CREDIT CORPORATION

Building Investing Transforming

INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 30 JUNE 2020

Contents

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2020

The directors of Credit Corporation (PNG) Limited ("the Company") submit herewith the condensed consolidated financial report for the half-year ended 30 June 2020. This directors' report was prepared for the Company and its subsidiaries (together "the Group").

INFORMATION ABOUT THE DIRECTORS

The names of the directors of the Company during or since the end of the financial half-year are:

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

PRINCIPAL ACTIVITIES

The Group's principal activities are as follows:

- Chattel mortgage and lease finance for customers to acquire a wide variety of motor vehicles, heavy machinery plant and equipment for commercial and business use;
- Specially tailored financing packages;
- Insurance premium funding; and
- Equity investments.

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

REVIEW OF OPERATIONS

The total consolidated profit after tax for the half-year ended 30 June 2020 amounted to K24 million (June 2019:K78 million). The net assets of the Group are K909 million (June 2019:K893 million).

CHANGES IN STATE OF AFFAIRS

The financial position and performance of the Group was particularly affected by the impact of the Coronavirus 2019 pandemic. Sales during the 6 months period ended 30 June 2020 decreased due to limited lending activities across the Group for the period. The value of arrears also increased resulting to a significant rise in allowance for credit impaiment of loans.

DIVIDENDS

During the year Credit Corporation (PNG) Limited declared final dividend of K37 million on 25 June 2020 to be paid on 29th August 2020.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

In the directors' opinion, the attached interim condensed consolidated financial statements and notes thereto are in accordance with the *Companies Act 1997*, including compliance with accounting standards and giving a true and fair view of the financial position of the Group.

On behalf of the Directors:

Syd Yates OBE
Chairman

Port Moresby, 11 September 2020

Michael Varapik OBE
Director

Port Moresby, 11 September 2020

Independent Auditor's Review Report

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

Conclusion

We have reviewed the accompanying Interim Condensed Consolidated Financial Report of Credit Corporation (PNG) Limited and its subsidiaries (the Group).

The Group comprises Credit Corporation (PNG) Limited and the entities it controlled at the half-year period's end or from time to time during the half-year period.

The Interim Condensed Consolidated Financial Report comprises:

- The condensed consolidated statement of financial position as at 30 June 2020;
- The condensed consolidated statement of income and other comprehensive income, changes in equity and consolidated statement of cash flows for the half year ended on that date; and
- Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Condensed Consolidated Financial Report of the Group does not give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year period ended on that date; and in accordance with the requirements of IAS 34 *Interim Financial Reporting*.

Responsibility of the Directors for the Interim Condensed Consolidated Financial Report

The directors of the Credit Corporation (PNG) Limited are responsible for:

- the preparation of the Interim Condensed Consolidated Financial Report that gives a true and fair view in accordance with the requirements of IAS 34 *Interim Financial Reporting*, and
- for such internal control as the directors determine is necessary to enable the preparation of the Interim Condensed Consolidated Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Condensed Consolidated Financial Report

Our responsibility is to express a conclusion on the Interim Condensed Consolidated Financial Report based on our review. We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Condensed Consolidated Financial Report is not giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with the requirements of the International Accounting Standard IAS 34 *Interim Financial Reporting*. As auditor of Credit Corporation (PNG) Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the Interim Condensed Consolidated Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We are independent of Credit Corporation (PNG) Limited and the Group in accordance with the relevant ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
Date: 11 September 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	Consolidated 30 June 2020 K'000 Reviewed	 31 December 2019 K'000 Audited
ASSETS			
Cash and cash equivalents		234,086	140,138
Finance receivables	10	572,680	613,111
Other receivables		3,740	7,841
Interest bearing securities		—	1,270
Other equity investments		34	34
Investment in associate	17	8,283	8,283
Other investments	16	440,646	433,409
Inventories		1,851	953
Property and equipment	14	27,458	27,265
Investment property	15	259,337	275,700
Income taxes receivable		3,063	3,188
Deferred tax assets		37,042	30,066
Total Assets		**1,588,220**	**1,541,258**
LIABILITIES			
Trade and other payables		8,612	10,323
Deposits and borrowings	18	616,267	587,986
Employee benefits		3,655	3,157
Income taxes payable		—	—
Provision for dividends	13	36,952	—
Deferred tax liabilities		14,090	18,560
Total Liabilities		679,576	620,026
Net Assets		**908,644**	**921,232**
EQUITY			
Share capital	20	21,984	21,984
Reserves	11	438,953	442,633
Retained earnings		447,707	456,616
Total Equity		**908,644**	**921,232**

