, Credit Corporation (PNG) Limited achieved solid results in 2017. Our finance businesses in PNG, Vanuatu and Fiji, recorded improved operating results in 2017 and the company's key equity stake in Bank of South Pacific Limited (BSP) again delivered very good dividends as well as valuation gain given BSP share price appreciation. Our property business continued to see competitive pressure in Port Moresby and performed marginally lower than in 2016.

The Core Operating Profit for Credit Corporation (PNG) Limited and its subsidiaries increased 14.4% to K75.4 million for the year ended 31st December 2017. This excludes the effects of valuation gains or losses.

In contrast, the Group's Net Profit after Tax fell 25.6% to K73.6 million for 2017. This result included a positive valuation gain of K18.6 million against the value of the company's shareholding in Bank South Pacific Limited and other listed companies, compared to a larger valuation gain in 2016 of K56.8 million. A negative adjustment of K19.8 million was made as a result of a write-down in the fair value of investment properties, following a negative adjustment in 2016 of K22.1 million.

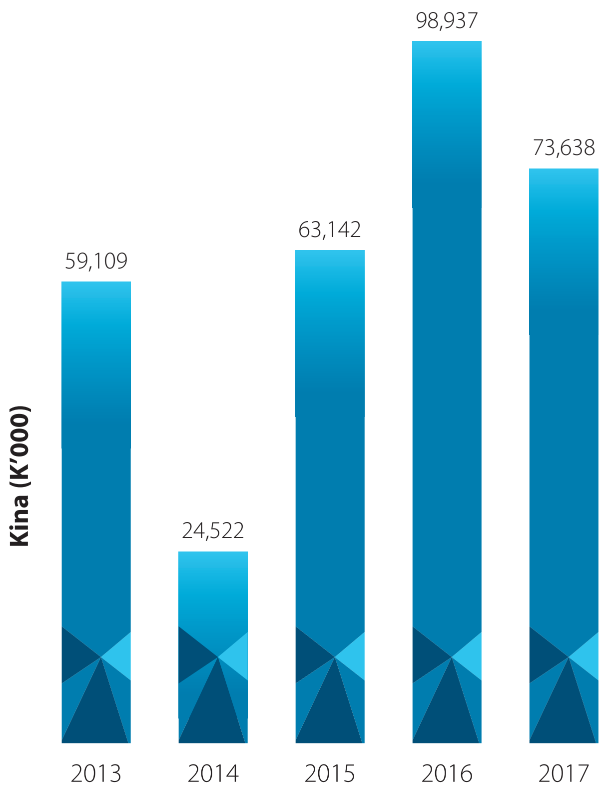
Shareholder's funds have continued to grow and were at K811.7 million, a rise of 3.1% over 2016, while total assets have grown to a record K1.358 billion at year end, a rise of 8.7% over 2016. Group Finance Receivables grew to K480.9 million by 31 December 2017, a very strong 21.6% increase from 2016 and reflecting growth in all markets, including PNG.

Net asset backing per share had increased to K2.63 per share as at the end of 2017, compared to K2.50 in 2016, underlining the strong financial position of the Group built up over the past 39 years.

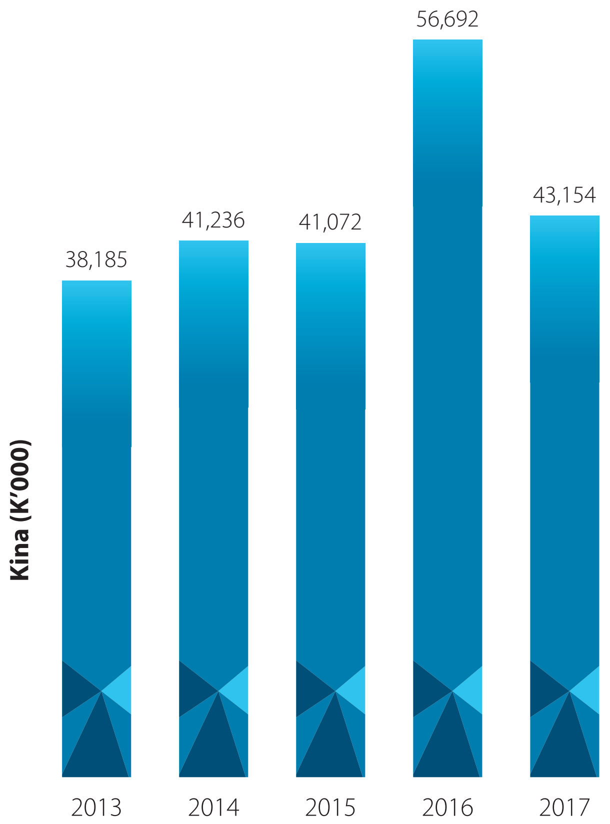
2017 was a challenging year in terms of leadership change, with our Group Chief Executive Officer (CEO) resigning in late 2017. However it is pleasing to report that well known and respected business leader, Mr Peter Aitsi has accepted the position of Group CEO and joins us in April 2018. Mr Aitsi brings a unique set of management and leadership skills to the Group, gained during his tenure holding various senior management positions across a range of industries in PNG. Most recently Mr Aitsi has been Country Head for Newcrest Mining Limited.

CHIEF EXECUTIVE OFFICER'S REPORT

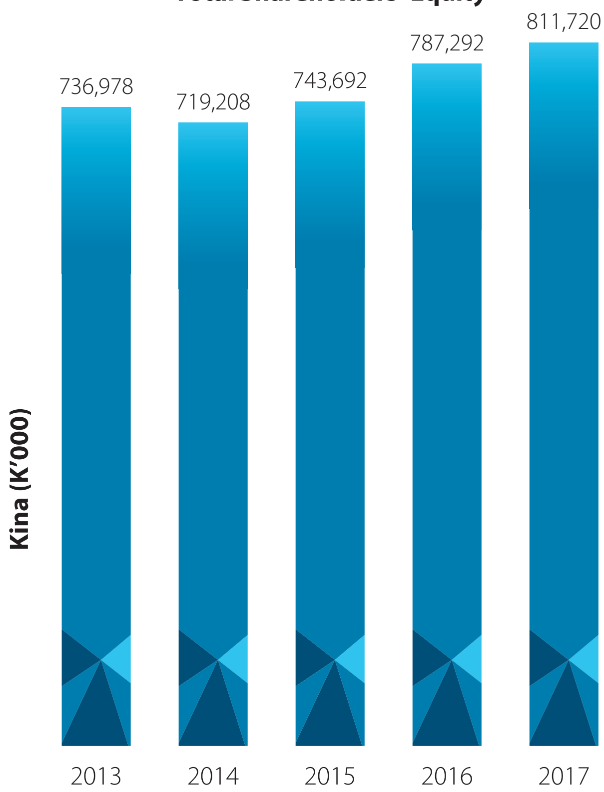
Operational Profit After Tax



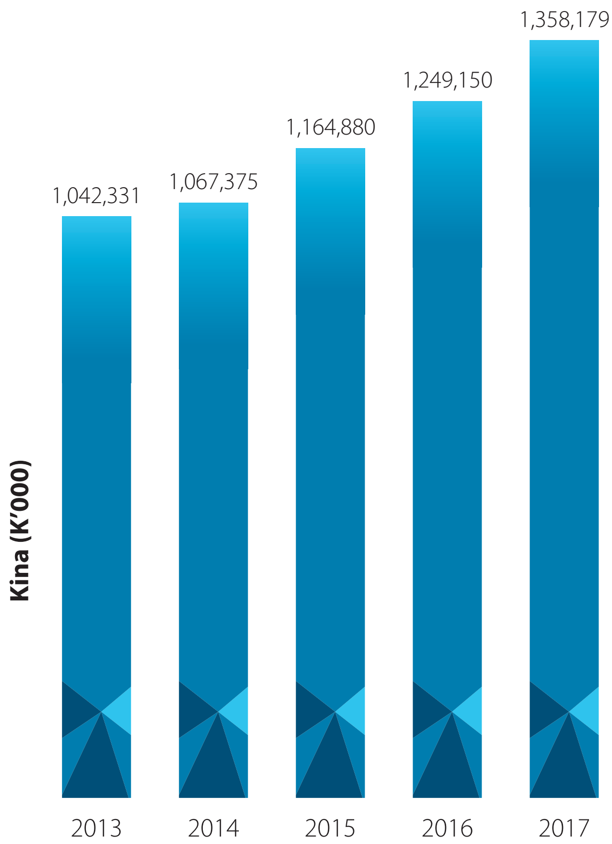
Dividends Paid

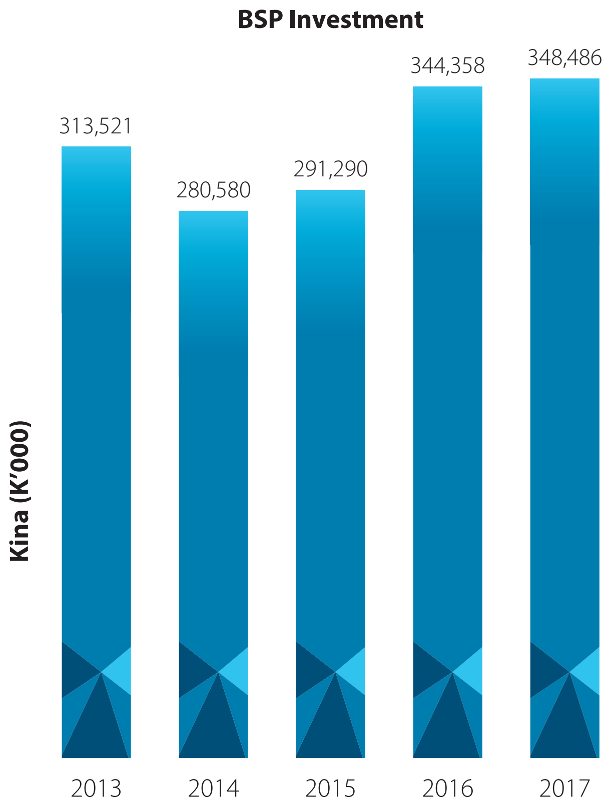


Total Shareholders' Equity



Total Assets





CREDIT HOUSE LIMITED

Credit House faces strong competition in downtown Port Moresby from existing high-quality office blocks. The company reported a Net Profit after Tax of K3.7 million for 2017, compared to K11.4 million in 2016. This included a loss on revaluation of K1.3 million, compared to a gain of K14.2 million in 2016.

A building refurbishment program was accelerated through 2016 and 2017 given vacancies in Credit House, progressively updating vacant floor space to a high standard to attract potential corporate tenants. That refurbishment program has now been completed, with occupancy levels rising to 60% as at the end of 2017, with occupancy at a pleasing 83% by end of March 2018.

We believe that Credit House is now well positioned to attract good quality corporate tenants and are hopeful of near total occupancy by the end of 2018.

ERA DORINA

Conditions remained challenging in 2017 with a flat market for executive rental units existing in Port Moresby. Era Dorina Limited recorded a Net Loss after Tax of K6.8 million in 2017 (K9.2 million in 2016), including a negative fair value adjustment of K16.7 million on the property (negative K19.5 million in 2016). This reflects the continuing challenge of new high quality residential accommodation in Port Moresby, and falling rental rates in the executive rental market.

The board approved an amount of K10.7 million to progressively fully refurbish a number of units in the older Stages 1 and 2, with this work commenced in early 2018. This capital commitment was seen as vital to ensure that the Era Dorina development retains its reputation as one of Port Moresby's premier residential complexes.

Occupancy fell slightly from 63% at the end of 2016 to 60% at the end of 2017. By March 2018, occupancy had increased to 61%. Looking forward, occupancy levels and company performance are expected to improve as the unit refurbishment program completes by mid-2018, and refurbished apartments become available to rent. We believe Era Dorina continues to be attractive, especially to families, and expect more interest in 2018 as we continue our ongoing refurbishment plan.

