CREDIT CORPORATION

PRELIMINARY FINAL REPORT

FINANCIAL HALF YEAR ENDED 30 JUNE 2020

Incorporating the requirements of Appendix 4B (equity accounted)

Rules 4.1, 4.3

Appendix 4B

For the half year to 30 June 2020

Results for announcement to the market

Comparisons of current half year to 30 June 2020 are with the half year to 30 June 2019.

	Half Year June 2020	**Half Year June 2019**
Preliminary Final Report for the half year ended 30 June 2020		
Revenue from ordinary activities (PGK Millions)	**K107m**	**K112m**
Net profit after tax for the period		
Attributable to equity holders (PGK Millions)	K24m	K78m
Dividends (distributions) Final dividend		
Unfranked (PGK toea per share)	12	13
Full Year dividend		
Unfranked (PGK toea per share)	-	-
Interim dividend		
Unfranked (PGK toea per share)	-	-

Directors

The Directors present this report together with the Interim Condensed Consolidated Financial Report for the six-month period ended 30 June 2020.

The Directors of the company have not changed since the end of the year 2019 and are represented as follows:

- Sydney Yates, Chairman
- Richard Sinamoi
- Faye Zina Lalo
- Michael Varapik
- Albert Mellam
- James Kruse
- Abigail Chang

The Company Secretary is Beverlyn Malken.

Contents

Appendix 4B **2**
For the half year to 30 June 2020 2
Results for announcement to the market 2
Directors 3
1. Results overview 5
   1.1 Results Highlights 5
   1.2 Operating performance and earnings 6
   1.3 Key strategic priorities: 13
   1.4 Governance and risk 13
   1.5 Profit results for the half year ended 30 June 2020 14
2. Consolidated profit and loss account 19
3. Intangible, abnormal and extraordinary items 20
4. Comparison of half year profits 20
5. Consolidated balance sheet 20
6. Exploration and evaluation expenditure capitalised 22
7. Development properties 22
8. Consolidated statement of cash flows 22
9. Non-cash financing and investing activities 23
10. Reconciliation of cash 24
11. Ratios 24
12. Earnings Per Security (EPS) 24
13. NTA backing 24
14. Details of specific receipts/outlays, revenues/expenses 25
15. Control gained over entities having material effect 25
16. Loss of control of entities having material effect 25
17. Reports for industry and geographical segments 26
18. Dividends (in the case of a trust, distributions) 26
19. Amount per security 26
20. Total dividend (distribution) per security (interim plus final) 26
21. Half yearly report - interim dividend (distribution) on all securities *or* 26
22. Preliminary final report - final dividend (distribution) on all securities 27
23. Details of aggregate share of profits (losses) of associates 27
24. Material interests in entities which are not controlled entities 28
25. Issued and quoted securities at end of current period 28
26. Comments by Directors 29
27. Additional disclosure for trusts 29
28. Annual meeting 30
Compliance statement.......... 30

1. Results overview

CREDIT CORPORATION REMAINS IN STRONG POSITION TO ACCELERATE BUSINESS ACTIVITY POST COVID-19

1.1 Results Highlights

Highlights	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
RESULT DRIVERS - GROUP						
Group Core Operating Profit (PGK'000) *	24,367	34,282	70,736	32,479	53,794	(65.55%)
Profit after tax attributable to the shareholders (PGK'000)	23,865	53,573	78,412	28,262	69,661	(69.56%)
Expense to Income Ratio**	41.62%	43.50%	34.34%	37.70%	35.10%	7.28%
Group Return on Equity	5.33%	3.80%	16.22%	6.50%	13.00%	(10.89%)
Return on Asset	1.53%	2.20%	4.62%	4.90%	3.75%	(3.09%)
Earnings Per Share	0.08	0.17	0.25	0.09	0.23	(68.00%)
Net Asset Backing Per Share	2.95	2.99	2.90	2.76	2.74	1.72%
RESULT DRIVERS - FINANCE						
Net Profit (Loss) After Tax (PGK'000)	(4,220)	19,274	18,144	12,152	12,164	(123.26%)
Net interest margin (%)	12.15%	13.10%	11.97%	13.90%	12.94%	0.18%
Net Loan (PGK'000)	572,680	613,111	626,897	581,939	544,846	(8.65%)
Funding (PGK'000)	560,935	531,963	495,822	483,432	453,760	13.13%
Loan impairment expense (PGK'000)	38,209	9,609	6,185	12,862	12,406	517.78%
RESULT DRIVERS - PROPERTY						
Core Operating Profit (PGK'000)	6,648	8,808	9,261	7,528	5,865	(28.21%)
Occupancy Rates	78%	82%	79%	76%	74%	(1.00%)
Investment property fair value (PGK'000)	259,337	275,700	277,251	297,410	303,685	(6.46%)
Rental Yields	10.73%	11.01%	12.27%	11.70%	9.83%	(1.54%)
RESULT DRIVERS - INVESTMENTS						
Fair Value of Listed Investments (PGK'000)	440,646	433,409	406,965	377,930	368,716	8.28%
Dividend Yield	7.91%	3.26%	9.13%	12.30%	9.40%	(1.22%)
Dividend Income (PGK'000)	34,842	13,926	36,657	13,415	32,918	(4.95%)
Share of profit of equity accounted investee (PGK'000)	-	(6,404)	2,225	(5,624)	2,626	(100.00%)

*Core operating profits excludes tax and fair value changes arising from revaluation of investments.

**Expense to income ratio excludes any impairment costs and fair value changes of investments.

1.2 Operating performance and earnings

Credit Corporation Group's ("The Group") performance in first half to 30 June 2020 ("1H20") reflects the impact of COVID-19 on the economies where we operate and our customers. The 1H20 results show a 66% decrease in Core Operating Profit and 70% decrease in NPAT compared to the 30 June 2019 ("1H19") half year result.

The 1H20 has been challenging due to economic activity throughout the Pacific being significantly impacted by COVID-19. A focus on preventive measures to keep people safe, which were put in place by governments within key geographies where we operate, has contributed significantly to a decline in business activity. For the Group, this has resulted in a decline in revenue in the key markets where we operate, while impairment costs have increased significantly reflecting the expected credit losses as measured under IFRS 9 *Financial Instruments*.

Group impairment costs increased by 518% in 1H20 compared to 1H19. The increase was largely attributed to the uncertain outlook posed by COVID-19. In line with IFRS 9 accounting standards, the Group was required to estimate expected credit losses based on publicly available information.