The above statement should be read in conjunction with the accompanying notes on pages 10 to 29.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Notes	Consolidated Half-year ended 30 June 2020 K'000	30 June 2019 K'000
Finance income	8	53,739	51,368
Finance cost		(14,096)	(11,679)
Net finance income		39,643	39,689
Other income	8	53,445	61,203
Fair value gain on financial assets	16	7,237	29,035
Fair value loss on investment properties	15	(16,408)	(20,935)
Net operating income		83,917	108,992
Impairment loss on finance receivables	10	(38,209)	(6,185)
Personnel expenses		(11,099)	(10,300)
Depreciation expenses		(2,689)	(2,514)
Other operating expenses		(16,724)	(13,381)
Results from operating activities		15,196	76,612
Share of profit of equity accounted investee (net of tax)		—	2,225
Profit before tax		15,196	78,837
Income tax expense	9	8,669	(424)
Profit attributable to equity holders of the Company		**23,865**	**78,413**
Earnings per share based on profit for the half-year			
Basic and Diluted	12	0.08	0.25

The above statement should be read in conjunction with the accompanying notes on pages 10 to 29.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Consolidated Half-year ended	
	30 June 2020 K'000	30 June 2019 K'000
Profit for the half-year	23,865	78,413
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation differences for operations	499	3,235
Other comprehensive income/(loss) for the half-year (net of income tax)	499	3,235
Total comprehensive income for the half-year attributable to equity holders of the company	**24,364**	**81,648**

The above statement should be read in conjunction with the accompanying notes on pages 10 to 29.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Issued Capital K'000	Reserves K'000	Retained Earnings K'000	Total Equity K'000
Balance at 1 January 2019	21,984	403,161	426,065	851,210
Total comprehensive income for the period	—	—	81,648	81,648
Transfers to reserves	—	17,616	(17,616)	—
	21,984	420,777	490,097	932,858
Transactions with owners				
Payment of dividends	—	—	(40,031)	(40,031)
	—	—	(40,031)	(40,031)
Balance at 30 June 2019	**21,984**	**420,777**	**450,066**	**892,827**
Balance at 1 January 2020	21,984	442,633	456,615	921,232
Total comprehensive income for the period	—	—	24,364	24,364
Transfer to reserves	—	(3,680)	3,680	—
	21,984	438,953	484,659	945,596
Transactions with owners				
Payment of dividends	—	—	(36,952)	(36,952)
			(36,952)	(36,952)
Balance at 30 June 2020	**21,984**	**438,953**	**447,707**	**908,644**

The above statement should be read in conjunction with the accompanying notes on pages 10 to 29.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Notes	Consolidated Half-year ended 30 June 2020 K'000	30 June 2019 K'000
OPERATING ACTIVITIES			
Charges earned on leases & loans		53,739	53,563
Commission, fees and rents		20,497	20,356
Interest payments		(14,096)	(11,679)
Payments to suppliers and employees		(27,962)	(14,762)
Operating cash flows before changes in operating assets		32,178	47,478
Net cash advanced in respect of finance receivables		2,222	(51,143)
Net cash received/(repaid) in respect of deposits		29,058	11,832
Net cash from operating activities before income tax		63,458	8,167
Income taxes paid		(2,508)	(3,128)
Cash flows from/(used in) operating activities		60,950	5,039
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(1,848)	(2,709)
Acquisition of investment property		(45)	(776)
Proceeds from sale of property		182	482
Dividend received		34,842	36,657
Interest from funds deposited		1,587	1,350
Net cashflow from other investments		1,281	5,213
Cash flows from investing activities		35,999	40,217
FINANCING ACTIVITIES			
Repayment of borrowings		(2,320)	(2,251)
Repayment of interest		(1,542)	(1,829)
Cash flows from/(used in) financing activities		(3,862)	(4,080)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		861	116
Net increase/(decrease) in cash and cash equivalents		**93,948**	**41,292**
Cash and cash equivalents at 1 January		140,138	93,887
Cash and cash equivalents at period ended 30 June		**234,086**	**135,179**

The above statement should be read in conjunction with the accompanying notes on pages 10 to 29.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

1. REPORTING ENTITY

Credit Corporation (PNG) Limited (the "Company") is a company domiciled in Papua New Guinea. These interim condensed consolidated financial statements as at and for the six months ended 30 June 2020, comprise the Company and its subsidiaries (together "the Group") and the Group's interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

2. STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual financial report as at and for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

3. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with historical cost concepts, 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. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea Kina, unless otherwise noted.