Era Dorina Estate.

ERA MATANA

2017 was the first full year in which Era Matana was available for rent, and take up was slower than we had hoped. Era Matana Limited recorded a Net Loss after Tax of K6.4 million, including a negative fair value adjustment of K4.0 million. Like Era Dorina, this reflects the competitive challenge from recently constructed accommodation targeting the executive rental market.

Occupancy improved from 11% at the end of 2016, when the property was just completed, to 40% at the end of 2017. By March 2018, occupancy had increased to 57%, reflecting reduced rental rates and increased interest from our target executive rental market.

We believe this property will attract higher interest in 2018, reflecting the high quality and very secure accommodation sought after by our target market.

Era Matana poolside.

Credit Corporation Head Office staff.

CREDIT CORPORATION INDUSTRIAL LIMITED

Credit Corporation Industrial Limited was incorporated in 2016 as the vehicle to purchase a block of industrial land at Gerehu, the industrial area of Port Moresby. The plan at the time was to develop an industrial building and diversify our property holdings.

During 2017 geotechnical assessment of the site indicated less viable construction base than anticipated, and we put on hold construction plans pending further work. That work is currently underway to determine the business case of development, and if not appropriate we will consider other options including divestment.

CREDIT CORPORATION FINANCE LIMITED

In 2017, the challenging economic environment in PNG continued from previous years, with softening of the mining and petroleum sectors and the effects of the 2015 drought in the Highlands region still being felt. Adding to the slowdown in the economy, elections were conducted in 2017 which had an adverse impact on business in PNG. Many of our customers rely on both the mining sector and government contracts and have found the going tough.

The company reported a Net Profit after Tax of K5.2 million in 2017, an increase of 525.6% from K0.8 million in 2016 reflecting a fall in provision expenses to K3.2 million following (abnormally high) provision expenses of K11.2 million in 2016. Net receivables increased by 12.2% to K251.4 million compared to K224.0 million in 2016, and provision for doubtful debts fell to K12.4 million compared to 2016 of K13.7 million.

Non-performing assets have largely been contained for the year, however there is continuing difficulty of contractors in paying their commitments on time and the further weakening of the PNG economy. The arrears position will continue to be monitored and managed carefully. We have a sound and adequately capitalised balance sheet with a net asset position of K106.9 million, which is a 3.6% increase on the 2016 figure of K103.2 million. Total Capital Adequacy Ratio was 35.2% at the end of 2017, compared to 33.2% in 2016.

In Timor-Leste, we have over the last two years worked hard to establish a branch of Credit Corporation Finance, which operates as a branch of our PNG operation. Pleasingly, we had some traction in 2017 to fund our first loans, and we continue to work with the regulator on raising deposits which would enable organic growth to accelerate.

2018 will again be a challenging year with the current level of economic activity in Papua New Guinea and a highly competitive asset finance market. A Business Development Manager was recruited in late 2017 and we are confident that we can maintain and increase our market share and continue to maximize shareholder returns.

CREDIT CORPORATION (FIJI) LIMITED

2017 proved to be another very successful year for our Fiji business, despite the challenges presented by an increasingly competitive asset finance market in Fiji. 2017 saw many sectors of the Fiji economy rebound from the damaging effects of Cyclone Winston and rebuilding efforts intensify.

Suva Office, Fiji.

The company returned a record Operating Profit of K16.2 million for the year, a 15% increase on the prior year's result. Net Profit after Tax was K12.8 million in 2017, a 16% improvement over the 2016 result and exceeded budget expectations.

Finance volumes were also at record levels, exceeding K113 million for the first time and as a consequence, the company's net finance receivables increased to K194 million as at 31 December 2017, 24% up on 2016.

A fundamental change in business mix was evident, with 2017 seeing a strong increase in the number of new cars being financed given more favourable import duty concessions which came into play from 1 January 2017. The numbers of second hand vehicles being imported into the Fiji market and being financed fell significantly after a number of years of strong growth in this area.

The company remains in a very strong financial position, with total assets of K259.9 million and shareholder's funds of K59.6 million as at 31 December 2017. Capital Adequacy as at the end of 2017 was 26.3%, comfortably exceeding regulatory minimum and the finance book remains well provisioned against any future shocks.

The Fiji economy is expected to grow for the 9th consecutive year in 2018 with growth of 3.6% forecast. Buoyant economic conditions should present good finance opportunities to allow for the continued growth of our business in this market. Elections ahead for Fiji in 2018 and it is to be hoped that the process is a smooth one allowing for a continuation of stable Government.

CREDIT CORPORATION (SI) LIMITED

Credit Corporation (SI) Limited enjoyed another profitable year in 2017, albeit lower than 2016. Operating Profit for 2017 was K3.0 million, 38% below 2016, and after a positive tax adjustment of K580,000 Net Profit after Tax was K3.5 million, 5% below 2016.

The business environment in the first half of 2017 was quite challenging resulting in low volumes of new business being captured but slowly picked up during the second half. Total new loans were K22 million for the full year, 10% less than 2016.

CHIEF EXECUTIVE OFFICER'S REPORT

As a result of the Solomon Islands Government's poor cash flow position, local contractors and service providers were not able to get their payments on time. This has severely affected some of our key customers resulting in their loans being forced into the past 90 day's threshold and increased provisions expenses in 2017. The business is well capitalised and continues to maintain a sound balance sheet.

CREDIT CORPORATION (VANUATU) LIMITED

2017 proved to be an exceptional financial year for our Vanuatu business. A strong operating profit of after tax of K5.4 million was achieved for the year against budget of K2.2 million and 314% up on the prior year's result of K1.3 million.

Rising business volumes were the main contributor to the improvement in bottom line result, with new finance of K32.1 million written against a budget of K18.0 million and K16.1 million in 2016.

The company's balance sheet has experienced strong growth, with total assets growing to K42.3 million as at the 31 December 2017 as compared to K20.2 million as at the end of 2016. Shareholder equity increased to K15.3 million at the end of 2017 from K12.8 million as the end of 2016. The company's capital adequacy ratio was at a very comfortable 38.9% at year-end against a minimum prudential requirement of 8%.

An environment of high liquidity and therefore low interest rates existed in Vanuatu through the year, allowing for an improved cost of funding for the business. The company has also been successful in broadening its deposit base and attracting term deposits from a number of new corporate and institutional depositors.

The current Government has proven to be stable and their economic policies have gained market confidence and are attracting new investors into the country. Reconstruction and new infrastructure projects following on from Cyclone Pam in 2015 have offered the company a number of good finance opportunities. Prospects are good for the further growth of our Vanuatu business in 2018.

OUTLOOK FOR 2018

The board of directors conducted a review of the Group's medium term Strategic Plan, and this will be implemented over the coming few years. The Board resolved to focus especially on increasing market share in the key PNG

Vanuatu staff during the 10th Anniversary Celebration in Port Vila.

market for our finance company. Properties are being refurbished to retain Credit Corporation's deserved reputation as a reputable landlord, and competitive rental rates in late 2017 and early 2018 have brought early success in improved occupancy.

The outlook for the Group across the Pacific in 2018 seems more positive than in previous years, especially in PNG. In 2018 PNG will be host to business and political leaders across Asia and the Pacific at the prestigious APEC Forum. We wish the PNG government well and expect this high profile event to not only showcase PNG and the Pacific, but also offer opportunities for our key activities in PNG. Exxon and Total have announced the prospect of significant expansion of the LNG projects in PNG in coming years, and this would be a massive boost to local business and employment opportunities.

Another anniversary is upon us with Credit Corporation to celebrate 40 years in business in PNG in 2018. The company has a come a long way from its humble beginnings in 1978 operating from a shopfront in Badili, to grow into the multi-faceted, well respected South Pacific-wide financial institution of today.

We thank all our stakeholders including clients, shareholders and staff across PNG and the South Pacific in helping make the company what it is today.

Peter Dixon
Acting Chief Executive Officer

BOARD OF DIRECTORS

Sir Wilson Kamit
CBE

Director since August 2013
CHAIRMAN since December 2015

Graham John Dunlop
C.A.

Director since September 2009

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

Director since August 2013

Allan Marlin
GAICD, FFin

Director since March 2016

David Doig
MAICD, MPNGID

Director since December 2015

Abigail Chang
MScID

Director since December 2016

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

Director since January 2017

DIRECTORS' MEETINGS

Sir Wilson Kamit	5/5
Graham John Dunlop	5/5
Professor Albert Mellam	4/5
Michael Koisen	0 Retired 8/03/2017
Allan Marlin	5/5
David Doig	5/5
Abigail Chang	5/5
Faye-Zina Lalo	4/5

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 not less than five or more than ten members, all non–executive Directors.

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 every three years and are eligible for re-election.

Committees

The Board has two committees, the Nomination and Remuneration Committee and the Audit and Risk Committee.

A Nomination and Remuneration Committee of four non-executive Directors meets quarterly to consider issues pertaining to the appointment of new Directors and senior management. The committee also assists the board in developing the human resources and remuneration strategies for the Group.

An Audit and Risk Committee of three non-executive Directors meets quarterly 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 Regulatory Authorities in the countries in which the Group operates.

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 towards employees. The Group also values its human capital and encourages in-house mentoring and up skilling of its employees as a capacity building tool.

Workplace health safety for the Group is an important issue and adequate policies and guidelines are in place.

Policy and Procedures

The Group has in place both Staff and Procedure 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.

Standing L to R: Peter Dixon (Acting CEO); Graham John Dunlop, Professor Albert Mellam, David Doig, Sir Wilson Kamit, Abigail Chang, Allan Marlin. Absent: Faye-Zina Lalo

CONSOLIDATED FINANCIAL STATEMENTS

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 2017.

Activities

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

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

Results

The net profit after taxation for the Group attributable to the members of the Group for the year was K 73,638,555 (2016: K98,937,112) and for the Company was K71,199,772 (2016: K101,853,265).

Dividends

The Company paid a final dividend of K30,836,795 (K0.10 per share in August 2017) (2016: K44,095,114 (K0.14 per share) in August 2016), an interim dividend of K12,316,958 (K0.04 per share in November 2017) (2016: K12,596,313 (K0.04 per share).

Directors

The directors at the date of the report of the Company are listed on page no.1. Directors' interests and shareholdings are disclosed in Note 6.3. 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 6.3.

Interests Register

The details of information recorded in the Interests Register is disclosed in Note 6.3.

Auditors' remuneration

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

Donations

During the year, the Group made donations totalling K37,942 (2016: K60,376).

For and on behalf of the board of directors

Director	Director
Date: 6 March 2018	Date: 6 March 2018

TO THE SHAREHOLDERS OF CREDIT CORPORATION (PNG) LIMITED (" COMPANY") AND ITS SUBSIDIARIES ("GROUP").

Report on the Audit of the Financial Statements

Opinion

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

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

- giving a true and fair view of the Company and Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date;
- complying with the International Financial Reporting Standards; and
- proper accounting records have been kept by the Company as far as it appears from our examination of those records.

The ***financial statements*** comprise the:

- statements of financial position as at 31 December 2017;
- income statements, statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

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

Basis for Opinion

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

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Key Audit Matters

The *Key Audit Matters* we identified are:

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

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

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

Valuation of investment property (K301,810,082) – Group	
Refer to Note 3.6 *Investment property* to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Valuation of investment properties is a key audit matter due to the significance of the balance and judgment required by us to assess the key valuation assumptions and methodologies used in the final adopted values. The investment property balance is a significant balance and represents 22% of total assets. Management prepared an internal valuation of investment properties. We assessed: • The valuation method used in the property valuations; and • Key judgemental, forward-looking assumptions used in the valuation such as capitalisation rates, capital expenditure allowances, occupancy rates, remaining lease terms and letting allowances.	Our procedures included: • Examining the valuation calculations prepared by the management. • Assessing the methodology adopted by the Group and its consistency with market practice, IFRS 13 *Fair Value Measurement*, and IAS 40 *Investment Property*. • Assessing key inputs used in the valuation by the Group against our expectations based on our experience and knowledge of the property market.