As required under IFRS 9, the approach taken by the Group to estimate the level of expected credit losses was based on a number of key variables including the extent and duration of economic stress on the economies where we operate and the potential effects of mitigating measures introduced by governments. Individual customer circumstances and various COVID-19 hardship relief options, which were provided to our customers, impacted by the pandemic were also taken into consideration.

We will continue to monitor our lending portfolio and reassess our provisioning levels as the situation evolves.

Notwithstanding these challenges, in 1H20, the Group's main focus was on helping our customers to navigate through the uncertainties and challenges posed by COVID-19, while ensuring the health and well-being of our staff.

During the period under review, the Group supported customers by implementing initiatives such as loan repayment deferrals within the finance segment for customers who had been impacted by COVID-19. Customers in our property portfolio were also affected which mandated certain relief measures to maintain occupancy and support our tenancies through this difficult period.

The Group entered the COVID-19 situation in a strong position financially, operationally, and culturally.

The Group has worked to strengthen its capital position in recent years which has enabled it to build a buffer to assist absorb the financial impacts of COVID and to be better positioned to respond to future developments in the economy. A critical focus area during this period for the Group has been to manage costs in the business and to ensure sufficient liquidity within our balance sheet. This is reflected in the Group's cash position as at 30 June 2020, with the cash balance increasing by 67% since the end of FY19.

Dividends from the investment segment have also been reduced in light of the volatile environment.

Despite the current economic headwinds, the Group has continued its focus on key priority areas including strengthening its systems, processes, and corporate governance framework.

The challenges brought about as a result of COVID-19 have also enabled the Group to implement and refine its business continuity planning.

During 1H20, the Group continued its technology investment including the ongoing upgrade of IT platforms, and improving and automating key business processes.

In line with the strategic direction the Group initiated in early 2019, the management team has also been focused on implementing the following key initiatives:

- Reviewing its investment portfolio;
- Preparing the Group for organic and inorganic growth;
- Diversifying the Group funding base in line with the Group Funding Strategy; and
- Improvement in marketing the Group's Properties.

The Group's cost to income ratio was higher at 41.62%, with a reduction in revenue as a result of the impacts of COVID-19 restrictions.

The Board also declared a final dividend of 12 toea per share in June 2020. This represents a dividend yield of 7.91%

Group return on equity reduced by 10.90% to 5.33%, reflecting the challenging times during 1H20.

While it is presently difficult to predict the depth of the economic impact and the duration of the recovery from the impacts of the pandemic, the Group will continue to focus on prudent approach to risk, and disciplined operational execution.

Credit Corporation's balance sheet remains strong. The Group is well capitalised and our liquidity and funding metrics are considerably above regulatory requirements. We are in a strong position to manage through this crisis, while remaining well placed to take advantage of any uplift as the global and domestic economic conditions improve.

As a Group we understand there will be opportunities for financial services companies in the current environment who are able focus on their customers' needs, while remaining prudent in their approach to managing operations

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

1.2.1 Finance Segment

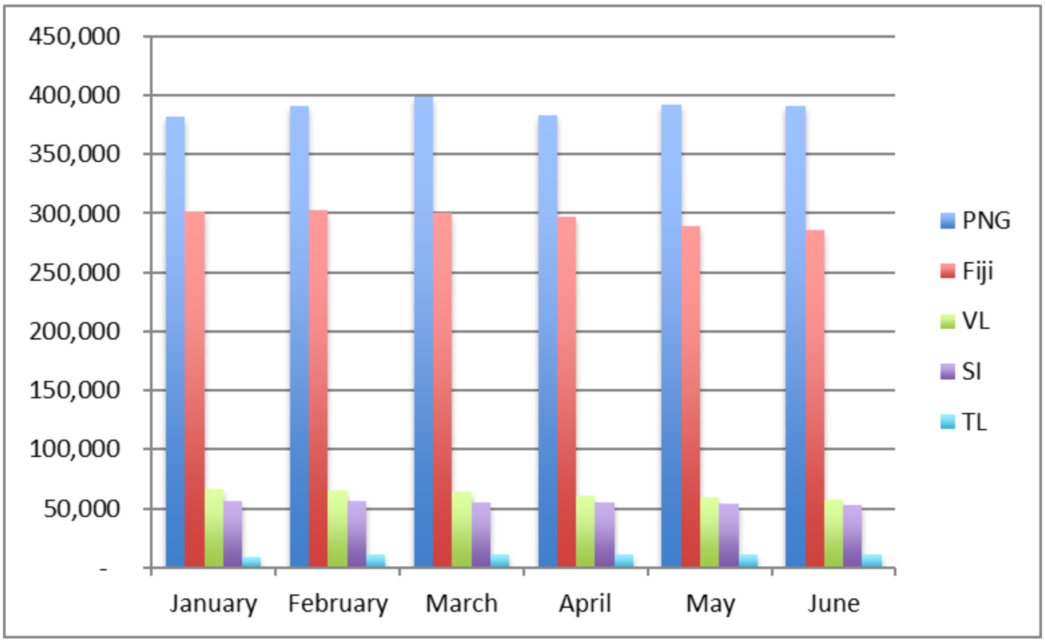
CC Finance Overview

The Group's finance companies have been significantly impacted by the COVID-19 pandemic restrictions introduced across all jurisdictions. The subsequent closing of borders has contributed to the revenue decline from tourism activities, impacting customers in all industries, but most significantly tourism related industries such as hotels and transport.

The governments in each of our operating countries have responded with fiscal stimulus to drive economic activity to assist in replacing revenue shortfalls, however we expect GDP levels to remain subdued for the near term.

Loan receivables reduced by K54.2m or 9% over the period as a result of restrictions being applied to new business lending in all jurisdictions, business development initiatives have been deployed with consideration of the longer-term impacts of the COVID-19 restrictions on respective local economies.