The amounts in the financial report are rounded off to the nearest thousand Kina, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 31 December 2019. These accounting policies are consistent with International Financial Reporting Standards.

These interim consolidated financial statements were authorised for issue by the Company's board of directors on 11 September 2020.

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the International Financial Reporting Standards ("IFRS"), including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

If the inputs used to measure the fair value of an asset or a 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.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 15 and 16.

A brief explanation of the key estimates, assumptions and judgements that have changed during the half year ended 30 June 2020 are as follows:

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these interim condensed consolidated financial statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption of business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed various accounting estimates in these interim condensed consolidated financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, the actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these interim condensed consolidated financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and recoverable amount assessments of non-financial assets.

The impact of the COVID-19 pandemic on each of these accounting estinates is discussed further below and/or in the relevant note to these interim condensed consolidated financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Expected credit loss ("ECL") allowances

The modeling methodology applied in estimating ECL in these interim statements is consistent with that applied in the Group's Financial Statements for the year ended 31 December 2019 and are briefly described in note 6 on these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the six months ended 30 June 2020.

Judgment/assumptions (Descriptions discussed in Note 6)	Changes and considerations during the six months ended 30 June 2020
1. Measuring both 12-month and lifetime credit losses	The probability of default (PD), exposure at default (EAD), and loss given default (LGD) model risk policy stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the half year ended 30 June 2020.
2. Forward-looking information	There have been no changes to the types of forward looking variables (key economic drivers) used in the model inputs in the current half year. The Group has considered the degree of uncertainty posed by COVID-19 and factored reasonable economic overlays into the model inputs based on readily available information.
3. Macroeconomic factors	As at 30 June 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of central bank (monetary policy), governments (wage subsidies) and institution specific responses (such as payment holidays). These are publicly available information considered in determining the length and severity of the forecast economic downturn. The principal macroeconomic indicators are discussed below.
4. Multiple forward-looking scenarios	In addition to the base case forecast which reflects largely the negative economic consequence of COVID-19, more cautious ECL weightings have been applied towards the downside scenarios. The assigned ECL weightings in PNG, Fiji, Solomon Islands, Vanuatu and Timor-Leste are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these weighting in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations within the Group's portfolios in determining them.
5. Assessment of significant increase in credit risk (SICR)	Various initiatives, such as payment holidays, deferrals and special agreements have been offerred to customers in this half year, recognising the potential detrimental impact of COVID-19 to businesses and individuals. Such offers, if accepted, are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade customer facilities.
6. Collateral	Haircut on collateral increased in light of drop in business sentiments and a general slowdown in economic activities across key markets. Security values are expected to deteriorate further in view of the impact COVID-19 and initiatives offered such as repayment holidays.

Base case economic forecast assumptions

The uncertain evolution of the COVID-19 pandemic increases the risk to the forecast resulting in potential mistatement of the ECL balance due to uncertainties around:

- the extent and duration of measures to stop or reduce the speed of the spread of COVID-19;
- the extent and duration of the economic down turn, along with the time required for economies to recover; and
- the effectiveness of government stimulus measures, in particular their impact on the magnitude of economic downturn and the extent and duration of the recovery.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

The table below summarises the principal macroeconomic indicators included in the economic scenarios used for finance receivables at December 31, 2019 and the forecast for the years 2020 to 2022, taking into consideration the impact of COVID-19.

	Revised Base case economic forecast as at 30 June 2020	Base case economic forecast as at 31 December 2019
Papua New Guinea		
GDP	Expected contraction in GDP in the 2020 calendar year with some recovery in 2021. GDP is expected to decrease by 1% in the second half year ending 31 December 2020, and to recover thereafter by 2.9% in 2021.	GDP was expected to increase by 2.6%.
Consumer price index	Average CPI is still expected to increase by 4.7% in year 2020 and 5.9% in 2021.	Growth expected to rise from current levels.
Fiji		
GDP	Expected significant contraction in GDP in the 2020 calendar year with sufficiently great recovery in 2021. GDP is expected to decrease by 5.8% in the second half year ended 31 December 2020, and recover significantly thereafter by 7.0% in 2021.	GDP was expected to increase by 3.0%.
Consumer price index	Average CPI growth is expected to moderately fall in 2020 to 1.2% from 2019 levels, and slightly recover in 2021 to 1.5%.	Growth expected to rise modestly.
Vanuatu		
GDP	Expected contraction in GDP in the 2020 calendar year with some recovery in 2021. GDP is expected to decrease by 3.3% in 2020, and to increase thereafter by 4.9% in 2021.	GDP was expected to increase by 3.1%.
Consumer price index	Average CPI growth is expected to slightly decrease from 2.1% in 2019 to 1.8% in 2020 and forecast to remain the same in 2021.	Growth expected to rise from current levels.
Solomon Islands		
GDP	Expected contraction in GDP in the 2020 calendar year with some recovery in 2021. GDP is expected to decrease by 2.1% in the second half year ended 31 December 2020, and to recover thereafter by 3.8% in 2021.	GDP was expected to increase by 2.9%.
Consumer price index	Inflation is forecast to fall significantly in 2020 from 2019 levels, increasing in 2021. CPI growth is forecast at negative (-) 2.1% in 2020, and 3.8 in 2021.	Growth expected to rise from current levels.
Timor-Leste		
GDP	Expected contraction in GDP in the 2020 calendar year with some recovery in 2021. GDP is expected to contract by 3.0% 2020, and to recover slightly thereafter by 3.8% in 2021.	GDP was expected to increase by 5.0%.
Consumer price index	Average CPI growth is expected to slightly decrease from 0.1% in 2019 to 0.9% in 2020 and forecast to jump significantly to 1.9 in 2021.	Growth expected to rise from current levels.

