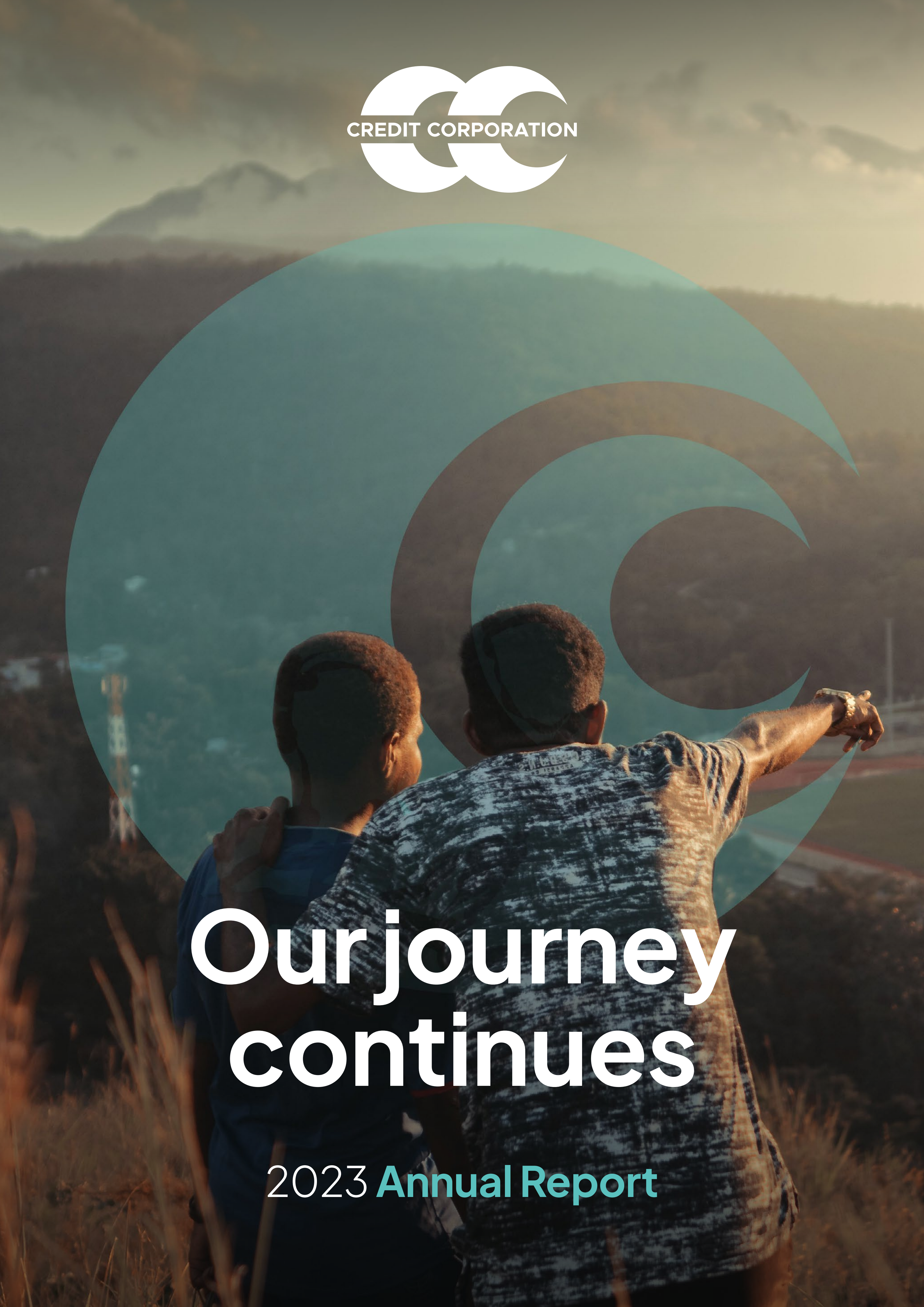


CREDIT CORPORATION

Our journey continues

2023 Annual Report

Above: Kokopo branch staff.
Right: Bring your child to work day.