Loan Receivables PGK'000

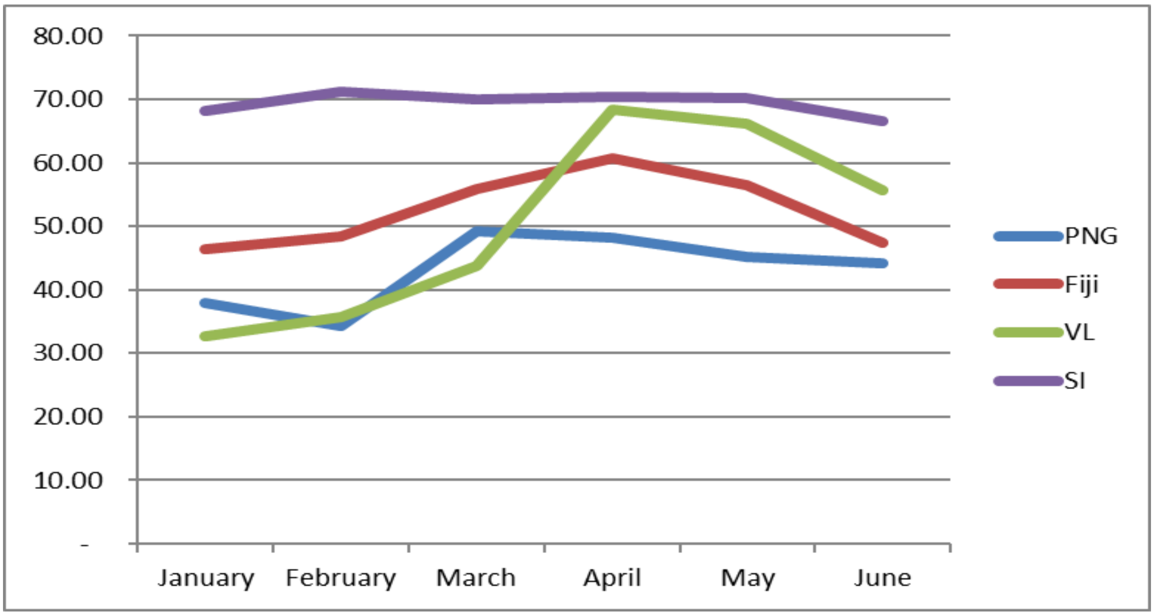


The Group's focus has been on managing the COVID triggered arrears and the clearance of long-term non-performing loans through proactive recovery action. The level of loans in arrears increased by 59% or K67m from 1H19 during the period.

We have taken a cautious and prudent approach to loan provisioning levels in increasing total provisions by K30.2m or 49% from 1H19 to reflect the level of uncertainty within the global and local markets. Current loan provisions now stand at K92m.

While the level of accounts in arrears has increased, the trend is now starting to improve.

Total Overdue Account Balances by %



The volume of customer requests for loan repayment deferrals (LRD) has varied across the jurisdictions. Following guidance issued by local regulators, our approach has been to grant LRD for an initial term of three months, subject to customers clearing any existing loan arrears during the relief period, where possible. Three-month loan repayment deferrals were provided to customers between April and June 2020.

Subsequent LRD requests are being tightly managed, with many customers resuming their normal monthly repayments and those unable to do so, committing to pay either a reduced amount of their monthly repayment, or at a minimum maintaining interest payments.

The finance company business overall recorded loss after tax of K4.2m, compared to a NPAT of K18.1m for the same period in 2019. The main contributor was the generalised slowdown in the economy resulting in an increase in loan provisions and a decrease in interest income from reduced loan receivables.

PNG

The loan portfolio achieved modest growth of K18.0m or 4.96% during the period. Notwithstanding this growth, the PNG business made a loss after tax of K3.0m during the period, largely attributed to the increase in impairment costs of K22.6m due to increase in the level of arrears.

Fiji

The global COVID-19 crisis saw the shutdown of Fiji's borders in March 2020, with tourism in Fiji largely coming to a standstill. This situation has had a major economic impact in terms of job losses and stress on businesses, big and small.

Businesses particularly in the tourism-dependent Western Division have been majorly impacted and unemployment has increased significantly.

As a result, the Fiji business's loan volumes have slowed dramatically over 1H20, with businesses in Fiji impacted by the economic fallout and the resulting slowdown in commitment to all but essential capital investment. The economic situation was further exacerbated by the impacts of Cyclone Harold hitting Fiji in April and causing major damage to the outer islands.

A key focus area of the Fiji business over the first half of 2020 has been on processing the number of LRD requests. Many have been granted a three-month loan repayment deferral. A review of these arrangements commenced in late June 2020.

The Fiji business profit after tax was a modest K2.0m for the period, with loan receivables down K21.7m or 9.2% and impairment costs up K10.2m in 1H20 from 1H19.

While the Fiji business has faced significant challenges in 2020, it is well placed to weather the storm given it is well capitalised with a comfortable liquidity position.

Solomon Islands

The Solomon Islands economy remained subdued in 1H20 with major government infrastructure projects planned to start in the first half of the year halted due to the COVID-19 pandemic.

There are expectations for the economy to start to rebound once major government and donor agency projects commence in 2H20. The lack of economic activity and high non-performing loans carried over from the previous year resulted in a reduction of the loan book by K3.3m or 5.9%.

The Group has been working on remedial actions to improve the portfolio quality with the expectation of recoveries from legacy loans to improve CC Solomon Island's result in 2H20.

Vanuatu

Vanuatu experienced Category 5 Tropical Cyclone Harold, a volcanic ash cloud and the COVID-19 pandemic in 1H20. The Asian Development Bank has forecasted GDP to be negative 1.0%, down from the 2.8% positive predicted in January 2020, as a result of these combined events.

The economy is highly dependent on tourism (~60% of GDP) but due to COVID-19 and the border lockdown that focus has switched to the productive agriculture sector (25% of GDP). Unfortunately, the hub of the agriculture sector is in the northern part of the country, which was severely impacted by Tropical Cyclone Harold in April 2020. Furthermore, during the same month the southern part of the country was impacted by widespread volcanic ash. This is the first time in 40 years, Vanuatu has experienced three simultaneously large-scale disasters in a month.

The Vanuatu business recorded an NPAT of K1.4m in 1H20, with provisioning of K5.8m being the largest expense. Liquidity remained strong during this half of the year and covers more than 12 months of lending.

Timor-Leste

The business environment in Timor-Leste was already fragile due to delays with the release of the 2019 budget funds of USD1.5 billion, and how this would be allocated. Similar issues applied to the 2020 General State Budget (USD1.6 billion) which is yet to be approved by the Council of Ministers prior to being sent to the National Parliament for voting and promulgation in December 2020.

A state of emergency commenced 26 March 2020 for a month, which was later extended until the end of June 2020. Travel to and from Timor-Leste remains restricted with some imports being delayed. The Government of Timor-Leste has stopped commercial flights into the country, although humanitarian aid and travel via the World Food Program are allowed.

GDP Growth expected to be -3.7% in 2020 and -4.0% in 2021 (ADB).

Growth of the portfolio is not expected to be significant for the remainder of 2020, while the Government and the private sector deal with the many issues of being in almost full lock down.

The Timor-Leste loss after tax was PGK1.1 million with general provisioning of PGK1.2 million.