* Source: International Monetary Fund

Sensitivity analysis

The key assumptions affecting the ECL allowances are:

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

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

	30 June 2020	
Increase/(decrease) by	increase by 10% K'000	decrease by 10% K'000
Change in collateral values	2,819	(2,707)
Changes in probability weighted scenarios	(7,319)	7,319
Recovery amount	—	—
Time to realisation	698	(695)

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

Fair Value of investment properties

Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. Assessment was also based on unobservable inputs that reflect the effect of COVID-19 in the Group's expectations of future cash flows related to the asset or liability at the reporting date.

The volatility of prices on various markets including property values has increased the estimation uncertainty on valuation and assessment. For the current period, the directors assessed that the carrying value of the investment properties are fairly stated.

Valuation of properties are based on capitalisation and direct comparison approaches by making reference to comparable sales transactions as available in the relevant markets and having regard to the tenancy agreements in place.

Judgment/assumptions (Descriptions discussed in Note 15)	Changes and considerations during the six months ended 30 June 2020
1. Market capitalisation rate	The Group has taken into consideration the current situation and impact of COVID-19 pandemic and thus, expects market capitalisation rate to increase in the calendar year, decreasing fair values of properties.
2. Market lease rentals	The Group expects a decrease in demand in leasing properties, low investments, and delays in major projects, contributing to the decrease in occupancy rates and lease prices.

Sensitivity analysis	Effect on profit or loss and equity increase/(decrease) 30 June 2020 K'000	31 December 2019 K'000
Increase of 1% in market capitalisation rate	(27,790)	(23,255)
10% (decrease)/increase in market rentals	(33,660)	29,045

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

5. SIGNIFICANT CHANGES IN THE CURRENT PERIOD

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

Amendments to International Financial Reporting Standards and new Interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) that are relevant to their operations and effective for the current half-year.

New and revised International Financial Reporting Standards and Interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these interim condensed consolidated financial statements. The application of these new and revised standards and interpretations is not expected to have material impact on the amounts recognised in the financial statements of the Group.

6. IMPAIRMENT OF FINANCIAL ASSETS CARRIED AT AMORTISED COST

(i) Expected credit loss impairment model

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

The impact of COVID-19 on the global economy and how governments, businesses and consumers respond is uncertain. This uncertainty is reflected in the Group's assessment of expected credit losses from its portfolio which are subject to a number of management judgements and estimates.

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The modelling methodology applied in estimating in ECL in these interim condensed consolidated financial statements is consistent with that applied in the Group's Annual Financial Statements for the year ended 30 December 2019.

The following table summarizes the qualitative information assumptions in relation to estimating the Group's ECL. Qualitative information assumptions on ECL changes.

Assumptions	Scenario	HY 2020	FY 2019	HY 2019	Increase/ decrease
Haircut on Collateral	Base	39%	30%	34%	Increased
	Upturn	16%	15%	15%	Increased
	Downturn	75%	75%	75%	Stable
Time to realisation	Base	12 months	12 months	12 months	Stable
	Upturn	6 months	6 months	6 months	Stable
	Downturn	30 months	30 months	30 months	Stable
Costs to recover		0%	0%	0%	Stable
Cure rate	Base	24%	30%	20%	Decreased
	Upturn	25%	40%	21%	Decreased
	Downturn	0%	0%	0%	Stable
ECL Weighting	Base	70%	75%	80%	Decreased
	Upturn	5%	10%	10%	Decreased
	Downturn	25%	15%	10%	Increased