Specific and portfolio impairment provisions (K28,421,826) – Group	
Refer to Note 3.2 *Finance receivables* to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Specific and portfolio impairment provisions for finance receivables are considered to be a key audit matter due to the significance of finance receivables to the Group's financial position and the judgement we needed to apply when assessing these.	Our procedures included: • Testing key IT and credit risk monitoring controls. These related to the accuracy of data and inputs applied in the provision models. The controls we tested included controls in the arrears management process.

Specific and portfolio impairment provisions (K28,421,826) – Group (continued)	
Refer to Note 3.2 *Finance receivables* to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
For the specific impairment provision we focused our work on assessing unique characteristics of individual finance receivable balances used by management to determine a Specific Impairment Provision. These included expected future cash receipts, security valuation, and estimated sale proceeds of the assets held as security. The portfolio impairment provision model uses inherently subjective assumptions such as whether default is likely, and if a default were to occur, what the potential loss would be. We focused our work on assessing these against the requirements of IAS 39 *Financial Instruments: Recognition and Measurement.*	• On a sample basis, testing specific impairment provisions held against finance receivables by assessing ongoing serviceability and value of underlying collateral. • Assessing compliance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* through an analysis of historical default and loss data and through sample testing of finance receivables by assessing ongoing serviceability and value of underlying collateral.

Valuation of investment in subsidiaries measured at fair value (K333,382,146) – Company-stand-alone	
Refer to Note 3.4(d) *Investments in subsidiaries* to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Valuation of investments in subsidiaries measured at fair value is a key audit matter due to the significance of the balance and judgment required by us to assess the key valuation assumptions and methodologies used in the final adopted values. The investments in subsidiaries measured at fair value balance is a significant balance and represents 43% of total assets of the Company. We assessed: • The valuation method used; and • Key inputs to the valuation such as valuation multiples and sustainable earnings.	Our procedures included: • Performing a recalculation of managements valuations. • Assessing the accuracy of previous Company's forecasts to inform our evaluation of forecasts incorporated in the fair value of investments in subsidiaries. • Working with our valuation specialist assessing the appropriateness of key assumptions including valuation multiples, sustainable earnings, evaluating forecast revenues, expenses, and effects of changes in currency exchange rates in light of current and expected market conditions.

Other Information

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

The Directors are responsible for the Other Information.

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

- the Company's information;
- the Group Chairman's review;
- the Group's five year financial summary;

- the Group's 39 year highlights report;
- the Group's Chief Executive Officer's report;
- the Group's Corporate Governance Statement;
- Shareholder's information;
- Credit Corporation (Fiji) Ltd Managing Director's report;
- Credit Corporation (SI) Ltd Managing Director's report; and
- Credit Corporation (Vanuatu) Ltd Managing Director's report.

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

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

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

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

Responsibilities of Directors for the Financial Statements

The Directors are responsible for:

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is:

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the (consolidated) financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby

Dtae: 12 March 2018

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

		Consolidated		Company	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
ASSETS					
Cash and cash equivalents	3.1	137,537	88,413	7,389	20,543
Other deposits	3.4(f)	-	14,290	20,630	4,966
Finance receivables	3.2	480,879	395,381	-	-
Other receivables	3.3	4,354	7,355	28,674	25,715
Held-to-maturity investments	3.4(a)	7,247	7,823	5,047	5,047
Available-for-sale investments	3.4(b)	93	88	34	34
Investment in associate	3.4(c)	15,461	17,538	15,461	17,538
Other investments	3.4(d)(e)	354,234	350,389	687,616	707,553
Inventories		889	678	-	-
Property, plant and equipment	3.5	22,801	27,296	178	4,459
Investment property	3.6	301,810	309,209	4,400	-
Income tax receivable	2.6(b)	13,897	14,518	1,690	1,654
Deferred tax assets	2.6(c)	18,977	16,172	1	-
TOTAL ASSETS		**1,358,179**	**1,249,150**	**771,120**	**787,509**
EQUITY					
Share capital	5.1	22,008	22,468	22,008	22,468
Reserves	5.2	386,064	390,720	558,127	577,080
Retained earnings		403,648	374,104	189,691	177,893
TOTAL EQUITY		**811,720**	**787,292**	**769,826**	**777,441**
LIABILITIES					
Trade and other payables	3.7	6,541	4,818	1,245	6,353
Deposits and borrowings	3.8	513,871	423,846	-	-
Employee benefits	3.9	2,112	2,298	49	177
Deferred tax liabilities	2.6(c)	23,935	27,906	-	548
Dividend payable		-	2,990	-	2,990
TOTAL LIABILITIES		**546,459**	**461,858**	**1,294**	**10,068**
TOTAL EQUALITY AND LIABILITIES		**1,358,179**	**1,249,150**	**771,120**	**787,509**

For and on behalf of the board of directors

Director
Date 6 March 2018

Director
Date 6 March 2018

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENTS

		Consolidated		Company	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
Finance income	2.1	74,020	66,125	-	-
Finance costs	2.2	(17,643)	(14,542)	-	-
Net finance income		**56,377**	**51,583**	**-**	**-**
Other income	2.1	76,574	68,827	66,745	58,684
Fair value gain on financial assets	3.4(e)	18,590	56,859	18,590	56,859
Fair value (loss)/gain on investment properties	3.6	(19,821)	(22,052)	252	-
Net operating income		**131,720**	**155,217**	**85,587**	**115,543**
Impairment loss on finance receivables	3.2	(6,703)	(13,482)	-	-
Impairment loss on trade receivables	3.3	-	-	(6,478)	(10,292)
Personnel expenses	2.4	(19,224)	(16,978)	(3,007)	(1,534)
Depreciation expenses	3.5	(3,309)	(2,739)	(104)	(193)
Other operating expenses		(26,511)	(23,170)	(3,568)	(2,991)
Results from operating activities	2.3	**75,973**	**98,848**	**72,430**	**100,533**
Share of (loss)/profit of equity accounted investee (net of tax)	3.4(c)	(1,780)	1,901	(1,780)	1,901
Profit before tax		**74,193**	**100,749**	**70,650**	**102,434**
Income tax expense	2.6(a)	(555)	(1,812)	549	(581)
Profit attributable to equity holders of the Company		**73,638**	**98,937**	**71,199**	**101,853**
Earnings per share based on profit for the year					
Basic and Diluted	2.8	**0.24**	**0.31**	**0.23**	**0.32**

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME

		Consolidated		Company	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
Profit for the period		**73,638**	**98,937**	**71,199**	**101,853**
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations	5.2(c)	5,822	1,627	-	-
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	5.2(a)	-	-	(23,782)	10,733
Other comprehensive income for the year (net of income tax)		**5,822**	**1,627**	**(23,782)**	**10,733**
Total comprehensive income for the year attributable to equity holders of the Company		**79,460**	**100,564**	**47,417**	**112,586**

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

Consolidated	Note	Share Capital K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Balance at 1 January 2016		**22,741**	**356,188**	**364,764**	**743,693**
Total comprehensive income for the year		-	-	100,564	100,564
Transfer to reserves		-	34,532	(34,532)	-
		-	**34,532**	**66,032**	**100,564**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(56,692)	(56,692)
Share buy-back transactions	5.1	(273)	-	-	(273)
Total transactions with owners		**(273)**	**-**	**(56,692)**	**(56,965)**
Balance at 31 December 2016		**22,468**	**390,720**	**374,104**	**787,292**
Total comprehensive income for the year		-	-	79,460	79,460
Transfer to reserves		-	(4,656)	4,656	-
		-	**(4,656)**	**84,116**	**79,460**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(43,154)	(43,154)
Share buy-back transactions	5.1	(460)	-	(11,418)	(11,878)
Total transactions with owners		**(460)**	**-**	**(54,572)**	**(55,032)**
Balance at 31 December 2017		**22,008**	**386,064**	**403,648**	**811,720**

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY (continued)

Company	Note	Share Capital K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Balance at 1 January 2016		**22,741**	**516,505**	**182,574**	**721,820**
Total comprehensive income for the year		-	10,733	101,853	112,586
Transfer to reserves		-	49,842	(49,842)	-
		-	**60,575**	**52,011**	**112,586**
Transactions with owners					
Dividends to equity holders	2.5	-	-	(56,692)	(56,692)
Share buy-back transactions	5.1	(273)	-	-	(273)
Total transactions with owners		**(273)**	**-**	**(56,692)**	**(56,965)**
Balance at 31 December 2016		**22,468**	**577,080**	**177,893**	**777,441**
Total comprehensive income for this year		-	(23,782)	71,199	47,417
Transfer to reserves		-	4,829	(4,829)	-
		-	(18,953)	66,370	47,417
Transactions with owners					
Dividends to equity holders	2.5	-	-	(43,154)	(43,154)
Share buy-back transactions	5.1	(460)	-	(11,418)	(11,878)
Total transactions with owners		**(460)**	**-**	**(54,572)**	**(55,032)**
Balance at 31 December 2017		**22,008**	**558,127**	**189,691**	**769,826**

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

		Consolidated		Company	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
OPERATING ACTIVITIES					
Charges earned on leases & loans		77,902	68,285	-	-
Commission, fees and rents		29,314	27,470	2,165	1,874
Dividends received		-	-	52,099	51,701
Interest payments		(17,643)	(14,542)	-	-
Payments to suppliers and employees		(38,868)	(44,322)	(6,640)	(1,780)
Operating cash flows before changes in operating assets		50,705	36,891	47,624	51,795
Net cash (advanced)/received in respect of finance receivables		(92,201)	(2,308)	-	-
Net cash received/(repaid) in respect of deposits		92,905	15,644	-	-
Net cash from subsidiaries		-	-	(2,788)	(20,202)
Net cash from operating activities before income tax		51,409	50,227	44,836	31,593
Income taxes paid	2.6	(4,958)	(13,842)	-	(648)
Cash flows from operating activities		**46,451**	**36,385**	**44,836**	**30,945**
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(3,562)	(2,454)	-	(30)
Acquisition of investment property		(8,023)	(45,570)	-	-
Proceeds from sale of property		684	310	120	-
Proceeds from sale of listed shares		14,975	4,265	14,975	4,265
Dividends received		42,649	33,950	-	-
Interest from funds deposited		2,906	3,326	788	1,022
Net cash flow from short term investments		14,996	(2,509)	(15,793)	32,203
Cash flows from /(used in) investing activities		**64,625**	**(8,682)**	**90**	**37,460**
FINANCING ACTIVITIES					
Share buy-back	5.1	(11,879)	(791)	(11,879)	(791)
Proceeds of borrowings		-	33,852	-	-
Group GST paid		-	(179)	-	-
Repayment of borrowings		(2,880)	(2,703)	-	-
Repayment of interest		(3,810)	(3,143)	-	-
Dividends paid (net)		(46,201)	(50,328)	(46,201)	(50,328)
Cash flows used in financing activities		**(64,770)**	**(23,292)**	**(58,080)**	**(51,119)**
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		2,818	1,492	-	-
Net increase/(decrease) in cash and cash equivalents		**49,124**	**5,903**	**(13,154)**	**17,286**
Cash and cash equivalents at 1 January	3.1	88,413	82,510	20,543	3,257
Cash and cash equivalents at 31 December	3.1	**137,537**	**88,413**	**7,389**	**20,543**

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 69.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. About our financial statements

1.1. Corporate information

These are the financial statements for Credit Corporation (PNG) Limited ("the Company") and its controlled entities (together "the Group") for the year ended 31 December 2017.