CC Timor-Leste remains in a sound position in terms of liquidity and will continue to prudently assess new proposals, while managing clients currently facing hardship due to the pandemic.

We anticipate a continued fall in confidence, and some businesses will be challenged by the lack of spending.

We will continue to work with the Central Bank in relation to some recent restrictions to deposit taking introduced by the Central Bank 2Q20.

1.2.2 Property Segment

COVID-19 has had an impact on the Properties segment during 1H20 with declining occupancies, downward pressure on rental rates and increased rental abatements.

Customers in our property portfolio were also affected which mandated certain relief measures to maintain occupancy and support our tenancies through this difficult period. Occupancy by properties are as follows.

- Era Dorina – occupancy decreased to 51% (61% in FY19).
- Era Matana – occupancy decreased to 89% (94% in FY19).
- Credit House – occupancy remained stable at 95% (95% in FY19).

Average occupancy levels for the property portfolio decreased to 78% during 1H20 compared to 82% in FY19. Occupancy levels at Credit House have been stable, while more focus has been placed on securing occupancy levels at our residential properties after the initial departure of tenants as a result of repatriation of expat staff by the Australian Government and other international agencies.

Other competitor residential properties have also suffered declining occupancies as a result of the COVID travel and movement restrictions. This has placed downward pressure on rental rates that were already challenged due to the existing oversupply of high-end properties in the Port Moresby market. This has resulted in lease tenure for residential properties reducing from an average of 24 months to 12 months.

The Group will prudently invest in the upkeep of its property portfolio to maintain its position as a premium brand in the market and continue to strive for points of differentiation. Era Matana Estate now offers complimentary high-speed Wi-Fi with IPTV and entertainment streaming opportunities for improved tenant leisure time.

Era Dorina has been positioned as a family-friendly residential complex and due to COVID-19 has experienced a significant loss of tenant families who have chosen to relocate to Australia during the pandemic.

While still offering complimentary Wi-Fi, IPTV and improved tenant entertainment, the current need for family accommodation has decreased in Port Moresby given the ongoing uncertainty.

The introduction of complimentary airport transfers at Era Dorina and Era Matana has also been well received by tenants.

Era Matana continues to hold its place in the market as a high-quality premium product targeting business executive. The excellent location and design, and ease of access to the CBD, continues to be a key selling feature.

Credit House has locked in tenancies of two floors for a further six months each for FY20 to maintain 95% occupancy to year-end. With an oversupply of commercial space now available in Port Moresby, this will see downward pressure placed on rental space from 2021 onwards.

A focus on building capacity in staff resources has seen an improvement in tenant customer services with reduced turnaround time on maintenance issues at Era Dorina, Era Matana and Credit House.

The Group continued its focus on lifting its marketing efforts to improve occupancy levels. This included increasing direct marketing activities targeting real estate agents and also larger companies that have potential to take up multiple tenancies. Targeted high traffic sites have been chosen for advertising billboards that drive the brand message of family lifestyle living. Newspaper advertising has been used to highlight to potential in country tenants that CC Properties offer a high level of service and amenity. To date this has seen an increase in potential tenant interest at our Era Matana Estate.

1.2.3 Investment Segment

The investment portfolio consists of listed equities, predominantly BSP shares. The valuation of shares in BSP increased by 8.3% compared to 1H19 and the dividend yield reduced by 1.22%, mainly due to the appreciation of the BSP share price over the last 12 months.

1.2.4 Asset quality and loan impairment

The Group has assessed the operating conditions and taken a conservative approach to record an increase in expected credit loss due to uncertainties posed by COVID-19. In support of stimulus measures introduced by respective governments, we have extended support to our customers who have been impacted by COVID-19.

In line with the requirements of IFRS 9, the Group is undertaking a process of ensuring that each loan asset complies with the relevant credit quality, which is reflected in relation to the measurement of the extent of expected credit losses.

Due to reduced economic activity across key markets and key industries, the Group expects some customers may be challenged in returning their businesses to normal activities post COVID. And as cash flow and liquidity become tighter in each of the respective jurisdictions, it is anticipated there will be further credit quality deterioration in each of these businesses.

Accordingly, the Group has increased its provisions to reflect the uncertainties posed by COVID-19. Loan impairment costs have increased by 517.78% to K38.2min 1H20 compared to 1H19. The increase was made based on readily available information obtained at both the customer level and also from a macroeconomic perspective.

Key items that were considered in determining the expected credit loss include, forecasted GDP growth and CPI indexes. The deterioration in collateral values and a longer realisation period to clear loan delinquency in key markets were also the key variables being monitored under IFRS 9, as any significant change in these variables can drive provisions up or down.

The efforts to resolve issues with legacy loans also continued in 1H20 wherein a significant recovery was made for a large PNG legacy loan. This has provided an uptick in other income. Further recovery work has also been undertaken for CC Solomon Islands with positive results.

With varying macro challenges impacting core business activities, the Group is focused on managing the overall quality of the loan book. The asset management team has been strengthened with the creation of the Asset Management Unit to monitor assets quality.

1.2.5 Property Valuations

The Group adopted an approach to conduct revaluations every three years, consistent with IFRS requirements. The last external revaluation undertaken by the Group was in June 2019 with Savills Singapore engaged to perform external valuations.

For 1H20 reporting, the Group performed a further valuation analysis on its properties in light of current uncertainties posed by COVID-19. Accordingly, based on assessment performed by Savills, property values have decreased by a further K16.4m. The valuation position was attributed to market factors such as rental rates, property prices and yields, and average lease tenures due to current uncertainties. The results of the valuation are as per below:

Investment Property	**Valuation Basis**	**Jun-20 K'000**	**Dec-19 K'000**	**Mov't K'000**
Era Dorina	Direct Capitalisation	131,129	137,937	(6,808)
Credit House	Direct Capitalisation	66,903	72,927	(6,024)
Era Matana	Direct Capitalisation	53,505	56,936	(3,431)
Gerehu Land	Replacement Cost	4,000	4,100	(100)
Credit Corporation Property - Lae	Direct Capitalisation	3,800	3,800	-
		259,337	**275,700**	**(16,363)**

Despite pressure on rental rates and reduced average market tenure, the Group aggressively work to maintain its status as a preferred supplier in the market and will secure many of the new tenants, who are being referred by existing tenants.

As a result of the current economic downturn, in the short term CCP expects a drop in occupancy within the residential properties while occupancy within the commercial segment will remain stable.

1.3 Key strategic priorities:

The first half of 2020 the Group has been focused on being more resilient in the face of current market volatility and uncertainties posed by COVID-19. Priorities have shifted to one of actively managing our customers, supporting staff health and well-being and in maintaining a strong balance sheet that positions us well to take full advantage of growth opportunities as the global and local economies recovers.