(ii) Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates, interest rates, and house-price indices. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

The 'base case' represents the most likely outcome. The upturn scenario represents more optimistic outcome while the downturn represents more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

Country – GDP Movement		2019	2020	2021	2022
Papua New Guinea	Base scenario	5.00%	-1.00%	2.90%	3.10%
Fiji	Base scenario	2.70%	-5.80%	7.00%	3.20%
Solomon Islands	Base scenario	2.70%	-2.10%	3.80%	2.70%
Vanuatu	Base scenario	3.80%	-3.30%	4.90%	2.80%
Timor-Leste	Base scenario	4.50%	-3.00%	3.80%	4.80%
Group Total GDP Growth					
	Base scenario	18.70%	-15.20%	22.40%	16.60%
	Upside scenario 10%	20.57%	-16.72%	24.64%	18.26%
	Downside scenario 10%	16.83%	-13.68%	20.16%	14.94%

* Source: International Monetary Fund

(iii) Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve an unbiased projections and forecasts. The weightings assigned to each economic scenario were as follows:

At 30 June 2020			
Scenario	**Base**	**Upturn**	**Downturn**
Weighting	70%	5%	25%
At 31 December 2019			
Scenario	**Base**	**Upturn**	**Downturn**
Weighting	75%	10%	15%
At 30 June 2019			
Scenario	**Base**	**Upturn**	**Downturn**
Weighting	80%	10%	10%

(iv) Changes in loss allowance

The loss allowance recognised in the period was impacted by the following factors:

- Movement of exposures between the three stages depending on the whether there has been a significant increase in credit risk for exposures since initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.
- Additional allowances as a result of new financial instruments added during the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period as a result of regular updates on general models.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.
- Impact of COVID-19 pandemic on each geography which affected the assumptions and estimates in calculating the expected credit losses.

(v) Credit Risk Exposure

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	June 2020 K'000	December 2019 K'000
Stage 1 – 12-month ECL	391,111	487,379
Stage 2 – Lifetime ECL	93,159	71,832
Stage 3 – Lifetime ECL	180,479	118,392
Gross carrying amount	664,749	677,603
Allowance for credit loss	(92,069)	(64,492)
Net carrying amount	572,680	613,111

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

7. OPERATING SEGMENTS

Information about reportable segments and reconciliation of reportable segment profit or loss.

The following is an analysis of the Group's revenue and results by reportable operating segment for the half-years under review.

	Revenue half-year ended	
	30 June 2020 K'000	30 June 2019 K'000
General finance, leasing and hire purchase	57,160	56,427
Property investment – Rental revenues	18,219	19,356
– Fair value loss	(16,408)	(20,335)
Investment company	44,161	74,593
	103,132	**130,041**

	Segment Profit/(loss) half-year ended	
	30 June 2020 K'000	30 June 2019 K'000
General finance, leasing and hire purchase	(10,116)	22,409
Property investment – Rental revenues	6,648	9,261
– Fair value loss	(16,408)	(20,335)
Investment company	36,627	71,654
Total profit before tax for reportable segments	**16,751**	**82,989**
Elimination of inter-segment profit	(1,555)	(6,377)
Share of profit of equity-accounted investee	—	2,225
Profit before tax	**15,196**	**78,837**

Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, investment revenue and finance costs, income tax expense, and gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The revenue reported above represents revenue generated from external customers. The reconciliation of revenue generated from external customers is shown below. There is no difference, from the last annual financial statements, in the basis of segmentation or in the basis of measurement of segment profit or loss.

Half-year ended 30 June 2020	Segment revenue K'000	Inter-segmental revenue K'000	External revenues K'000
General finance, leasing and hire purchase	57,160	(1,225)	55,935
Property investment – Rental revenues	18,219	(1,786)	16,433
– Fair value loss	(16,408)	—	(16,408)
Investment company	44,161	(2,109)	42,052
	103,132	**(5,120)**	**98,012**

Half-year ended 30 June 2019	Segment revenue K'000	Inter-segmental revenue K'000	External revenues K'000
General finance, leasing and hire purchase	56,427	(1,171)	57,598
Property investment – Rental revenues	19,356	1,185	18,171
– Fair value gain/(loss)	(20,335)	—	(20,335)
Investment company	74,593	9,062	65,531
	130,041	**9,076**	**120,965**

Reconciliation of reportable segment assets and liabilities:

	General finance, leasing and hire purchase	Property investment	Investment company	30 June 2020 K'000
Assets				
Total assets for reportable segments	824,666	300,957	918,185	2,043,808
Investment in equity-accounted investee	—	—	8,283	8,283
Elimination of inter-company balances	(26,046)	(14,936)	(48,182)	(89,164)
Elimination of investment in subsidiaries	—	—	(374,707)	(374,707)
Consolidated total assets	**798,620**	**286,021**	**503,579**	**1,588,220**
Liabilities				
Total liabilities for reportable segments	605,391	136,023	38,513	779,927
Elimination of inter-company balances	(39,997)	(58,656)	(1,698)	(100,351)
Consolidated total liabilities	**565,394**	**77,367**	**36,815**	**679,576**

	General finance, leasing and hire purchase	Property investment	Investment company	31 December 2019 K'000
Assets				
Total assets for reportable segments	813,045	316,655	882,781	2,012,481
Investment in equity-accounted investee	—	—	8,283	8,283
Elimination of inter-company balances	(27,497)	(14,949)	(62,353)	(104,799)
Elimination of investment in subsidiaries	—	—	(374,707)	(374,707)
Consolidated total assets	**785,548**	**301,706**	**454,004**	**1,541,258**
Liabilities				
Total liabilities for reportable segments	588,747	144,653	2,815	736,215
Elimination of inter-company balances	(45,765)	(68,382)	(2,042)	(116,189)
Consolidated total liabilities	**542,982**	**76,271**	**773**	**620,026**

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FOR THE HALF-YEAR ENDED 30 JUNE 2020

8. REVENUE

The following are the Group's main revenue streams:

	Half-year ended	
	30 June 2020 K'000	30 June 2019 K'000
Finance income	**53,739**	**51,368**
Other income		
Profit on sale of listed shares	—	—
Profit on sale of property, plant and equipment	66	(2,816)
Dividend income	34,842	36,657
Rental income from property	14,394	17,816
Rental outgoings	2,113	763
Interest on term deposit, treasury bills and semi-government bonds	1,324	1,499
Other operating income	706	7,284
Total other income	**53,445**	**61,203**

9. INCOME TAX EXPENSE

Income tax expense and deferred income tax assets and liabilities have been determined by applying the tax rate for each individual jurisdiction to measures of taxable income for each jurisdiction.

Reconciliation of total income tax expense

	30 June 2020 K'000	30 June 2019 K'000
Current tax expense	7,212	6,252
Under/(over) provisions in tax expense	(4,435)	(683)
Deferred tax expense	(11,446)	(5,145)
Income tax expense/(benefit)	**(8,669)**	**424**
Profit before tax	15,196	**78,837**
Computed tax using the applicable PNG corporate income tax rate (30%)	4,559	23,651
Effect of tax rates in foreign jurisdictions	(537)	(2,368)
Tax effect of:		
Share of profit of equity accounted associate reported net of tax	—	(953)
Current year unrealised gains for which no deferred tax is recognised	(2,171)	(8,711)
Dividend income exempt from tax listed entities	(10,453)	(10,997)
Gain on land revaluation – non taxable	—	(2,850)
Other	(67)	2,652
Tax expense in the income statement	**(8,669)**	**424**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

10. FINANCE RECEIVABLES

	30 June 2020 K'000	31 December 2019 K'000
Gross finance receivables	752,354	779,554
Less: Unearned charges	(81,895)	(96,104)
Less: Deferred establishment fees	(5,710)	(5,847)
Less: Impairment allowance	(92,069)	(64,492)
Net finance receivables	**572,680**	**613,111**
Finance leases included in finance receivables analysed as follows:		
Not later than one year	5,124	6,787
Later than one year and not later than five years	36,037	32,267
	41,161	39,054
Less: Unearned charges	(6,132)	(6,050)
Present value of lease payments receivable	35,029	33,004
Impairment allowance	(2,125)	(1,853)
Net finance leases	**32,904**	**31,151**

Analysis of impairment allowance	30 June 2020 K'000	31 December 2019 K'000
Impairment allowance		
Opening balance	64,492	60,547
Increase in allowance	38,209	13,953
Bad debts written off	(6,978)	(10,220)
Recoveries on overdue accounts	(1,235)	—
Reclassification to gross loans	(3,070)	—
Effect of changes in foreign exchange rates	651	212
Closing balance	**92,069**	**64,492**

Total recoveries on written off accounts for the period ended 30 June 2020 was K1 million thousand (30 June 2019: K930 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