In 2017, we reviewed the content and structure of the financial statements with the aim of increasing their relevance to our shareholders. The review has resulted in a number of changes to the financial statements from previous years. The changes made include the following:

– Reorganisation of note disclosures into sections with common themes that are aligned with our business;

– Information regarding the Group's recognition and measurement policies and key judgments and estimates have been relocated and are now disclosed within the relevant notes in the financial statements; and

– Removing immaterial disclosures.

1.2. Reporting entity

Credit Corporation (PNG) Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is Credit House, Cuthbertson Street, Port Moresby, Papua New Guinea. The consolidated financial statements as at and for the year ended 31 December 2017, 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 investments.

1.3. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements have been authorised for issue by the Board of Directors on 6 March 2018.

(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 judgments

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

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

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

Note 3.2 – Finance receivables

Note 3.4(d) – Investments in subsidiaries

Note 3.6 – Investment property

Note 4.2 – Financial instruments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. About our financial statements (continued)

1.4. Basis of consolidation

(a) Subsidiaries

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

(b) Investments in associates

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

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

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

1.5. Foreign currency

(a) Foreign currency transactions

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

(b) Foreign operations

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

Foreign currency differences are recognised in other comprehensive income. Foreign exchange differences have been recognised in the exchange fluctuation reserve 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. About our financial statements (continued)

1.6. Impairment

(a) 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.

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.

(b) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. About our financial statements (continued)

1.6. Impairment (continued)

(b) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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

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

1.7. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017; 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 16 *Leases*	IFRS 16 *Leases* published in January 2016, replaces the existing guidance in IAS 17 *Leases*. IFRS 16 includes revised guidance on the accounting for both finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.
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 2018, 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

1. About our financial statements (continued)

1.7. 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:

- *Transfers of Investment Property (Amendments to IAS 40), effective for annual period beginning on or after 1 January 2018.*
- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective for annual period beginning on or after 1 January 2018.*
- *IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice, effective for annual period beginning on or after 1 January 2018.*
- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, effective for annual periods beginning on or after 1 January 2019.*
- *Prepayment Features with Negative Compensation - Amendments to IFRS 9, effective for annual periods beginning on or after 1 January 2019*

2. Financial Performance

2.1. Finance and other income

	Consolidated		Company	
	2017	**2016**	**2017**	**2016**
	K'000	**K'000**	**K'000**	**K'000**
Finance income	**74,020**	**66,125**	**-**	**-**
Other income				
Profit on sale of listed shares	41	-	41	-
Profit on sale of property, plant and equipment	351	190	88	63
Dividend income	42,712	34,907	63,944	55,641
Establishment fees	1,563	2,160	-	-
Rental income from property	22,763	23,061	337	337
Rental outgoings	1,361	856	159	186
Interest on term deposit, treasury bills and semi-government bonds	2,906	3,309	788	1,105
Other operating income	4,877	4,344	1,388	1,352
Total other income	**76,574**	**68,827**	**66,745**	**58,684**

Recognition and measurement

Revenue

(a) Finance income

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

(b) Dividend income

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

Recognition and measurement (continued)

Revenue (continued)

(c) Commissions

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

(d) Rental income

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

(e) Other income

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

2.2. Finance costs

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Interest on customer deposits	**(17,643)**	**(14,542)**	**-**	**-**

Recognition and measurement

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

2.3. Profit before taxation

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Auditors remuneration – audit fees	767	581	192	327
Professional advisory fees	537	569	76	277
Donations	38	60	-	-
Bad debts recovered	(538)	(675)	-	-

2.4. Personnel expenses

	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Wages and salaries	14,084	12,628	2,043	847
Contributions to defined contribution plans	1,310	881	121	64
Long service leave and annual leave	454	823	129	53
Other staff costs	3,376	2,646	714	570
	19,224	**16,978**	**3,007**	**1,534**

The number of employees at 31 December 2017 employed in the Group was 219 (2016: 185).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.5. Dividends

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Final dividend of K0.10 per share (2016: K0.14 per share)	30,837	44,095	30,837	44,095
First interim dividend of K0.04 per share (2016: K0.03)	12,317	9,448	12,317	9,448
Second interim dividend nil (2016: K0.01)	-	3,149	-	3,149
	43,154	**56,692**	**43,154**	**56,692**

Final dividend for the year ended 31 December 2016 was declared on 4 August 2017 and paid on 25 August 2017 and first interim dividend for the year ending 31 December 2017 was declared on 10 November 2017 and paid on 24 November 2017.

2.6. Taxation

(a) Income tax expense

	Consolidated		Company	
	2017	2016	2017	2016
Income tax expense	K'000	K'000	K'000	K'000
Current tax expense	7,053	6,613	-	-
Under/(over) provisions in tax expense	277	(663)	-	-
Deferred tax expense	(6,775)	(3,965)	(549)	581
	555	**1,812**	**(549)**	**581**
Income tax expense/(benefit)				
Profit before tax	74,193	100,749	70,650	102,434
Computed tax using the applicable PNG corporate income tax rate (30%)	22,258	30,225	21,195	30,730
Effect of tax rates in foreign jurisdictions	(3,246)	(1,796)	-	-
Tax effect of:				
Share of profit of equity accounted associate reported net of tax	445	475	445	(475)
Current year unrealized gains for which no deferred tax is recognised	(5,577)	(17,058)	(5,577)	(17,058)
Dividend income exempt from tax asset	(12,814)	(10,101)	(12,814)	(10,101)
Revaluation gains and losses on which deferred tax has not been recognised	-	948	-	-
Non-tax deductible impairment provision for capital items	-	-	1,943	3,088
Dividend income exempt from subsidiaries	-	-	(6,369)	(5,580)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.6. Taxation (continued)

(a) Income tax expense (continued)

Tax effect of: (continued)

	Consolidated		Company	
	2017	**2016**	**2017**	**2016**
	K'000	**K'000**	**K'000**	**K'000**
Recognition of previously unrecognised deferred tax	(1,593)	-	-	-
Non-deductible expenses	665	(881)	576	(23)
Under provision in prior years and other	417	-	52	-
Tax expense in the income statement	**555**	**1,812**	**(549)**	**581**

(b) Income taxes (receivable)/payables

At 1 January	(14,518)	(7,340)	(1,654)	(922)
Income tax expense for the year	7,138	6,613	-	-
Under/over provision in prior years	105	(663)	-	-
Income taxes paid during the year	(5,496)	(11,800)	-	(648)
Interest withholding tax credit	(125)	(336)	(36)	(84)
Dividend withholding tax offset	-	-	-	-
Other	(1,001)	(992)	-	-
At 31 December	**(13,897)**	**(14,518)**	**(1,690)**	**(1,654)**

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2017 and 2016 are attributable to the items detailed in the tables below:

		2017			2016	
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Consolidated						
Property, plant and equipment and investment properties	9,413	(23,934)	(14,521)	8,312	(27,416)	(19,104)
Employee benefits	409	86	495	591	-	591
Provision for impairment						
– finance receivables	6,927	-	6,927	5,965	-	5,965
Other items	2,228	(87)	2,141	1,304	(490)	814
Net tax assets/(liabilities)	**18,977**	**(23,935)**	**(4,958)**	**16,172**	**(27,906)**	**(11,734)**
Company						
Property, plant and equipment	-	(12)	(12)	2	-	2
Employee benefits	15	-	15	53	-	53
Other items	46	(48)	(2)	43	(646)	(603)
Net tax assets/(liabilities)	**61**	**(60)**	**1**	**98**	**(646)**	**(548)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.6. Taxation (continued)

(c) Deferred tax assets and liabilities (continued)

Recognition and measurement

Income Tax

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

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

Deferred 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.

2.7. Operating segments

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.7. Operating segments (continued)

Information about reportable segments

At 31 December 2017

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

At 31 December 2016

	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	74,265	24,582	36,104	134,951
Inter-segment revenue	(398)	2,349	22,578	24,529
Finance costs	(14,542)	-	-	(14,542)
Fair value (loss)/gain	-	(22,052)	56,859	34,807
Depreciation	1,509	1,054	192	2,755
Reportable segment profit before income tax	21,162	(14,982)	100,533	106,713
Share of profit of equity-method investee	-	-	1,901	1,901
Reportable segment assets	560,364	346,698	769,972	1,677,034
Investment in associate	-	-	17,538	17,538
Reportable segment liabilities	374,536	176,089	10,068	560,693

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.7. Operating segments (continued)

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

	2017 K'000	2016 K'000
Revenues		
Total revenue for reportable segments	179,740	159,481
Fair value (loss)/gain	(1,231)	34,807
Finance costs	(17,643)	(14,542)
Elimination of inter-segment revenue	(29,146)	(24,529)
Net operating income	**131,720**	**155,217**
Profit or loss		
Total profit or loss for reportable segments	90,248	106,713
Elimination of inter-segment profit	(14,275)	(7,865)
Share of profit of equity-accounted investee	(1,780)	1,901
Consolidated profit before tax	**74,193**	**100,749**
Assets		
Total assets for reportable segments	1,774,400	1,677,034
Investment in equity-accounted investee	15,461	17,538
Elimination of intercompany balance	(98,300)	(88,258)
Elimination of investment in subsidiaries	(333,382)	(357,164)
Consolidated total assets	**1,358,179**	**1,249,150**
Liabilities		
Total liabilities for reportable segments	662,465	560,693
Elimination of intercompany balances	(116,006)	(98,835)
Consolidated total liabilities	**546,459**	**461,858**

Geographical segments	**Revenue**		**Net Assets**	
	2017 K'000	**2016 K'000**	**2017 K'000**	**2016 K'000**
Papua New Guinea	92,189	122,402	716,659	704,666
Fiji	24,456	21,122	59,570	51,693
Solomon Islands	6,615	7,968	20,220	18,095
Vanuatu	8,460	3,725	15,271	12,838
Total	**131,720**	**155,217**	**811,720**	**787,292**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. Financial Performance (continued)

2.7. Operating segments (continued)

Recognition and measurement

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

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

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

2.8. Earnings per share

The calculation of basic earnings per share (consolidated) at 31 December 2017 was based on profit attributable to ordinary shareholders of K73,638 thousand (2016: K98,937 thousand), and a weighted average number of ordinary shares outstanding of 312,673 thousand (2016: 314,948 thousand). There is no difference between basic and diluted earnings per share.