The strength of the relationship we have with our customers, institutional shareholders, our banking partners, and the regulators in each of our jurisdiction has been mutually beneficial in terms of managing through these uncertain times.

The Group has fully tested its business continuity plans during the current circumstances and despite logistical challenges, the Group is pleased with the level of preparedness demonstrated during this uncertain period.

The Group remains cautiously optimistic about the future despite the level of uncertainties and macro headwinds caused by COVID-19. Key priorities the Group set out in FY19 remain the same with our focus on financial performance, customer value, core systems and processes, and people.

The Group will continue to review its investment portfolio, to ensure that it is optimised without capital or revenue impact, as a hedge against cyclical downtrends in other sectors. In line with this, the Group will be looking to divest low yield investments while continuing to seek growth opportunities via merger and acquisitions, geographic expansion, and distribution networks.

1.4 Governance and risk

The Group updated and enhanced its Governance, Risk & Compliance (GRC) plan in 2020 following the onboarding of the Chief Risk Officer. The newly formed risk team is focusing on strengthening the Group governance structures and rebuilding the Risk Management Framework to fit the current market, strategy, and business priorities.

A new Group Executive Committee has been formed which manages the key risks (and overall operations) for the Group. Risk is now managed in five key function areas across three divisions:

1. Credit Risk Division
2. Governance Risk & Compliance Division
    a. Material Risk Management;
    b. Compliance Management; and
    c. Governance.
3. Asset Management Unit (newly formed).

The Risk Appetite Statements for the Group are being reviewed which will determine more quantitative measures to assist the Board in managing risk.

With the emerging challenges, Credit Risk and Asset Management are our key risk priorities. The Group is implementing strategies to ensure robustness across these material risk areas. Data integrity and aligning our customer experience with current economic challenges are also key focus areas.

We have introduced various measures to support our customers during the pandemic and to assist in managing impairments during these difficult times.

The Group has implemented a new Business Continuity Strategy to test its resilience and we have further built our IT capability in more enterprising ways of working throughout the Group.

1.4.1 Future performance, forward looking statements

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

1.4.2 Rounding

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

1.5 Profit results for the half year ended 30 June 2020

1.5.1 Statutory results

The below information reflects the reviewed half year consolidated financial results for Credit Corporation Group for the six-month period ended 30 June 2020 and 31 December 2019 financial statements. The full year results for the years ended 31 December 2019 and 2018 reflect audited results.

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Finance Income	53,739	56,353	51,368	48,952	43,445	4.62%
Finance cost	(14,096)	(13,052)	(11,679)	(10,722)	9,685	20.70%
Net Finance income	**39,643**	**43,301**	**39,689**	**38,230**	**33,759**	**(0.12%)**
Other income	53,445	32,663	61,203	36,760	54,554	(12.68%)
Fair value gain/(loss) on financial assets	7,237	26,444	29,035	9,214	18,181	(75.07%)
Fair value loss on investment properties	(16,408)	(1,285)	(20,935)	(8,952)	-	(21.62%)
Net operating income	**83,917**	**101,122**	**108,992**	**75,253**	**106,495**	**(23.01%)**
Impairment loss on finance receivables	38,209	9,609	6,185	12,860	12,408	517.77%
Personnel expenses	11,099	9,023	10,300	8,765	8,970	7.76%
Depreciation expense	2,689	2,124	2,514	2,714	2,221	6.96%
Other operating expenses	16,724	14,521	13,381	12,549	13,546	24.98%
Total expenses	**68,721**	**35,277**	**32,380**	**36,887**	**37,146**	**112.24%**
Results from operating activities	**15,196**	**65,845**	**76,611**	**38,366**	**69,349**	**(80.16%)**
Share of profit of equity accounted	-	(6,404)	2,225	(5,624)	2,626	(100.00%)
Profit before tax	**15,196**	**59,441**	**78,836**	**32,741**	**71,975**	**(80.72%)**
Income tax benefits/(expense)	8,669	(5,868)	(424)	(4,479)	(2,313)	(2,144.58%)
Profit attributable to equity holders of the company	**23,865**	**53,573**	**78,412**	**28,262**	**69,661**	**(69.56%)**

1.5.1 Net interest margin

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Average Interest earning assets	599,789	620,004	585,872	512,863	512,863	2.38%
Average yield on interest earning assets (%)	17.92%	18.18%	16.80%	19.09%	16.90%	6.66%
Average interest-bearing liabilities	488,578	512,859	488,578	531,091	483,816	0%
Average cost on interest bearing liabilities (%)	5.77%	5.09%	4.80%	4.04%	4.00%	20.22%
Interest spread (%)	12.15%	13.10%	11.97%	13.90%	12.94%	1.50%

The Net Interest Margin ("NIM") reduced by 150bps to 12.15% in 1H20. The reduction in margins was required to sustain and grow the Group's funding base given current macroeconomic headwinds.

Reduced sales activity across key markets impacted interest income and yields across the loan portfolio. As a result, interest on interest earning assets reduced by 238 bps.

In 2H20, cost of funds is expected to increase in key markets to ensure market competitiveness on rates.

1.5.2 Investment fair value movement

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Property						
Residential property	(10,338)	(2,369)	(19,251)	(7,528)	-	(46.30%)
Commercial Property	(6,070)	1,084	(1,684)	(1,423)	-	260.47%
Total gain/(loss) on property valuation	**(16,408)**	**(1,285)**	**(20,935)**	**(8,952)**	**-**	**(21.62%)**
Financial Assets						
Listed equity	7,237	26,444	29,035	9,214	18,181	(75.08%)
Share of profits from equity accounted	-	(6,404)	2,225	(5,624)	2,626	(100.00%)
Total gain/(loss) on valuation of financial assets	**7,237**	**20,040**	**31,260**	**3,590**	**20,807**	**(76.85%)**
Total gain/(loss) on valuation of investments	**(9,171)**	**18,755**	**10,325**	**(5,362)**	**20,807**	**(188.83%)**

Property valuations

The Group adopted an approach to undertake external revaluations on investment properties at the end of every three-year period, which is in line with IAS 40 *Investment Property* and IFRS 13 *Fair Value Measurement*.

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

In 1H20, the Group requested Savills Singapore to perform a desktop assessment on its property values.

For the purpose of 1H20 reporting, the Group performed a further valuation analysis on its properties in light of current uncertainties posed by COVID-19. Accordingly, based on the assessment performed by Savills Singapore, property values have decreased by a further K16.4m.