Contents

About Credit Corporation

Credit Corporation (PNG) Limited celebrated its 45th year anniversary in 2023, after commencing business in 1978 as a general finance company.

Over this period, the Group has grown to become one of the South Pacific's most progressive and trusted financial institutions. Our vision is to be recognised as one of the leading financial services groups in the South Pacific.

Credit Corporation has a unique set of advantages:

- a solid and diversified business mix
- diversification in key Pacific geographies and customer segments
- a strong balance sheet and capital position
- a disciplined approach to managing risk
- a firm commitment to regulatory compliance
- a focus on recruiting, developing and retaining talented people
- a trusted brand and a commitment to our customers, which is at the heart of everything we do.

Our deep knowledge and expertise operating finance businesses throughout the Pacific to assist our retail and business customers with appealing financial solutions for any stage of their business or life journey.

We offer a diverse range of lending products that help our customers achieve their business goals, including:

- equipment finance for customers to acquire a wide variety of motor vehicles, heavy machinery, and plant and equipment for commercial and business use
- personalised financing packages
- insurance premium funding.

Over the years, through our subsidiary companies, the Credit Corporation Group has acquired a significant investment portfolio incorporating prime real estate assets, listed and unlisted equities.

Currently, the Group owns assets valued at K1.6 billion and operates from offices in Port Moresby, Kokopo, Mount Hagen and Lae in Papua New Guinea; Suva, Nadi, Lautoka and Nakasi in Fiji; Honiara in the Solomon Islands; and Santo and Port Vila in Vanuatu.

The Group is proud of its record of paying shareholders a dividend each and every year since the incorporation of the company in 1978.

Who we are

Built on a strong 45–year foundation, our team of well-credentialled and experienced financial services, property and investment professionals provides simple and safe financial and property solutions for our customers.

What we do

We maintain our commitment to the basics, which have made our businesses so successful for more than four decades, founded on a relationship-based services model.

Our model contrasts with many of our competitors who are focused on customer volume, one-size-fits-all risk assessments and a cost-driven approach. Our approach requires a deep understanding of our customers' businesses and their needs.

Credit Corporation (PNG) Limited is a company incorporated and domiciled in PNG, and is listed on the PNG National Stock Exchange since 2000.

“...One of the South Pacific's most progressive and trusted financial institutions.

Chairman, Dr Albert Mellam addressing guests at Credit Corporation's 45th anniversary celebration.

Core business areas

The Group has three core business areas.

The finance companies specialise in providing the following range of financial products and services:

- equipment finance for motor vehicles, heavy machinery, plant and equipment for commercial and business use
- insurance premium financing solutions.

We are a licensed and regulated non-bank financial institution in each of the countries in which we operate: Papua New Guinea, Fiji, Vanuatu and the Solomon Islands.

The Group owns and manages a portfolio of prime real estate assets. These properties include:

- Era Matana — a major residential development in Port Moresby
- Era Dorina — one of the largest executive residential estates in Port Moresby
- Credit House — a premier commercial address in Port Moresby
- Commercial buildings in Suva and Nadi, Fiji.

The Group is primarily invested in Bank South Pacific (BSP). Other equity investments include:

- Capital Insurance Group Limited
- City Pharmacy Limited
- Credit & Data Bureau
- Kina Asset Management
- PNG Air Limited.

Era Matana.

2023 overview

Credit Corporation PNG reported another improved financial performance in 2023 supported by improving economic conditions as borders re-opened after the pandemic.

Disciplines around the management of credit risk and operating costs continued to improve, which contributed to the Group's positive financial outcome.

During the year, we made solid progress in advancing the Group's strategic priorities and transformation to become a niche commercial bank in PNG, including implementing our core banking system and launching a range of new deposit and internet banking products.

Credit Corporation PNG remains committed to making life easier for our customers while boosting our performance and returns for shareholders, and making a positive contribution to the community.

Credit Corporation staff and Board celebrate the 45th anniversary.

> Credit Corporation PNG remains committed to making life easier for our customers while boosting our performance and returns for shareholders.