Recognition and measurement

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

3. Financial Position

3.1. Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2017	**2016**	**2017**	**2016**
	K'000	**K'000**	**K'000**	**K'000**
Cash at bank and on hand	106,416	63,060	7,094	20,278
Short term deposits	31,121	25,353	295	265
Cash and cash equivalents	**137,537**	**88,413**	**7,389**	**20,543**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.2. Finance receivables

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Gross finance receivables	605,404	497,950	-	-
Less: Unearned charges	(84,334)	(67,960)	-	-
Less: Interest in suspense	(7,683)	(5,749)	-	-
Less: Deferred Establishment Fees	(4,086)	(1,768)	-	-
Less: Provision for impairment	(28,422)	(27,092)	-	-
Net finance receivables	**480,879**	**395,381**	**-**	**-**
Current				
Finance receivables	103,602	87,774	-	-
Unearned charges	(2,373)	(1,085)	-	-
Interest in suspense	(6,235)	(3,283)	-	-
Deferred Establishment Fees	(330)	(1,768)	-	-
Provision for impairment	(12,959)	(11,106)	-	-
Total	**81,705**	**70,532**	**-**	**-**
Non-Current				
Finance receivables	501,802	410,174	-	-
Unearned charges	(81,961)	(66,873)	-	-
Interest in suspense	(1,448)	(2,466)	-	-
Deferred Establishment Fees	(3,756)	-	-	-
Provision for impairment	(15,463)	(15,986)	-	-
Total	**399,174**	**324,849**	**-**	**-**
Finance leases included in finance receivables analysed as follows:				
Not later than one year	1,470	2,998	-	-
Later than one year and not later than five years	24,518	19,805	-	-
	25,988	22,803	-	-
Less: Unearned charges	(3,871)	(3,259)	-	-
Net finance leases	**22,117**	**19,544**	**-**	**-**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.2. Finance receivables (continued)

Analysis of provisions

	Consolidated		Company	
	2017	**2016**	**2017**	**2016**
	K'000	**K'000**	**K'000**	**K'000**
Specific Provisions (a)	15,262	12,573	-	-
Portfolio Provisions (b)	13,160	14,519	-	-
	28,422	**27,092**	**-**	**-**
(a) Specific Provisions				
Opening balance	12,573	13,196	-	-
Net increase in provisions	5,041	13,212	-	-
Transfer from / (to) portfolio provision	3,560	2,909	-	-
Effect of FX	1,044	-	-	-
Bad debts written off	(6,956)	(16,744)	-	-
Closing balance	**15,262**	**12,573**	**-**	**-**
(b) Portfolio Provisions				
Opening balance	14,519	17,158	-	-
Increase in provisions	1,662	270	-	-
Transfer from / (to) specific provision	(3,560)	(2,909)	-	-
Effect of FX	539	-	-	-
Bad debts written off	-	-	-	-
Closing balance	**13,160**	**14,519**	**-**	**-**

Analysis of finance receivables by industry

	Consolidated - 2017		Consolidated - 2016	
	K'000	**%**	**K'000**	**%**
Agriculture	22,128	3%	10,920	2%
Mining	6,500	1%	5,015	1%
Manufacturing	30,940	5%	10,482	2%
Forestry and saw-milling	10,080	2%	9,718	2%
Civil contracting	29,119	5%	39,105	8%
Building and construction	67,895	11%	49,292	10%
Real Estate	33,686	6%	24,064	5%
Wholesale / Retail	55,791	9%	50,092	10%
Transport and storage	193,655	32%	164,925	33%
Professional and business services	63,676	11%	56,789	12%
Private and self employed	69,938	12%	65,905	13%
Other	21,996	3%	11,643	2%
	605,404	**100%**	**497,950**	**100%**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.2. Finance receivables (continued)

Recognition and measurement

Lease payments

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

Lease income

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

Determining whether an arrangement contains a lease

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

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

Key judgements and estimates

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

3.3. Other receivables

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Current				
Amounts owed by related corporations	-	-	26,954	21,704
Dividend withholding tax receivable	940	884	1,280	1,224
Other debtors and prepayments	3,414	6,471	440	2,787
	4,354	**7,355**	**28,674**	**25,715**

The amounts owed from related corporation relate to intercompany receivable from various subsidiaries. Refer Note 6.3 (c). These intercompany balances are interest free and repayable on demand. The amount stated is net of impairment provision of K16,769,802 (2016: K10,292,109).

3.4. Investments

(a) Held-to-maturity investments (non-current)

Consolidated		Company	
2017	2016	2017	2016
K'000	K'000	K'000	K'000
7,247	**7,823**	**5,047**	**5,047**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.4. Investments (continued)

(a) Held-to-maturity investments (non-current) (continued)

(1) The government and semi-government securities consist of stocks and bonds of Fiji semi-government institutions held by Credit Corporation (Fiji) Limited which earn interest rates of between 5.45% and 6.70% per annum. (2016: between 5.45% and 8.00% per annum). Interest is paid on a quarterly basis. The balance including accrued interest as at 31 December 2017 is K2,200,566 (2016: K2,776,560).

(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 2017 is K5,046,712 (2016: K5,046,712).

(b) Available-for-sale financial assets (non-current)

	Consolidated		Company	
	2017	**2016**	**2017**	**2016**
	K'000	**K'000**	**K'000**	**K'000**
	93	**88**	**34**	**34**

The Company purchased shares in Credit & Data Bureau (K33,600) in 2008. As of 31 December 2017, the carrying amount of unlisted shares acquired by Credit Corporation (Fiji) Limited amounted to FJ$37,500 (K58,944).

(c) Investments in associate (non-current)

	Consolidated 2017 K'000	Consolidated 2016 K'000	Company 2017 K'000	Company 2016 K'000
Equity-accounted investee	**15,461**	**17,538**	**15,461**	**17,538**

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (2016: 25%) of the issued shares of Capital Insurance Group (its principal place of business is Papua New Guinea) and has determined that it has significant influence because it has representation on the board of the investee but does not have a controlling vote. At 31 December 2017, the investment was valued at K15,460,648 (2016: K17,537,500).

The Group and Company's share of loss after tax in Capital Insurance Group for the year was K1,780,297 (2016: K1,901,162 profit). During the year 2017 the Group and Company received K296,556 (2016; K247,582) dividend from the Capital Insurance Group.

Financial Position

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
Year	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
2017	147,012	26,406	173,418	103,328	7,924	111,252	**62,166**
2016	138,895	34,803	173,698	93,501	9,507	103,008	**70,690**

Financial Performance

	Income	Expenses	Profit/(loss)
Year	**K'000**	**K'000**	**K'000**
2017	39,564	46,685	**(7,121)**
2016	34,315	22,160	**12,155**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.4. Investments (continued)

(d) Investments in subsidiaries

	Country	Ownership	2017 K'000	2016 K'000
Credit Corporation Finance Limited	PNG	100%	80,000	90,000
Credit House Limited	PNG	100%	56,734	58,199
Era Dorina Limited	PNG	100%	115,648	132,265
Era Matana Limited	PNG	100%	-	-
Credit Corporation Industrial Limited	PNG	100%	-	-
Credit Corporation (Fiji) Limited	Fiji	100%	54,000	52,000
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	7,000	4,700
Credit Corporation (Solomon Islands) Limited	Solomon Islands	100%	20,000	20,000
			333,382	357,164

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

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

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

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

Listed shares	2017				2016		
	% Held	No. of shares	Fair value K'000	Fair value Gain/(loss) K'000	No. of shares	Fair value K'000	Fair value Gain/(loss) K'000
Bank South Pacific	7.21%	36,682,696	348,486	19,213	38,262,051	344,358	57,397
Airlines PNG Limited	0.65%	2,000,000	240	(60)	2,000,000	300	(360)
City Pharmacy Limited	1.36%	1,953,544	1,465	(489)	1,953,544	1,954	(645)
Kina Asset Management Ltd	8.76%	4,255,463	4,043	(74)	3,893,960	3,777	467
			354,234	18,590		350,389	56,859

The increase in market value of K18,590,483 (2016: K56,859,159) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

Sensitivity analysis

	Effect on profit loss and equity increase / (decrease) 2017 K'000	2016 K'000
Increase of 10% in share prices	35,423	35,039

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.4. Investments (continued)

(f) Other deposits (current)

Consolidated		Company	
2017	2016	2017	2016
K'000	K'000	K'000	K'000
-	14,290	20,630	4,966

(1) Credit Corporation Finance Limited held deposits in Treasury bills consisting of Bank of Papua New Guinea Bills which earn interest in the range of 6.5% to 8%. The balance including accrued interest as at 31 December 2017 is nil (2016: K14,290,409).

(2) Credit Corporation (PNG) Limited has investments in short-term deposits with Credit Corporation Finance Limited, which earn interest of 2%. The balance including accrued interest as at 31 December 2017 is K20,629,755 (2016: K4,965,829).

Recognition and measurement

Financial Instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.4. Investments (continued)

Recognition and measurement (continued)

Financial Instruments (continued)

Non-derivative financial assets (continued)

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 some equity securities and investments of the parent in the equity of its subsidiaries are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the asset revaluation reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Non-derivative financial liabilities

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

Key judgements and estimates

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.5. Property, plant and equipment

Consolidated	Building & Capital WIP K'000	Furniture & Fittings K'000	Motor Vehicles K'000	Office Equipment K'000	Total K'000
Cost					
At 1 January 2016	16,413	9,872	4,589	5,155	36,029
Additions	124	3,460	1,268	2,019	6,871
Disposals/ transfers	(811)	1,220	(1,104)	(157)	(852)
Effect of fx	323	8	53	32	419
At 31 December 2016	16,049	14,560	4,806	7,052	42,467
At 1 January 2017	16,049	14,560	4,806	7,052	42,467
Additions	-	184	1,308	931	2,423
Disposals/ transfers	(4,505)	(45)	(947)	(22)	(5,519)
Effect of fx	818	51	178	119	1,166
At 31 December 2017	12,362	14,924	5,345	8,080	40,537
Depreciation					
At 1 January 2016	893	5,623	2,352	3,588	12,456
Charge for the year	200	968	804	767	2,739
Disposals/ transfers	39	847	(1,009)	29	(94)
Effect of fx	20	5	21	24	70
At 31 December 2016	1,152	7,443	2,168	4,408	15,171
At 1 January 2017	1,152	7,443	2,168	4,408	15,171
Charge for the year	135	1,500	948	726	3,309
Disposals/ transfers	(357)	(38)	(604)	(21)	(1,020)
Effect of fx	59	28	103	86	276
At 31 December 2017	989	8,933	2,615	5,199	17,736
Carrying amounts					
At 1 January 2016	15,520	4,249	2,237	1,567	23,573
At 31 December 2016	14,897	7,117	2,638	2,644	27,296
At 31 December 2017	11,373	5,817	2,730	2,881	22,801

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.5. Property, plant and equipment (continued)

Company	Building & Capital WIP K'000	Motor Vehicles K'000	Office Equipment K'000	Total K'000
At 1 January 2016	4,496	859	1,238	6,593
Additions	9	57	28	94
Disposals/ transfers	-	(703)	-	(703)
At 31 December 2016	4,505	213	1,266	5,984
At 1 January 2017	4,505	213	1,266	5,984
Additions	-	-	-	-
Disposals/ transfers	(4,505)	(77)	(2)	(4,584)
At 31 December 2017	-	136	1,264	1,400
Depreciation				
At 1 January 2016	279	747	1,007	2,033
Charge for the year	78	46	69	193
Disposals/ transfers	-	(704)	-	(704)
At 31 December 2016	357	89	1,076	1,522
At 1 January 2017	357	89	1,076	1,522
Charge for the year	-	38	66	104
Disposals/ transfers	(357)	(45)	(2)	(406)
At 31 December 2017	-	82	1,140	1,222
Carrying amounts				
At 1 January 2016	4,217	112	231	4,560
At 31 December 2016	4,148	124	190	4,462
At 31 December 2017	-	54	124	178

Recognition and measurement

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.5. Property, plant and equipment (continued)

Recognition and measurement (continued)

Subsequent costs

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

Depreciation

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

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

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

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

3.6 Investment property

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Balance as at 1 January	309,209	294,249	-	-
Revaluation	(19,821)	(22,052)	252	-
Transfer from/(to) property, plant and equipment	4,148	(4,173)	4,148	-
Acquisitions	8,274	41,185	-	-
Balance as at 31 December	**301,810**	**309,209**	**4,400**	**-**

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	Valued as at 31 December 2017 K'000
Era Dorina	Direct capitalisation	Directors' valuation	31 December 2017	152,467
Credit House	Direct capitalisation	Directors' valuation	31 December 2017	75,535
Era Matana	Direct capitalisation	Directors' valuation	31 December 2017	64,807
CCIL	Replacement cost	Directors' valuation	31 December 2017	4,601
CCP	Direct capitalisation	Directors' valuation	31 December 2017	4,400
				301,810

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.6 Investment property (continued)

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

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

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

- Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime vs. secondary). Key unobservable input includes the capitalisation rates (10% - 10.75% in 2017) and market lease rates.