Investment valuations

The investment portfolio consists of listed equities with BSP dominating 99% of the investment portfolio. Valuation of the shares was based on closing market price as at 30 June 2020. As at the end of 1H20, the Group had 36,294,081 shares in Bank South Pacific with a fair value of K436m. This represents an increase of 8% in fair value movement from 1H19.

Dividend income received in 1H20 reduced by 5% compared to 1H19 to K35m and was predominantly derived from BSP investment.

1.5.3 Share of profits from equity accounted investee

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Investments - equity accounted	8,283	8,283	14,687	12,462	18,087	(44%)
Share of profit of equity accounted investee (net of tax)	-	(4,179)	2,225	(5,624)	2,626	(100%)

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

For the purposes of reporting the 1H20 results, the Group performed an independent assessment of the value of its investment in CIG. Based on this assessment the Group has determined there have been no material changes to the value of this investment.

During 1H20, there were no dividends received from CIG.

1.5.4 Operating expenses

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Impairment loss on finance receivables	38,209	9,609	6,185	12,860	12,408	518%
Personnel expenses	11,099	9,023	10,300	8,765	8,970	8%
Depreciation expense	2,689	2,124	2,514	2,714	2,221	7%
Other operating expenses	16,724	14,521	13,381	12,548	13,547	25%
Total Expenses	**68,721**	**35,277**	**32,380**	**36,887**	**37,146**	**112%**

Operating expenses increased by 112% and this was largely attributed to higher loan impairment costs in 1H20. The increase in impairment costs is further explained in the Asset Quality and Impairment section.

The following expense items also increased in 1H20:

- Personnel expense costs were higher as a result of securing key management positions noting that additional staff are still being recruited.
- Depreciation expense also increased by 7% and this was attributed to further investment in IT systems, replacement of fully depreciated assets.
- Other operating expenses increased by 25% in 1H20 compared to 1H19 as the group engages with various external professional service firms to assist with improving its platforms, systems, process automation and boosting capability.

1.5.5 Asset quality and impairment

Figures in PGK'000s	Half Year ended				Change %
	Jun-20	Dec-19	Jun-19	Dec-18	vs Jun 19
Loan Balance (net of unearned income)					
· Stage 1 -12-month ECL	391,111	486,865	495,235	455,812	(21.03%)
· Stage 2 - Life time ECL	93,159	71,945	80,166	75,299	16.21%
· Stage 3 - Life time ECL	180,479	118,793	113,368	111,376	59.20%
Total loans (Net of unearned income)	664,749	**677,603**	**688,769**	**642,487**	**(3.49%)**
Loan Provisions	(92,069)	(64,492)	(61,871)	(60,547)	48.81%
Net loan book	**572,680**	**613,111**	**626,898**	**581,940**	**(8.65%)**
Loan impairment expense	**38,209**	**15,794**	**6,185**	**12,860**	**517.77%**

In line with the requirements of IFRS 9, the Group has assessed each customer to ensure their credit quality is reflected accordingly with regards to the measurement of the extent of expected credit losses.

Due to reduced economic activity across key markets and key industries, the Group expects the ability of customers to return to normal activities will be challenging. As cash flow and liquidity become tighter in each of the respective jurisdictions, it is anticipated there will be further credit quality deterioration in each of these businesses.

Accordingly, the Group has increased its provisions to reflect the uncertainties posed by COVID-19. Loan impairment costs have increased by 518% to K38.2m in H120 compared to 1H19. The increase was made based on readily available information the Group was able obtain both at the customer level and also from a macroeconomic perspective. Refer to section 1.2.4 for further details.

1.5.6 Group Capital Adequacy

Group Capital Adequacy is based on the prudential requirements of respective Central Banks in Papua New Guinea, Fiji, Solomon Islands, Timor Leste and Vanuatu. The prudential standards in respective jurisdictions prescribe the Capital Adequacy Ratios and Leverage Ratios to ensure the finance businesses are well capitalised.

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Total Risk Weighted Capital	226,895	219,784	219,210	188,068	198,580	3.51%
Tier 1 Capital	201,248	175,062	182,022	157,207	180,440	10.56%
Tier 2 Capital	25,647	44,722	37,188	30,861	18,140	(31.03%)
Total RWC	30%	30%	29%	28%	30%	1.00%
Tier 1 RWC	28%	22%	26%	20%	26%	2.00%
Leverage Ratio	26%	18%	26%	18%	25%	(0.41%)

1.5.7 Lending

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
Gross balance	752,353	779,554	789,977	754,250	694,200	(5%)
Unearned income	(87,604)	(101,951)	(101,209)	(111,763)	(110,231)	(13%)
Provision	(92,069)	(64,492)	(61,871)	(60,547)	(39,123)	49%
Net loans	**572,680**	**613,111**	**626,897**	**581,939**	**544,846**	**(9%)**

The loan book reduced by 9% in 1H20 compared to 1H19.

The reduction was largely attributed to an increase in expected credit losses coupled with limited loan growth opportunities and a sustained run off rate.

In light of current uncertainties, the Group is committed to quality loan growth if and when the opportunity arises.

1.5.8 Funding

Figures in PGK'000s	Half Year Ended					Change %
	Jun-20	Dec-19	Jun-19	Dec-18	Jun-18	vs Jun 19
On Call	659	76	3,782	509	139	(83%)
1 month	42,920	23,710	31,371	25,952	51,493	37%
2 months	65,786	37,098	57,734	35,207	66,175	14%
3 months	83,485	85,948	55,186	75,318	71,627	51%
6 months	185,396	116,935	86,182	137,848	79,676	115%
12 months	147,355	218,071	201,395	155,981	143,451	(27%)
24 months	35,334	50,155	60,173	52,617	39,723	(41%)
Total Deposits for Credit Corp	**560,935**	**531,993**	**495,822**	**483,432**	**452,284**	**13%**

Funding grew by 13% in 1H20 compared to 1H19. The growth was attributed to the need to raise more funding to ensure the Group has sufficient liquidity to strengthen its financial position due to uncertainties posed by COVID-19. The Group worked within its funding plan in 1H20 and focused on diversification of its funding base, to bring more certainty around its funding profile.