Celebrating PNG Independence Day in the office.

2023 highlights

Financial highlights

Group Core Operating Profit
K105.9m
▲ up 7.1%

Net Profit After Tax (NPAT)
K134.9m
▲ up 56.8%

Expense to Income Ratio
50%
▼ down 4.8%

Earnings Per Share
43.8 toea
▲ up 57.0%

Deposits
K511m
▲ up 10.4%

Net Asset Backing Per Share
K3.21
▲ up 2 toea

Total Risk Weighted Capital
43.3%
stable year-on-year

Total Dividend Per Share
24.1 toea
▲ up 7.1%

Net Loan Receivables
K492.7m
▲ up 19.1%

Segment financial highlights

Finance Net Profit After Tax
K30.1m
▼ down 17%

Property Core Operating Profit
K14.9m
▲ up 11%

Investment Income
K64.9m
▲ up 5.5%

Our values

Operational highlights

Focus on refreshed strategy

'Approval in Principle' from the Bank of PNG for a niche commercial bank licence.

- New Core Banking System implemented
- New transaction, savings and term deposit products and internet banking service for staff as pilot program for banking launch.

Building capability

- Enhanced Board skills and expertise with appointment of new Director Lady Winifred Kamit
- New Chief Risk Officer and Company Secretary appointed
- Eight employees completed our flagship leadership development course — Accelerate Performance Program — taking the total to 29 graduates since 2021.

Board and executive management diversity

Achieving gender diversity, with women making up:

- 44% of the Board
- 57% of executive leadership
- 45% of management roles.

Fellowship

I am genuine, inclusive and collegiate.

Integrity

I unfailingly act with integrity.

Growth

I proactively collaborate and challenge myself and my colleagues to continually innovate, adapt and grow.

Impact

I am accountable to deliver to our customers and empowered to find impactful solutions and execute with excellence.

Customer obsessed

Everything I do, every decision I make, I make with the customer in mind, helping them to fund their future and achieve their dreams.

Chairman's address

I am pleased to present Credit Corporation PNG's Annual Report for the year ending 31 December 2023, which is the Group's 45th anniversary after commencing operations in 1978.

Over that period, Credit Corporation PNG has maintained a clear vision to be recognised as one of the leading financial services groups in the South Pacific. The collective efforts of many people who have played a part in the Group over the years have seen us become one of the region's most progressive and trusted financial institutions. This is a reflection of our continued financial strength, contributions to our local communities, and commitment to customers, which is at the heart of everything we do. I am proud of what Credit Corporation PNG has achieved in its first 45 years, and I am excited about what we can achieve in the future by building on this impressive foundation.

In the Group's FY22 annual report, I spoke about the economy beginning to return to normal after the restrictions because of the global COVID-19 pandemic and the knock-on effects for business confidence and investment. In FY23, these impacts were largely unwound and renewed optimism has brought about economic tailwinds and a strengthening performance by the Group, both operationally and financially.

It is pleasing to see that all of our divisions made solid contributions to the Group's strong financial results. We maintained our diligence in relation to managing credit quality and operating costs, which helped to enhance profitability and improve our returns to shareholders.

Our profitability in FY23 was substantially better than the previous year. Core Operating Profit rose by 7.1% to K105.9m, and Net Profit After Tax was K134.9m which represents an increase of 56.8%.

These results and our strong capital position enabled the Board to declare a Final Dividend of 13.1 toea per share. Combined with the Interim Dividend of 11.0 toea per share, the total dividend payment to shareholders for FY23 will be 24.1 toea per share, an increase of 7.1% over the previous financial year.

Bank transition

The Group has made some important strides in the progressive five-year strategy aimed at becoming a simpler, more focused business and making the transition to become a niche commercial bank in PNG.

In February 2023, Credit Corporation Finance Limited (CCF), a subsidiary of Credit Corporation (PNG) Limited, was granted Approval in Principle for a banking licence by the Bank of PNG. This milestone gives the Group a period of 12 months to transition CCF's current licence from a financial institution to a niche commercial bank.