Reconciliation of opening to closing of loss allowance for each stage	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(12,923)	(4,912)	(46,657)	(64,492)
Transfer to Stage 1	(3,114)	1,129	1,985	–
Transfer to Stage 2	1,860	(2,758)	898	–
Transfer to Stage 3	1,244	2,920	(4,164)	–
Net remeasurement of loss allowance	8,221	(13,920)	(21,834)	(27,533)
New financial assets originated	(959)	(2,586)	(688)	(4,233)
Financial assets that have been derecognised	407	170	420	997
Write-offs	254	175	2,642	3,071
Foreign exchange and other movements	(69)	(20)	208	121
Balance at 30 June 2020	(5,079)	(19,802)	(67,188)	(92,069)

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

Refer to Notes 4 and 6.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

11. RESERVES

	30 June 2020 K'000	31 December 2019 K'000
(a) Asset revaluation reserve		
Balance at 1 January	35,976	51,531
Surplus/(deficit) on revaluation of properties	(16,408)	(22,221)
Tax effect on revaluation of properties	4,896	6,666
Closing Balance	**24,464**	**35,976**
(b) Asset realisation reserve		
Balance at 1 January	149	149
Closing Balance	**149**	**149**
(c) Exchange fluctuation reserve		
Balance at 1 January	5,762	6,216
Translation adjustment	595	(454)
Closing Balance	**6,357**	**5,762**
(d) General reserve		
Balance at 1 January	400,746	345,266
Transfer (to)/from retained earnings	7,237	55,480
Closing Balance	**407,983**	**400,746**
Total Reserves	**438,953**	**442,633**

12. EARNINGS/(LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 2020 K'000	Six months ended 30 June 2019 K'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share from profit/(loss) for the period attributable to owners of the parent	0.08	0.25
Number of shares	**'000**	**'000**
Weighted average number of ordinary shares for the purpose of basic earnings per share	307,931	308,045
Effect of dilutive share options	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	307,931	308,045
From continuing operations		
Earnings figures are calculated as follows:		
Profit (loss) for the period attributable to owners of the parent	23,865	78,413
Less: (profit) loss for the period from discontinued operation	—	—
Earnings for the purposes of basic and diluted earnings per share from continuing operations	23,865	78,413

13. DIVIDENDS

Final dividend for the year ended 31 December 2019 of 12 toea (2019: 13 toea) per share was declared on 25 June 2020 to be paid to shareholders on 29 August 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

14. PROPERTY AND EQUIPMENT

	Building, capital WIP & ROUA K'000	Furniture & fittings K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Consolidated					
Cost					
At 1 January 2019	16,025	12,389	5,963	9,165	43,543
Additions	16	2,739	1,924	2,380	7,059
Disposals/transfers	—	(3)	(1,530)	(28)	(1,561)
IFRS 16 Right of Use Asset	(1,282)	—	—	—	(1,282)
Effect of changes in foreign exchange rates	126	21	28	23	198
At 31 December 2019	14,885	15,146	6,385	11,540	47,957
At 1 January 2020	14,885	15,146	6,385	11,540	47,957
Additions	—	140	356	1,353	1,849
Disposals/transfers	—	(249)	(291)	(14)	(554)
IFRS 16 Right of Use Asset	1,283	—	—	—	1,283
Effect of changes in foreign exchange rates	6	4	6	5	21
At 30 June 2020	16,174	15,041	6,456	12,884	50,555
Depreciation					
At 1 January 2019	2,435	7,256	3,115	5,631	18,436
Charge for the year	129	1,701	1,071	1,088	3,989
IFRS 16 Depreciation — ROU	649	—	—	—	649
Disposals/transfers	(1,076)	(2)	(1,337)	(21)	(2,436)
Effect of changes in foreign exchange rates	19	5	11	19	54
At 31 December 2019	2,155	8,960	2,860	6,717	20,692
At 1 January 2020	2,155	8,960	2,860	6,717	20,692
Charge for the period	65	945	545	661	2,216
IFRS 16 Depreciation — ROU	473	—	—	—	473
Disposals/transfers	—	(123)	(155)	(14)	(292)
Effect of changes in foreign exchange rates	2	(2)	6	2	8
At 30 June 2020	2,695	9,780	3,256	7,366	23,097
Carrying amounts					
At 1 January 2019	13,591	5,133	2,848	3,534	25,107
At 31 December 2019	12,731	6,186	3,525	4,823	27,265
At 30 June 2020	13,479	5,261	3,200	5,518	27,458

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2020

15. INVESTMENT PROPERTY

	30 June 2020 K'000	31 December 2019 K'000
Balance as at 1 January	275,700	297,410
Revaluation	(16,408)	(22,221)
Transfer to property, plant and equipment	—	(785)
Acquisitions	45	1,296
Closing Balance	**259,337**	**275,700**