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

2. Consolidated profit and loss account

		Current period – K''000	Previous corresponding period - K''000
2.1	Sales (or equivalent operating) revenue	68,133	69,183
2.2	Share of +associates' "net profit (loss) attributable to shareholders"	-	2,225
2.3	Other revenue	29,879	51,487
2.4	**+Operating profit (loss) before abnormal items and tax**	**15,196**	**78,836**
2.5	Abnormal items before tax	-	-
2.6	+Operating profit (loss) before tax	15,196	78,836
2.7	Less tax	8,669	(424)
2.8	+Operating profit (loss) after tax but before outside +equity interests	23,865	78,412
2.9	Less outside +equity interests	-	-
2.10	**+Operating profit (loss) after tax attributable to shareholders**	**23,865**	**78,412**
2.11	Extraordinary items after tax	-	-
2.12	Less outside +equity interests	-	-
2.13	Extraordinary items after tax attributable to shareholders	-	-
2.14	**Total +operating profit (loss) and extraordinary items after tax**	**23,865**	**78,412**
2.15	+Operating profit (loss) and extraordinary items after tax attributable to outside +equity interests	-	-
2.16	**+Operating profit (loss) and extraordinary items after tax attributable to shareholders**	**23,865**	**78,412**
2.17	Retained profits (accumulated losses) at beginning of financial period	456,615	426,065
2.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description) Adjustment from implementation of IFRS 9	-	-
2.19	Aggregate of amounts transferred from reserves	(4,179)	(14,381)
2.2	Total available for appropriation *(carried forward)*	484,659	490,097
2.21	Dividends provided for or paid Final dividend: 10 toea per share Interim dividend: 4 toea per share	(36,952)	(40,031)
2.22	Aggregate of amounts transferred to reserves	-	-
2.23	**Retained profits (accumulated losses) at end of financial period**	**447,707**	**450,068**
2.24	+Operating profit (loss) after tax before outside +equity interests and amortisation of goodwill	23,865	78,412
2.25	Less (plus) outside +equity interests	-	-
2.26	+Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	23,865	78,412

3. Intangible, abnormal and extraordinary items

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

4. Comparison of half year profits

(Preliminary final report only)

		Current year – K''000	Previous year - K''000
4.1	Consolidated +operating profit (loss) after tax attributable to **shareholders** reported for the 1st half year (item 1.10 in the half yearly report)	23,865	78,412
4.2	Consolidated +operating profit (loss) after tax attributable to **shareholders** for the 2nd half year	N/A	N/A

5. Consolidated balance sheet

(See note 5)

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
Current assets				
5.1	Cash	234,086	140,138	135,179
5.2	Receivables – net of portfolio & specific provisions	301,771	121,882	97,575
5.3	Investments	-	1,269	-
5.4	Inventories	1,851	953	903
5.5	Other – (Other Debtors & Dividend WTax)	6.,782	10,998	940
5.6	**Total current assets**	**544,490**	**275,240**	**234,597**
Non-current assets				
5.7	Receivables – net of portfolio & specific provisions	270,909	491,229	529,322
5.8	Investments in +associates	8,283	8,283	14,687

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
5.9	Other investments	703,081	709,143	685,508
5.10	Inventories	-	-	-
5.11	Exploration and evaluation expenditure capitalised (see para .71 of *AASB 1022*)	-	-	-
5.12	Development properties (+mining entities)	-	-	-
5.13	Other property, plant and equipment (net)	27,458	27,265	25,229
5.14	Intangibles (net)	20	32	44
5.15	Other (deferred tax asset)	37,042	30,066	29,305
5.16	**Total non-current assets**	**1,043,730**	**1,266,018**	**1,284,095**
5.17	**Total assets**	**1,588,220**	**1,541,258**	**1,518,692**
Current liabilities				
5.18	Accounts payable	8,612	10,323	8,267
5.19	Borrowings	52,195	54,435	57,859
5.20	Provisions (Including dividend payable)	40,607	3,517	43,084
5.21	Other (deposits, income tax & IFRS 16 lease liability)	526,825	482,224	436,082
5.22	**Total current liabilities**	**628,239**	**550,139**	**545,292**
Non-current liabilities				
5.23	Accounts payable	-	-	-
5.24	Borrowings	-	-	-
5.25	Provisions (deferred tax liability)	14,090	18,560	17,088
5.26	Other (deposits & IFRS 16 lease liability)	37,247	51,328	63,485
5.27	**Total non-current liabilities**	**51,337**	**69,887**	**80,573**
5.28	**Total liabilities**	**679,576**	**620,026**	**625,865**
5.29	**Net assets**	**908,644**	**921,232**	**892,827**
Equity				
5.30	Capital	21,983	21,983	21,983
5.31	Reserves	438,954	442,632	420,777
5.32	Retained profits (accumulated losses)	447,707	456,617	450,067
5.33	Equity attributable to shareholders of the parent entity	908,644	921,232	892,827
5.34	Outside +equity interests in controlled entities	-	-	-
5.35	**Total equity**	**908,644**	**921,232**	**892,827**
5.36	Preference capital included as part of 5.33	**-**	**-**	**-**

6. Exploration and evaluation expenditure capitalised

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

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

7. Development properties

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

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

8. Consolidated statement of cash flows

(See note 6)

		Current period - K'000	Previous corresponding period - K'000
Cash flows related to operating activities			
8.1	Receipts from customers	74,306	73,919
8.2	Payments to suppliers and employees	(28,031)	(14,762)
8.3	Dividends received from +associates	-	-
8.4	Other dividends received	34,841	36,657
8.5	Interest and other items of similar nature received	-	-

		Current period - K'000	Previous corresponding period - K'000
8.6	Interest and other costs of finance paid	(14,096)	(11,679)
8.7	Income taxes paid	(2,508)	(3,128)
8.8	Other (provide details if material) – movements in loans advanced and deposits by finance entities	31,281	(39,311)
8.9	**Net operating cash flows**	**95,793**	**41,695**
		Cash flows related to investing activities	
8.10	Payment for purchases of property, plant and equipment	(1,849)	(2,709)
8.11	Proceeds from sale of property, plant and equipment	182	482
8.12	Payment for purchases of equity investments	-	-
8.13	Proceeds from sale of equity investments	-	-
8.14	Loans to other entities	-	-
8.15	Loans repaid by other entities	-	-
8.16	Other (provide details if material) - (short term investments & interest income from funds deposited, including acquisition of investment property, interest income from other investments)	2,823	5,787
8.17	**Net investing cash flows**	**1,156**	**3,560**
		Cash flows related to financing activities	
8.18	Proceeds from issues of +securities (shares, options, etc.)	-	-
8.19	Proceeds from borrowings	-	-
8.20	Repayment of borrowings	(2,320)	(2,251)
8.21	Dividends paid	-	-
8.22	Other (provide details if material)	(1,542)	(1,829)
8.23	**Net financing cash flows**	**(3,862)**	**(4,080)**
8.24	**Net increase (decrease) in cash held**	**93,087**	**41,175**
8.25	Cash at beginning of period *(see Reconciliation of cash)*	140,138	93,887
8.26	Exchange rate adjustments to item 8.25.	861	116
8.27	**Cash at end of period** *(see Reconciliation of cash)*	**234,086**	**135,179**