We are well positioned to become a new home-grown bank because we have been lending for 45 years in PNG. We have deep knowledge of the local market, and our organisation is led by a Board and senior executive team with strong financial services and banking experience.

Since receiving the approval, we have made some significant investment decisions for a successful transition.

Dr Albert Mellam
CHAIRMAN

We have implemented our new core banking system which enabled us to introduce a range of new deposit products and internet banking for our staff from December 2023, which have been an outstanding success. This step is also an important risk mitigation, allowing us to test our systems and have confidence that they are robust and fit-for-purpose before we launch as a new commercial bank in 2024.

We have made substantial investments in streamlining our internal processes, while recruiting new talent and upskilling our people as part of our ongoing commitment to delivering a high level of service to our customers. It is our firm view that more banking competition in PNG will help to reduce costs and expand services for SMEs, commercial business customers and the emerging middle market.

Board changes

In February 2023, we welcomed Lady Winifred Kamit as a Non-Executive Director as part of our ongoing process of renewal, which is an essential element of every high-functioning Board.

Lady Kamit has extensive knowledge of the financial services sector and particularly banking and finance regulation and legislation. She is also a highly experienced director of publicly listed companies with strong governance skills and relationships with PNG business and government. Her talents and experience complement the diverse capabilities of the Board and add a great deal to our deliberations and direction of the business.

I am proud of what Credit Corporation PNG has achieved in its first 45 years, and I am excited about what we can achieve in the future by building on this impressive foundation.

The performance of Credit Corporation in 2023 is a source of pride and a springboard for success in 2024 and beyond. On behalf of the Board, I extend our thanks to all of Credit Corporation's employees for their efforts and dedication which have been instrumental in our successful performance.

We thank our shareholders for your support for the strategic direction that we have set for the Group and your trust in us to represent your interests. We will continue to focus our efforts on simplifying and strengthening Credit Corporation to generate long-term value for shareholders.

Dr Albert Mellam
CHAIRMAN

CEO's message

In our 45th year of operations, Credit Corporation's performance during 2023 has demonstrated the potential of the Group to make our customers' lives easier, and in doing so, create long-term value for our communities and our shareholders.

Economic tailwinds helped the business to grow in 2023 and South Pacific businesses began to invest and grow again. We delivered a record financial result and maintained a strong capital position.

At the same time, we made impressive progress in strengthening the business by simplifying our processes and boosting our competitive position with an upgraded core banking system and new products. We further enhanced our core governance and risk management disciplines.

Credit Corporation could not be in a better position to make a successful transition to a commercial bank, and we are excited about reaching this historic milestone in 2024.

Transitioning to a commercial bank

There are clear opportunities for Credit Corporation as a home-grown PNG commercial bank.

The small to medium enterprise, commercial and emerging middle market customer segments increasingly partner with providers who deliver exceptional service and innovative products. We have deep knowledge and established relationships in these segments from serving customers for 45 years. As a bank, we will be able to expand from our current equipment finance products into new services to support these customers as their businesses evolve and expand, and their banking needs change.

During the year, we implemented a new core banking system, which enables us to offer new products to our customers and provide a full internet banking platform. Our business will benefit from enhanced digital, data and analytics capabilities and the reduced costs of operation. The new system also represents a positive step change in our defences against financial and cyber-crime.

As part of our planning for the banking transition, the Group introduced a range of new deposit products for staff at the end of 2023. Our aim was to test that our systems are robust and ready for the full launch of banking services and supporting customers with new products and a digital platform. I am pleased that the new products have been an outstanding success and that the feedback from our people has helped us to refine our products and systems ahead of their launch in 2024.

Danny Robinson
GROUP CHIEF EXECUTIVE OFFICER

Talented people

We rely on talented and committed people, and the way they work together and interact with our customers is the key to our success. So I am delighted that our employee engagement scores have been consistently outstanding over the past three years and put Credit Corporation in the top quartile of employers worldwide and significantly above the PNG average.