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

Fair value hierarchy:

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

Sensitivity analysis

	Effect on profit loss increase / (decrease)	
	2017	**2016**
	K'000	**K'000**
Increase of 1% in market capitalisation rate	(26,279)	(27,332)
10% increase in market lease rentals	30,376	31,567

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

Recognition and measurement

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.6 Investment property (continued)

Recognition and measurement (continued)

Key judgments and estimates

Judgement is required in determining the following key assumptions:

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

3.7 Trade and other payables

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Rental bonds payable	1,536	1,847	31	31
Rental income in advance	50	25	-	-
Other creditors and accrued expenses	4,955	2,946	1,214	6,322
	6,541	**4,818**	**1,245**	**6,353**

3.8 Deposits and borrowing

		Consolidated		Company	
		2017	2016	2017	2016
		K'000	K'000	K'000	K'000
Current					
Interest bearing deposits	(a)	412,276	339,005	-	-
Secured bank loans	(b) and (c)	59,519	62,398	-	-
		471,795	401,403	-	-
Non-current					
Interest bearing deposits	(a)	42,076	22,443	-	-
		42,076	22,443	-	-
		513,871	**423,846**	**-**	**-**

(a) Interest bearing deposits

Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K42,076,307 is repayable within 5 years.

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

The loan granted to Era Matana of K50,000,000 as at 31 December 2017 is scheduled to be repaid in monthly installments of K463,220 (including interest) to 2028. The loan granted to Era Dorina of K9,518,780 as at 31 December 2017 is scheduled to be repaid in monthly installments of K307,600 to 14 April 2022. Interest on these loans of K3,809,666 (2016: K1,383,417) is included in other operating expenses.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.8 Deposits and borrowing (continued)

(c) Bank facilities and security

Borrowings include:

(i) Credit Corporation (Fiji) Limited has a bank overdraft facility of K9.4 million (FJD$6m) (2016: K8.7 million (FJD$6m)) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and floating charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 31 December 2017, this facility has not been used.

(ii) Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K3million (VT100m) (2016: K2.5 million (VT100m) with National Bank of Vanuatu. The facility is secured by first registered mortgage over all assets and undertakings of Credit Corporation (Vanuatu) Limited including uncalled and unpaid capital and with limited guarantee and indemnity from Credit Corporation (PNG) Limited for K3 million. As at 31 December 2017, this facility has not been used.

(iii) Credit Corporation (PNG) Limited has a bank overdraft facility with Westpac Bank PNG Limited (2016: K20 million) of K20 million at 31 December 2017. This facility is guaranteed with (joint and several) by Credit House Limited and Credit Corporation (PNG) Limited. The facility is secured by first registered fixed and floating charge over all the assets and undertakings of Credit Corporation (PNG) Limited including uncalled and unpaid capital and first registered mortgage over Lots 2,3, and 8 (Consolidated), Section 45, Granville, Port Moresby known as "Credit House." As at 31 December 2017, this facility has not been used.

(iv) Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited (2016: K10 million) of K10 million at 31 December 2017. This facility is guaranteed with (joint and several) by Credit House Limited and Credit Corporation (PNG) Limited. The facility is secured by first registered fixed and floating charge over all the assets and undertakings of Credit Corporation (PNG) Limited including uncalled and unpaid capital and first registered mortgage over Lots 2,3, and 8 (Consolidated), Section 45, Granville, Port Moresby known as "Credit House." As at 31 December 2017, this facility has not been used.

(v) Era Dorina Limited has an advance facility from Bank of South Pacific Limited of K9.5million at a variable interest rate. The loan is secured by a registered equitable mortgage over the fixed and floating assets of Era Dorina Limited, first registered mortgage over Allotment 33 Section 34, Granville, Port Moresby, first registered mortgage over Portion 2259, being Allotment 27 Section 34, Granville, Port Moresby.

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

(vii) Credit Corporation (SI) Limited has a bank overdraft facility with Bank South Pacific Limited of K1.2 million (SBT$3m) ((2016: K1.0 million (SBT$3m)). This facility is secured by an unlimited amount of guarantee by Credit Corporation (PNG) Limited, registered equitable mortgage over the whole of Credit Corporation (SI) Limited company assets and undertaking including uncalled capital and first registered charged over residential property under purchase as described in parcel number 191-009-16 situated at Tavioa. As at 31 December 2017, this facility has not been used.

3.9 Employee benefits

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Long service leave	488	703	21	24
Annual leave	744	932	28	153
Others	880	663	-	-
	2,112	**2,298**	**49**	**177**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. Financial Position (continued)

3.9 Employee benefits (continued)

Recognition and measurement

Long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2017 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.

Short-term employment benefits

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

4. Financial instrument disclosures

4.1. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- 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 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 Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.1. Financial risk management (continued)

Risk management framework (continued)

(a) Credit risk (continued)

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 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 Committee; these limits are reviewed quarterly.

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

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

Investments

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

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2017 K62 million (2016: K62 million) was guaranteed to wholly owned subsidiaries.

(b) Liquidity risk

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

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

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

Notwithstanding this, liquidity is managed by the Group through regular monitoring of its liquidity position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.1. Financial risk management (continued)

Risk management framework (continued)

(b) Liquidity risk (continued)

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

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

	2017 K'000	2016 K'000
Current assets	238,382	195,785
Current liabilities	(479,704)	(410,144)
Net	(241,322)	(214,359)

(c) Market risk

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

(d) Operational risk

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

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

Compliance with Group standards is supported by a program of periodic reviews undertaken by the members of Audit and Risk 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.1. Financial risk management (continued)

Risk management framework (continued)

(e) Capital management

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

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

The Group's target in 2017 was to achieve a return on capital of between 3 and 10 percent; in 2017, the actual return was 9.10 percent (2016: 9.37 percent). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.88 percent (2016: 3.89 percent).

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

	2017 K'000	2016 K'000
Total liabilities	546,459	461,858
Less: cash and cash equivalents	(137,537)	(88,413)
Net debt	408,922	373,445
Adjusted capital	811,720	787,292
Debt to adjusted capital ratio at 31 December	0.50	0.47

There were no changes in the Group's approach to capital management during the year. Various finance subsidiaries are subject to respective Central Banks restrictions imposed on capital requirements. These subsidiaries have been in compliance with respective capital requirements imposed by their Central Banks as at and during the year ended 31 December 2017.

4.2. Financial instruments

(a) Credit risk

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

	Consolidated		Company	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Held-to-maturity investments	7,247	7,823	5,047	5,047
Available-for-sale financial assets	93	88	34	34
Finance receivables (net)	480,879	395,381	-	-
Other deposits	-	14,290	20,630	4,966
Other receivables	4,354	7,355	28,674	25,715
Cash and cash equivalents	137,537	88,413	7,389	20,543
Total	**630,110**	**513,350**	**61,774**	**56,305**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(a) Credit risk (continued)

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Papua New Guinea	204,057	175,955	-	-
Fiji	193,749	156,807	-	-
Solomon Islands	47,285	47,241	-	-
Vanuatu	35,788	15,378	-	-
Total	**480,879**	**395,381**	**-**	**-**

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Transport & Storage	147,541	124,584	-	-
Civil Contracting, Building & Construction and Real Estate	112,448	95,685	-	-
Wholesale/ Retail	21,792	21,108	-	-
Others	199,098	154,004	-	-
	480,879	**395,381**	**-**	**-**

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Not past due	298,680	232,975	-	-
Past due 1-30 days	94,143	63,536	-	-
Past due 31-180 days	75,909	87,116	-	-
Past due 181-360 days	8,904	9,863	-	-
Past due more than 1 year	3,243	1,891	-	-
Total	**480,879**	**395,381**	**-**	**-**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(a) Credit risk (continued)

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Balance as at 1 January	27,092	30,354	-	-
Impairment recognised during the year	6,703	13,482	-	-
Impairment reversed/written off during the year	(5,373)	(16,744)	-	-
Balance as at 31 December	**28,422**	**27,092**	**-**	**-**

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

Amounts at 31 December 2016	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1-2 years K'000	3-5 years K'000	More than 5 years K'000
Non-derivative financial liabilities						
Secured borrowings	62,398	68,951	68,951	-	-	-
Interest bearing deposits	361,448	376,055	351,788	19,040	5,227	-
Trade and other payables	4,818	4,818	4,818	-	-	-
Total	**428,664**	**449,824**	**425,557**	**19,040**	**5,227**	**-**

(ii) Company

At 31 December 2017, non-derivative financial liabilities, all of which are due within the year were K1,243,330 (2016: K6,353,403).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(c) Interest rate risk

Profile

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Fixed rate instruments				
Financial assets	38,368	22,113	25,677	10,013
Finance receivables	359,144	318,732	-	-
Financial liabilities	(454,352)	(361,447)	-	-
Total net	**(56,840)**	**(20,602)**	**25,677**	**10,013**
Variable rate instruments				
Finance receivables	161,926	111,258	-	-
Financial liabilities	(59,519)	(62,398)	-	-
Total net	**102,407**	**48,860**	**-**	**-**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Consolidated		Company	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Variable rate instruments				
As at 31 December 2017	1,024	-	(1,024)	-
As at 31 December 2016	489	-	(489)	-

Company (not applicable)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(d) Fair value versus carrying values

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

Consolidated	Level of FV hierarchy	Fair values		Carrying amounts	
		2017	2016	2017	2016
		K'000	K'000	K'000	K'000
Held to maturity investments	1	7,247	7,823	7,247	7,823
Financial assets designated at fair value through profit or loss	1	354,234	350,389	354,234	350,389
Available-for-sale financial assets	3	93	88	93	88
Other deposits	2	-	14,290	-	14,290
Finance receivables	2	480,879	395,381	480,879	395,381
Cash and cash equivalents	1	137,537	88,413	137,537	88,413
Secured bank loans	2	(59,519)	(62,398)	(59,519)	(62,398)
Interest bearing deposits	2	(454,352)	(361,448)	(454,352)	(361,448)
Total		**466,119**	**432,538**	**466,119**	**432,538**
Company					
Held to maturity investments	1	5,047	5,047	5,047	5,047
Financial assets designated at fair value through profit or loss	1	354,234	350,389	354,234	350,389
Investments in subsidiaries	3	333,382	357,164	333,382	357,164
Available-for-sale financial assets	3	34	34	34	34
Other deposits	2	20,630	4,966	20,630	4,966
Cash and cash equivalents	1	7,389	20,543	7,389	20,543
Total		**726,716**	**738,143**	**726,716**	**738,143**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(e) Fair value hierarchy

Consolidated	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
31 December 2017				
Held to maturity investments	7,247	-	-	7,247
Other investments (Financial assets designated at fair value through profit and loss account)	354,234	-	-	354,234
Available-for-sale investment	-	-	93	93
Total Assets	**361,481**	**-**	**86,469**	**361,574**
31 December 2016				
Held to maturity investments	7,823	-	-	**7,823**
Other investments (Financial assets designated at fair value through profit and loss account)	350,389	-	-	**350,389**
Available-for-sale investment	-	-	88	**88**
Total Assets	**358,212**	**-**	**88**	**358,300**

Company	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
31 December 2017				
Held to maturity investments	5,047	-	-	5,047
Other investments (Financial assets designated at fair value through profit and loss account)	354,234	-	-	354,234
Investment in subsidiaries	-	-	333,382	333,382
Available-for-sale investment	-	-	34	34
Total Assets	**359,281**	**-**	**333,416**	**692,697**
31 December 2016				
Held to maturity investments	5,047	-	-	5,047
Other investments (Financial assets designated at fair value through profit and loss account)	350,389	-	-	350,389
Investment in subsidiaries	-	-	357,164	357,164
Available-for-sale investment	-	-	34	34
Total Assets	**355,436**	**-**	**357,198**	**712,634**

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

Level 3 investments consist primarily of investments in equity of subsidiaries. The investments in the subsidiaries were all valued as 31 December 2017.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

Recognition and measurement

Determination of fair values

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

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

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

(a) Investment property

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

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

(b) Equity and debt securities

The fair value of financial assets at fair value through profit or loss, 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.