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 effective date	Value as at 30 June 2019 K'000	Value as at 31 December 2019 K'000
Era Dorina	Direct capitalisation	Directors	30 June 2020	131,129	137,937
Credit House	Direct capitalisation	Directors	30 June 2020	66,903	72,927
Era Matana	Direct capitalisation	Directors	30 June 2020	53,505	56,936
CCIL	Replacement cost	Directors	30 June 2020	4,000	4,100
CCP	Direct capitalisation	Directors	30 June 2020	3,800	3,800
				259,337	**275,700**

Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. The directors assessed that the fair values 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 value 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 characterisitcs such as the physical deterioration of the property and its location (prime or secondary). Key unobservable inputs include the capitalisation rates 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 2020 half-year end.

Fair value hierarchy

The fair value measurement for investment properties of K259 million have been categorised at level 3 fair value, as the input to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalisation rates of between 10.00% and 12.00% (2019: 10.00% to 11.50%). Accordingly, an increase in market lease rental rates and/or a decrease in the capitalisation rate and/or an increase in capitalisation rate and/or increase capitalisation rate would decrease the fair value of properties. A sensitivity analysis is in Note 4.

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 fo 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 materiald 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.

Key judgments and estimates

Judgment 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.

16. 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.

		30 June 2020				31 December 2019	30 June 2019
Listed shares	**% Held**	**No. of shares**	**Fair value K'000**	**Fair value gain/(loss) K'000**	**No. of shares**	**Fair value K'000**	**Fair value gain/(loss) K'000**
Bank South Pacific	7.77%	36,294,081	435,529	7,985	36,294,081	427,544	401,412
Airlines PNG Limited	0.65%	2,000,000	–	(240)	2,000,000	240	240
City Pharmacy Limited	0.95%	1,953,544	1,074	(508)	1,953,544	1,582	1,270
Kina Asset Management Ltd.	8.65%	4,255,463	4,043	–	4,255,463	4,043	4,043
			440,646	**7,237**		**433,409**	**406,965**

17. INVESTMENT IN ASSOCIATE

	30 June 2020 K'000	31 December 2019 K'000
Equity-accounted investee	8,283	8,283

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (31 December 2019: 25%) of the issued shares of Capital Insurance Group (its principal place of business is Papua New Guinea) and has determined that it has signficant influence because it has representation on the board of the investee but does not have a controlling vote. At 30 June 2020, the Group's interest in its associate had a carrying amount of K8.3 million.

The Group has assessed the value of its invesment in CIG based on the current results, financial position and current economic situation and views that no material adjustment is required to be taken up. During the 6-month period ended 30 June 2020, the Group received no (31 December 2019: Nil) dividend from the Capital Insurance Group.

18. DEPOSITS AND BORROWINGS

	30 June 2020 K'000	31 December 2019 K'000
Current		
Interest bearing deposits	525,600	481,837
IFRS 16 lease liability	1,225	335
Secured bank loans	52,195	54,430
	579,020	536,602
Non-current		
Interest bearing deposits	35,336	50,129
IFRS 16 lease liability	1,911	1,255
	37,247	51,384
	616,267	**587,986**

19. FINANCIAL INSTRUMENTS — FAIR VALUE VERSUS CARRYING VALUES

Consolidated	Level of FV hierarchy	Fair values June 2020 K'000	Fair values December 2019 K'000	Carrying amount June 2020 K'000	Carrying amount December 2019 K'000
Interest bearing securities	1	—	1,270	—	1,270
Financial assets at fair value through profit or loss	1	440,646	433,409	440,646	433,409
Other equity investments	3	34	34	34	34
Finance receivables	2	572,680	613,111	573,512	613,111
Other receivables	2	3,740	7,841	3,740	7,841
Cash and cash equivalents	1	234,086	140,138	234,086	140,138
Trade and other payables	2	(8,612)	(10,323)	(8,612)	(10,323)
Secured bank loans	2	(52,195)	(54,430)	(52,195)	(54,430)
Interest bearing deposits	2	(560,936)	(531,966)	(560,936)	(531,966)
Lease liabilities	2	(3,136)	(1,590)	(3,136)	(1,590)
Total		**626,307**	**597,493**	**626,306**	**597,493**

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.

20. ISSUED CAPITAL

Issued capital as at 30 June 2020 amounted to K22 million. There were no movements in the issued capital of the Group in the current interim reporting period.

21. COMMITMENTS

As at 30 June 2020, the Group has K907 thousand contractual commitment for the IT works. The Group is not expecting any significant contingent liabilities.

22. SUBSEQUENT EVENTS

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

CREDIT CORPORATION