9. Non-cash financing and investing activities

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

10. Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period - K'000	Previous corresponding period - K'000
10.1	Cash on hand and at bank	234,086	135,178
10.2	Deposits at call	-	-
10.3	Bank overdraft	-	-
10.4	Other (provide details)	-	-
10.5	**Total cash at end of period** (item 8.26)	**234,086**	**135,179**

11. Ratios

		Current period - K'000	Previous corresponding period - K'000
11.1	**Profit before abnormals and tax / sales** Consolidated +operating profit (loss) before abnormal items and tax (item 2.4) as a percentage of sales revenue (item 2.1)	22%	114%
11.2	**Profit after tax / +equity interests** Consolidated +operating profit (loss) after tax attributable to shareholders (item 2.10) as a percentage of equity (similarly attributable) at the end of the period (item 5.33)	3%	9%

12. Earnings Per Security (EPS)

		Current period - K'000	Previous corresponding period - K'000
12.1	Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
	(a) Basic EPS	0.08	0.25
	(b) Diluted EPS (if materially different from (a)	Same as above	Same as above
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	307,931,332	307,936,332

13. NTA backing

(See note 7)

		Current period - K'000	Previous corresponding period - K'000
13.1	+Net tangible asset backing per +ordinary security	K2.95	K2.90

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

		Current period - K'000	Previous corresponding period - K'000
14.1	Interest revenue included in determining item 2.4	53,739	51,368
14.2	Interest revenue included in item 13.1 but not yet received (if material)	-	-
14.3	Interest expense included in item 2.4 (include all forms of interest, lease finance charges, etc.)	(14,096)	(11,679)
14.4	Interest costs excluded from item 13.3 and capitalised in asset values (if material)	-	-
14.5	Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	-	-
14.6	Depreciation and amortisation (excluding amortisation of intangibles)	(2,689)	(2,514)

15. Control gained over entities having material effect

(See note 8)

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

16. Loss of control of entities having material effect

(See note 8)

16.1	Name of entity (or group of entities)	NA
16.2	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	K
16.3	Date to which the profit (loss) in item 15.2 has been calculated	
16.4	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	K
16.5	Contribution to consolidated +operating profit (loss) and extraordinary items from sale of interest leading to loss of control	K

17. Reports for industry and geographical segments

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

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

18.1	Date the dividend (distribution) is payable	29 August 2020
18.2	+Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrable transfers received up to 5.00 pm	08 July 2020
18.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	Yes

19. Amount per security

			Amount per +security	K'000s
19.4	*(Preliminary final report only)* **Final dividend:**	Current year	Toea 12 per share	36,952
19.5		Previous year	Toea 13 per share	40,031
19.6	*(Half yearly and preliminary final reports)* **Interim dividend:**	Current year	-	-
19.7		Previous year	-	-

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

(Preliminary final report only)

		Current year	Previous year
20.8	+Ordinary securities	K0.12	K0.13
20.9	Preference +securities	-	-

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

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

		Current period - K'000	Previous corresponding period - K'000
22.10	+Ordinary securities	36,952	40,031
22.11	Preference +securities	-	-
22.12	**Total**	**36,952**	**40,031**

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

-

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

Any other disclosures in relation to dividends (distributions)

-

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

Entity's share of associates'		Current period - K'000	Previous corresponding period - K'000
23.1	+Operating profit (loss) before income tax	3,038	3,178
23.2	Income tax expense	(699)	(953)
23.3	+Operating profit (loss) after income tax	2,339	2,225
23.4	Extraordinary items net of tax	-	-
23.5	Net profit (loss)	2,339	2,225
23.6	Outside +equity interests	(2,339)	-
23.7	Net profit (loss) attributable to shareholders	-	2,225

24. Material interests in entities which are not controlled entities

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 1.14)	
24.1 Equity accounted +associated entities	**Current period**	**Previous corresponding period**	**Current period – K'000**	**Previous corresponding period – K'000**
Capital Insurance Group	25%	25%	-	2,225
24.2 Total			-	2,225
24.3 Other material interests	-	-	-	
24.4 Total			-	2,225

25. Issued and quoted securities at end of current period

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

Category of +securities		Number issued	Number quoted	Amount paid per share (toea)	
25.1	**Preference +securities** *(description)*	-	-		
25.2	Issued during current period	-	-		
25.3	**+Ordinary securities** **Shares**	307,931,332	307,931,332		
25.4	Issued during current period (dividend reinvestment)	-	-		
25.5	**+Convertible debt securities** *(description and conversion factor)*	-	-		
25.6	Issued during current period	-	-		
25.7	**Options** *(description and conversion factor)*	-	-	*Exercise price*	*Expiry date (if any)*
25.8	Issued during current period	-	-	-	-
25.9	Exercised during current period	-	-	-	-
25.10	Expired during current period	-	-	-	-
25.11	**Debentures** *(totals only)*	-	-		
25.12	**Unsecured notes** *(totals only)*	-	-		

26. Comments by Directors

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

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

NIL

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

NIL

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

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

NIL

27. Additional disclosure for trusts

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

28. Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:	
Place	
Date	
Time	
Approximate date the +annual report will be available	

Compliance statement

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

Identify other standards used	None

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

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

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

Sign here: .... Date: 14/09/2020
(Chairman)

Print name: **SYDNEY YATES, OBE**

Notes

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

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

3. Consolidated profit and loss account

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

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

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

   Item 2.7 This item refers to the total tax attributable to the amount shown in item 2.6. Tax includes income tax (if any) but excludes taxes treated as operating expenses.

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

5. Consolidated balance sheet

   a. Format

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

   b. Basis of revaluation

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

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

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

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

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

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

11. **Comparative figures when equity accounted information first included in the accounts** There will be a lack of comparability in the figures for the previous corresponding period when equity accounted information is first included if this information has a material effect on the consolidated accounts. If it does have a material effect, attach a note providing a better comparison by restating "+Operating profit (loss) after tax attributable to shareholders" (item 2.10) and "Investments in +associates" (item 5.8) for the previous corresponding period to incorporate equity accounted information. In addition, as required by Note 1, no directional or percentage changes in profit are to be reported in the "For announcement to the market" section. Where the disclosures were not previously required in Appendix 4B, no comparatives need be shown.

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

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