(c) Finance and other receivables

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

(d) Non-derivative financial liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

Recognition and measurement (continued)

Determination of fair values (continued)

Key judgments and estimates

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

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

5. Equity

5.1. Share capital

	Consolidated and Company	
	2017	**2016**
Issued ordinary share capital	**K'000**	**K'000**
314,866,510 shares in issue at 1 January	22,468	22,741
Shares issued arising from dividend reinvestment plan Nil (2016: 324,191)	-	519
Shares repurchased during the year 6,585,678 (2016: 450,909)	(460)	(792)
308,280,832 shares in issue at 31 December	**22,008**	**22,468**

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.

In 2017, the Company bought back 6,585,678 shares. Total amount paid (K11,878 thousand) was split between a reduction of share capital (at assumed nominal value of 7t per share) and retained earnings.

Measurement and recognition

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. Equity (continued)

5.2. Reserves

	Consolidated		Company	
	2017	2016	2017	2016
(a) Asset revaluation reserve	**K'000**	**K'000**	**K'000**	**K'000**
Balance at 1 January	71,672	88,610	260,202	249,470
Surplus/(deficit) on revaluation of properties	(19,821)	(22,052)	252	-
Tax effect on revaluation of properties	5,946	5,114	-	-
Surplus/(deficit) on revaluation of investments	-	-	(23,782)	10,732
Balance at 31 December	**57,797**	**71,672**	**236,672**	**260,202**
(b) Asset realisation reserve				
Balance at 1 January	1,329	1,329	149	149
Transfer from retained earnings	(1,180)	-	-	-
Balance at 31 December	**149**	**1,329**	**149**	**149**
(c) Exchange fluctuation reserve				
Balance at 1 January	991	(636)	-	-
Translation adjustment	5,822	1,627	-	-
Balance at 31 December	**6,813**	**991**	**-**	**-**
(d) General reserve				
Balance at 1 January	316,728	266,885	316,729	266,886
Transfer (to)/from retained earnings	4,577	49,843	4,577	49,843
Balance at 31 December	**321,305**	**316,728**	**321,306**	**316,729**
Total Reserves	**386,064**	**390,720**	**558,127**	**577,080**

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

6. Other disclosures

6.1. Employee benefit plan

The Group contributed to superannuation funds which are defined contribution plans, whereby employees contribute certain legislated percentage of their salary to the fund and the Group contributes a certain percentage of each member's salary as allowed by law. During 2017, the Group expensed K1,310,768 (2016: K881,077) in contributions payable.

Recognition and measurement

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

6.2. Commitments and contingencies

Commitments

The Group expects a capital outlay of K 12.1 million for the acquisition of various plant and equipment for its Property Division. In 2017, the Group entered into a contract to refurbish residential property for K4,492,434.

Contingencies

There are no contingencies as at 31 December 2017.

6.3. Related parties

(a) Interest register

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

Name: Sir Wilson Kamit **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, PNG Sustainable Development Program Ltd, PNG Microfinance Limited, Kamchild Limited, Belgravia Limited, Kamit Consultancy Services Limited, Credit Corporation (Fiji) Limited, Credit Corportation (Vanuatu) Limited and Credit Corporation (Solomon Islands) Limited.
Name: Graham John Dunlop **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Steamships Trading Company Limited, Mainland Holdings Limited and City Pharmacy Limited.
Name: Allan Marlin **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited and Nationwide Microbank Limited.
Name: Michael Koisen **Nature of Interest:** Director **(retired March 2017)**	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Era Matana Limited, Credit Corporation Industrial Limited, Capital Insurance Group Limited, Independent Public Business Corporation and Dominion Insurance Group (Fiji).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. Other disclosures (continued)

6.3. Related parties (continued)

(a) Interest register (continued)

Name: Michael Koisen **Nature of Interest:** Chief Executive Officer	**Company** Teacher Savings and Loan Society Ltd.
Name: Abigail Erica Wendy Chang **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited and Credit Corporation (Fiji) Limited.
Name: Professor Albert Conrad Mellam **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Brian Bell & Company Limited, Nambawan Super Limited, Investment Promotion Authority of PNG and Association of Asia Pacific Business School South Korea.
Name: Professor Albert Conrad Mellam **Nature of Interest:** Executive Director	**Organisation** PNG Chamber of Mines and Petroleum.
Name: David Stuart Doig **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Moore Business Systems (PNG) Limited, National Superannuation Fund Limited, Employers Federation of PNG, Aegean Investments Limited, Yuwai No.67, Aloga No.20 Limited, Donnybrook Limited and Turumu Investments Limited.
Name: David Stuart Doig **Nature of Interest:** General Manager	Company Moore Business Systems PNG Limited.
Name: Faye-Zina Lalo **Nature of Interest:** Director **(Joined Jan 17)**	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Amalpack Limited, Capital Insurance Group Limited, Capital General Insurance Company Limited, Capital Life Insurance Company Limited, Kumul Hotels Limited, KHL Subco Limited, Fizo Holdings Limited and AFL PNG Development Limited.

(b) Transactions with Directors and key management personnel

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

	2017	2016
Michael Koisen, a former Director of the Company, is the Chief Executive Officer of Teachers Savings and Loans Society Limited that holds shares as follows:	48,613,500	48,613,500
Michal Koisen, a former Director of the Company holds shares as follows:	5,790	5,790
Allan Marlin, a Director of the Company holds shares as follows:	28,732	28,732

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. Other disclosures (continued)

6.3. Related parties (continued)

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

(ii) Remuneration of Directors

	2017	2016
	K	K
Garth McIlwain	-	125,000
Michael Koisen	29,538	128,000
Graham John Dunlop	130,000	130,000
Sir Wilson Kamit	150,000	150,000
Professor Albert Conrad Mellam	128,000	136,000
David Doig	128,000	128,000
Allan Marlin	138,000	137,000
Abigail Chang	128,000	32,000
Faye-Zina Lalo	92,462	-
	924,000	966,000

(iii) Remuneration of key management personnel

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

	2017	2016
170,000 – 179,999	-	2
250,000 – 259,999	1	1
270,000 – 279,999	1	-
350,000 – 359,999	-	1
360,000 – 369,999	-	1
430,000 - 439,999	1	-
510,000 – 519,999	-	1
870,000 – 879,999	-	1
1,020,000 – 1,029,999	1	-
1,060,000 – 1,069,999	-	1
1,160,000 – 1,169,999	1	-
1,260,000 – 1,269,999	-	1
1,350,000 – 1,359,999	1	-
1,420,000 – 1,429,999	1	-
1,940,000 – 1,949,999	1	-
2,170,000 – 2,179,999	-	1
2,200,000 – 2,209,999	1	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. Other disclosures (continued)

6.3. Related parties (continued)

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

(iv) Key management personnel compensation

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
		2017	2016	2017	2016
	Note	K'000	K'000	K'000	K'000
Short term benefits	(i)	9,628	6,846	280	366
Long term benefits	(ii)	384	377	25	409
		10,012	7,223	305	775

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

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

(v) Other transactions with Directors and key management personnel

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

			Transaction value for the year end 31 December		Balance outstanding as at 31 December	
			2017	2016	2017	2016
Related Party	**Transaction**	**Note**	K'000	K'000	K'000	K'000
Management personnel	Personal Loan	(i)	(319)	(46)	315	634
Management & Director	Deposit	(ii)	(16)	(177)	-	(16)
Total			(335)	(223)	315	618

Note: Balances with brackets indicate a payable balance.

(i) Staff are entitled to personal loans from Credit Corporation Finance Limited up to a maximum of 25% of the gross annual salary at an interest rate of 8% to 10% per annum.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. Other disclosures (continued)

6.3. Related parties (continued)

(c) Transactions with subsidiaries - the Company

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

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
		2017	2016	2017	2016
Transaction	Note	K'000	K'000	K'000	K'000
Management fee	(i)	1,000	1,000	-	-
Guarantee fee	(ii)	40	43	40	-
Interest bearing deposit	(iii)	240	572	20,630	9,416
Dividends	(iv)	21,231	21,656	13,179	2,000
Other	(v)	23,945	25,924	23,945	25,924

(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 (SBD100,000) per annum.

(iii) Credit Corporation (PNG) Limited invested the excess funds from dividends, management & guarantee fees, in a 1-year deposit with Credit Corporation Finance Limited at 1.820% interest rate per annum. The Interest earned during 2017 was K239,509 (2016: K572,015).

(iv) Dividends received from all the subsidiary companies except Era Matana Limited and Credit Corporation Industrial Limited.

(v) Other transaction with subsidiaries including receivable from the subsidiary company Era Matana Limited.

(d) Other related party transactions

(i) The associate company of Credit Corporation (PNG) Limited, Capital General Insurance, has interest bearing deposit accounts amounting to K18,790,202 as at 31 December 2017 (2016: K15,291,128) at 5.50% to 5.75% per annum with Credit Corporation Finance Limited. The net interest paid was K239,506 (2016: K646,290).

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

6.4 Events occurring after balance sheet date

On 8 February 2018, Credit Corporation (PNG) Limited entered into a share sale agreement for the purchase of 100% shares in Pacwealth Capital Pty Limited and its subsidiary company Pacwealth Capital Limited, a Papua New Guinea company licensed to provide investment management and advisory services.


CREDIT CORPORATION
CREDIT CORPORATION

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2017

	Number	%
NAMBAWAN SUPER LIMITED	62,947,271	20.42%
NATIONAL SUPERANNUATION FUND LIMITED	62,099,367	20.14%
TEACHERS SAVINGS AND LOAN SOCIETY LTD	48,613,500	15.77%
LAMIN TRUST FUND	19,158,710	6.21%
MOTOR VEHICLES INSURANCE LIMITED	17,100,000	5.55%
FEDERATION OF SAVINGS & LOAN SOCIETIES LIMITED	16,621,878	5.39%
GARTH MCILWAIN	8,779,066	2.85%
MINERAL RESOURCES STAR MOUNTAINS LIMITED	4,374,011	1.42%
BSP LIFE (FIJI) LIMITED	4,091,838	1.33%
MINERAL RESOURCES OK TEDI NO 2 LIMITED	4,064,848	1.32%
HEDURU MONI LIMITED	3,650,000	1.18%
FINANCE CORPORATION LIMITED	3,190,647	1.03%
CAPUCHIN FRIARS MINOR OF PNG	2,452,214	0.80%
COMRADE TRUSTEE SERVICES LTD	2,082,333	0.68%
KINA NOMINEES LIMITED	2,010,000	0.65%
WEST NEW BRITAIN PROVINCIAL GOVERNMENT	2,000,000	0.65%
DAUGHTERS OF OUR LADY OF SACRED HEART OLSH PROVINCIALATE	1,800,000	0.58%
VADA NO 3 LIMITED	1,625,028	0.53%
PACIFIC MMI INSURANCE LIMITED	1,587,406	0.51%
NASFUND CONTRIBUTORS SAVINGS & LOAN SOCIETY LIMITED	1,550,000	0.50%
	269,798,117	**87.52%**

Shareholding

	No. of Shareholders	No. of Shares
1 - 1,000	685	353,118
1,001 - 5,000	464	1,006,178
5,001 - 10,000	309	2,642,830
10,001 - 100,000	237	7,495,556
100,001 and above	81	296,783,150
Total	**1,776**	**308,280,832**

Share trades

Year	No	Volume
2013	431	4,878,096
2014	386	16,054,508
2015	695	2,955,858
2016	312	3,765,352
2017	213	7,792,844

CREDIT CORPORATION (FIJI) LIMITED

Peter Dixon
Managing Director

Credit Corporation (Fiji) Limited celebrated its 25 years anniversary of operations in Fiji in March 2017. Many of our valued customers, business partners and staff joined us for a cocktail function to mark the special occasion where two of our employees, Dale Pickering and Sharmila Singh received long service awards. Congratulations to Dale and Sharmila on their achievement and sincere thanks go to all who have contributed over those 25 years to make Credit Corporation (Fiji) Limited the successful organisation it is today.

The company enjoyed another very successful year in 2017, despite the challenges presented by an increasingly competitive asset finance market in Fiji. 2017 saw many sectors of the Fiji economy rebound from the damaging effects of Cyclone Winston, with rebuilding efforts helping to fuel economic growth and in turn provide financing opportunities for the company.

The company returned a record operating profit of F$10.54 million (K16.19 million) for the year, a 10% increase on the prior year's result. A very pleasing net after tax profit of F$8.32 million (K12.78 million) was recorded for the year, a 10% improvement over the previous year's result and up on budget expectations.

New business volumes exceeded F$70 million (K107.5 million) for the first time despite increasing competition, underlining a very strong effort from the sales team in 2017. An increase in the level of economic growth post Cyclone Winston and the Government's continued funding support of a major program to rejuvenate roads and bridges across Fiji presented the company with some good financing opportunities through the year.

2017 saw a very healthy 14% growth in the level of gross finance book, with the book increasing to F$157.3 million (K247.2 million) as at year end from F$137.9 million K201.5 million) the previous year. We consider the finance book to be comfortably provisioned, with Reserve Bank of Fiji guidelines respected and provisions adequate to cushion against losses from any unforeseen future events which may impact the Fiji economy and our business.

The company is in a strong financial position, with total assets of F$165.4 million (K259.9 million) and shareholder's funds of F$37.9 million (K59.6 million) as at 31 December 2017. The company continues to be well capitalised, with Capital adequacy standing at 26.3% at year end, comfortably in excess of the Reserve Bank of Fiji's prudential standard.

In terms of Fiji's economic performance, sectorial performances in 2017 were mixed but generally positive. Tourism continues to track above trend, with visitor arrivals having increased by 6.4% in 2017. The key sugar industry saw much improved performance in 2017, with the industry recovering from the damage caused by Cyclone Winston in 2017. Cane production and sugar production were up 17.6% and 29.3% respectively from the prior year.

Consumption and investment activity in the Fiji economy continues to be robust. New lending for consumption purposes grew by 12.1% in 2017, with new investment lending growing by 25% for the year led by lending for real estate and construction. Low interest rates and adequate liquidity levels provided a solid platform for economic growth in 2017.

The economy is expected to grow for the 9th consecutive year in 2018 with growth of 3.6% forecast.

Once more the business has needed to quickly adapt to a change in business mix, with 2017 seeing a strong increase in the number of new cars being financed given more favourable duty concessions which came into play from 1 January 2017. The year saw a significant fall in the numbers of second hand vehicles being imported and financed after an extended period of surging import numbers.

Again our experienced and hard-working team provided the base for a successful year in 2017 and I take this opportunity on behalf of the board to thank them for their efforts and look forward to their valued contribution to our company in the year ahead of us. A special thanks to our staff for the enthusiastic way which they have embraced fund raising efforts for worthy charities in the Fiji community.

Elections ahead for Fiji in 2018 and it is to be hoped that the process is a smooth one allowing for a continuation of conditions conducive to the growth of our business.

In 2018 our focus will remain on building key relationships with our customers and our business partners, ensuring a high level of customer service and in turn maximising financial performance.

Peter Dixon
Managing Director

CREDIT CORPORATION (FIJI) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2017 FJD	2016 FJD
Assets		
Cash and cash equivalents	32,112,175	10,457,479
Finance receivables	123,263,082	107,303,226
Investments	1,437,500	1,937,500
Other receivables	273,287	275,414
Property, plant and equipment	6,731,303	6,731,628
Deferred tax assets	1,505,031	1,394,603
Intangible assets	52,163	71,303
Total assets	165,374,541	128,171,153
Liabilites		
Other payables	739,743	530,277
Employee entitlements	837,415	673,180
Current tax liability	207,299	222,774
Deposits from customers	122,191,604	91,371,601
Provisions for dividend	3,500,000	-
Total liabilities	127,476,061	92,797,832
Net assets	37,898,480	35,373,321
Shareholders' equity		
Share capital	4,083,814	4,083,814
Retained earnings	33,814,666	31,289,507
Total shareholders' equity	37,898,480	35,373,321
Retained Earnings		
Net profit after tax	8,322,675	7,567,880
Retained earnings at the beginning of the year	31,289,507	31,091,358
Dividends paid	-5,797,516	-7,369,731
Retained earnings at the end of the year	33,814,666	31,289,507

Board of Directors

Sir Wilson Kamit (Chairman)

Peter Dixon

William Parkinson

Abigail Erica Chang

CREDIT CORPORATION (SI) LIMITED

Tony Langston
Managing Director

Credit Corporation (SI) Limited enjoyed another profitable year in 2017 and has posted an Operating Profit of SBD7.35 million, 41% below budget and 41% below same period in 2016. As a result of a one off positive tax adjustment of SBD1.44 million (K0.6 million), this has posted our Net Profit to SBD8.8 million (K3.5 million).

The business environment in the first half of 2017 was quite challenging resulting low volume of new business being captured but slowly picked up during second half achieving total new loans of SBD54 million (K22 million) for the full year, 20% below budget and 15% down compared to 2016. This has impacted on our gross earning reporting 21% below budget and 20% below same period in 2016.

The situation was further compounded by the Solomon Islands Government's poor cash flow position resulting in local contractors and service providers not able to get their payments on time. This has severely affected some of our key customers resulting in their loans being forced into the past 90 days threshold thus incurring provisions & interest income being suspended.

Total expenditure slightly above budget by 9% to SBD9.07 million (K3.7 million) and up by 9% compared to same period in 2016.

The business is well capitalised and continues to maintain a sound balance sheet.

Total dividend payment of SBD$6.27 million (K2.53 million) was declared in 2017 financial year.

The Central Bank of Solomon Islands reported 3.7% growth in 2017 and projected growth of 3.5% in 2018. Inflation was reported 1.8% in the last quarter of 2017 and projected level of 2% to 5% for 2018.

Credit Corporation continues to honour its community service obligations in the Solomon Islands by providing reasonable assistance (donations) to selected charitable organisations and is the main sponsor of the High School Rugby Development Program in Honiara, which has produced a pool of potential rugby players in the Solomon Islands since 2014.

Credit Corporation has been doing business in the Solomon Islands for past twelve (12) years and is well positioned in the local market. It is committed to continue delivering attractive and competitive financial services to individuals and businesses in the future.

Tony Langston
Managing Director

Credit Corporation Solomon Islands staff.

CREDIT CORPORATION (SI) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2017 SBD	2016 SBD
Assets		
Cash and cash equivalents	8,496,650	15,262,435
Finance receivables	116,654,916	122,799,954
Other receivables	5,270,474	42,445
Property, plant and equipment	5,520,933	5,817,820
Total assets	135,942,973	143,922,654
Liabilites		
Other payables	4,514,855	693,001
Deposits from customers	81,652,564	96,192,339
Total liabilities	86,167,419	96,885,340
Net assets	49,775,554	47,037,314
Shareholders' equity		
Share capital	20,000,000	20,000,000
Retained earnings	29,775,554	27,037,314
Total shareholders' equity	49,775,554	47,037,314
Retained Earnings		
Net profit after tax	9,007,854	9,626,452
Retained earnings at the beginning of the year	27,037,314	21,410,862
Dividends paid	-6,269,614	-4,000,000
Retained earnings at the end of the year	29,775,554	27,037,314

Board of Directors

Sir Wilson Kamit (Chairman)

Tony Langston

Adrian Wickham

CREDIT CORPORATION (VANUATU) LIMITED

Johnny Wilson
Managing Director

2017 was an exceptional financial year for the company.

An operating profit of VT186 million (K5.4 million) was achieved for the year against budget of VT75 million (K2.2 million) or 148% up on budget and 291% up on the prior year's result of VT47.7 million (K1.3 million). The main contributing factors that drove this strong growth in profit were rising business volumes, effective cost management and tight controls on loan delinquencies.

Net new finance of VT100 million (K32.1 million) was written against a budget of VT600 million (K18.0 million), 79% up on budget. The company's reputation for fast turnaround times on loan approvals and some creative brand awareness projects were key to rising business volumes.

Balance sheet has also experienced strong growth. Total assets grew to VT1,411 million (K42.3 million) by the end of 2017 compared to VT751 million (K20.1 million) as at the end of 2016. Shareholder equity increased from VT478 million (K12.8 million) as the end of 2016, to VT509 million (K15.3 million) at the end of 2017. The company's capital adequacy ratio was at a very comfortable 38.9% at year-end being well in excess of the Reserve Bank of Vanuatu's prudential requirement of 8%.

Market factors contributing to the company's strong performance included: Tourism projects expanding to the outer islands, a recovering Agriculture sector (especially new export market for Kava into China, USA & Europe), increase in copra oil price on world markets, and an increase in sub-contracts being awarded for Aid funded projects.

A very high liquidity situation existed within the financial sector (post Cyclone Pam) hence IBD rates were significantly low amongst the banks. The company has been in a position to offer competitive IBD rates in order to grow its deposit book and in turn fund business growth. As a result, CCVL has collected substantial new deposit funds to grow our IBD book from VT263 million (K7.7 million) as at the end of 2016 to VT765 million (K20.8 million) at the end of 2017.

The current operating environment is stable and the Government's economic policies have gained market confidence and are attracting new investors into the country.

The Government has recently announced the banning of the importation of second hand vehicles (bus, cars, and trucks) from Korea effective from 2019. This is an initiative aimed at improving the quality of vehicles on the road.

The reconstruction and infrastructure projects funded by the Vanuatu Government and Aid Donors after cyclone Pam are wrapping up soon, some in 2018 and the rest by mid-2019.

The influx of Aid funds post Cyclone Pam has increased foreign reserves up to a healthy level equivalent to 10.4 months of import cover.

Finally, I would like to sincerely thank all our staff for their hard work in producing exceptional financial results for CCVL business and also extending our gratitude to the MD Fiji –Mr Peter Dixon and his team for supporting the CCVL business in 2017.

Johnny Wilson
Managing Director

Credit Corporation Vanuatu staff.

CREDIT CORPORATION (VANUATU) LIMITED

(EXTRACTED FROM AUDITED FINANCIAL STATEMENTS)

BALANCE SHEET

	2017 VATU	2016 VATU
Assets		
Cash and cash equivalents	208,956,145	169,495,130
Finance receivables	1,193,889,170	572,694,351
Other receivables	2,379,813	1,539,359
Property, plant and equipment	5,424,737	7,688,195
Total assets	1,410,649,865	751,417,035
Liabilites		
Other payables	135,546,794	10,067,675
Deposits from customers	765,651,534	263,253,319
Total liabilities	901,198,328	273,320,994
Net assets	509,451,537	478,096,041
Shareholders' equity		
Share capital	50,000,000	50,000,000
Share premium reserve	318,188,000	318,188,000
Retained earnings	141,263,537	109,908,041
Total shareholders' equity	509,451,537	478,096,041
Retained Earnings		
Net profit after tax	186,152,623	47,661,346
Retained earnings at the beginning of the year	109,908,041	90,246,695
Dividends paid	-154,797,127	-28,000,000
Retained earnings at the end of the year	141,263,537	109,908,041

Board of Directors

Sir Wilson Kamit

Peter Andrew Dixon

Johnny Wilson

CORPORATE DIRECTORY

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

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

Directors
Sir Wilson Kamit
Michael Koisen (retired)
Professor Albert Mellam
David Doig
Graham John Dunlop
Allan Marlin
Abigail Chang
Faye Zina-Lalo

Acting Chief Executive Officer
Peter Dixon

Company Secretary
Beverlyn Malken

Auditors
KPMG Chartered Accountants
PO Box 507
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Papua New Guinea

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

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

PAPUA NEW GUINEA

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FIJI

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Nakasi Fiji Islands
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SOLOMON ISLANDS

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