Because Credit Corporation is a respected financial services brand and market leader, we attract some of the best people from a diverse range of cultures and backgrounds. We believe in creating career development opportunities for our people, to benefit them with new skills and to ensure that our services remain relevant and competitive. We made significant investments in professional development for our people during the year, focusing on leadership and communication.

We operate in a number of South Pacific countries and we celebrate an inclusive working environment that values all of our people for their contributions. Credit Corporation is focused on ensuring diversity in the workforce and we are committed to maintaining balanced gender representation in senior management roles. Women make up 44% of our Board, 57% of our executive leadership, and 45% of our management roles.

"Credit Corporation could not be in a better position to make a successful transition to a commercial bank, and we are excited about reaching that historic milestone in 2024.

CEO's message (continued)

Strong financial performance

The Group reported another improved financial performance for the twelve months to 31 December 2023. This was supported by growth in net operating income, disciplined cost controls, and our continued focus on credit procedures and collections.

The Group's Finance segment reported strong growth in customer deposits, which were up 10% to K511.0m, and lending, which increased by 19.1% to K492.7m.

Over the past three years, improving credit quality has been a critical focus for the Finance business and we have seen year-on-year improvements drive meaningful reductions in impaired loans and provisions. Gross impaired assets and provisions have approximately halved between FY21 and FY23.

Rental income for the Property segment increased by 5% to K34.2m, while occupancy rates across the portfolio remained steady at 84%. Property core operating profit increased 11% to K14.9m, resulting from an increase in rental yields to 13.9%.

Dividend income in our investments segment increased by 5.5% to K64.9m during 2023, and the value of the investment portfolio rose 10.2% to K502.6m.

The Group's expense to income ratio reduced to 50.0% from 52.4% in the previous financial year. This is a creditable outcome because of our tight control of operating costs, at the same time that we made significant strategic investments in resources, systems, and people in the Finance segment to make the transition to becoming a commercial bank.

Earnings per share rose by 57% to 43.8 toea per share, up from 27.9 toea per share in 2022.

Our balance sheet remained strong, with Net Asset Backing increasing by 7% to K3.21 per share. This allows us to invest in the business to drive future growth and support our customers, to generate solid returns for our shareholders.

Enhancing risk management

Continual improvement of our risk management culture, policies and capabilities is critical to the business and an important part of our preparations for becoming a bank.

During 2023, we strengthened risk management in a number of ways.

A new Chief Risk Officer was appointed in September 2023, and brought additional strengths in banking regulation and legislation. A new Company Secretary was also appointed with responsibility for supporting the Board's oversight of corporate governance including risk management.

The Group's Enterprise Risk Management Framework and policies were reviewed in 2023 and endorsed by the Board along with the overarching Risk Management Strategy. Risk Appetite Statements, which define the balance between driving growth and managing risk, were also enhanced to give us greater capacity to respond to changing market conditions and business priorities.

The segments of the business continued to make significant improvements in collecting data and monitoring key operational risk areas. This work assists us to embed an informed risk management culture throughout the business, which will be a priority during 2024.

Outlook

The South Pacific economies are continuing to recover in 2024, creating a positive environment for business investment and growth in demand for our services.

While economic growth in Papua New Guinea was slower than anticipated in 2023 at 2.7%, it is expected to accelerate to 5.3% in 2024 as a result of improving output in the nation's resources sector and a significant pipeline of government capital projects.[1]

Fiji's economy was expected to fully recover from the effects of the COVID-19 pandemic in 2023. Growth is forecast at 3.9% with a strong recovery in tourism partly offset by weak production in a number of sectors of the economy.[2]

GDP growth of 2.4% is forecast for the Solomon Islands economy in 2024, supported by the flow-on benefits from the 2023 South Pacific Games in Honiara and national elections.[3]

Vanuatu's economy is expected to rebound from a challenging position in 2023 resulting from the damage caused by tropical cyclones. The IMF has forecast real GDP growth of 2.6%, supported by an anticipated increase in visitor arrivals.

The transformation of Credit Corporation gathered pace in 2023 and we are in a strong position for growth in 2024. Becoming a commercial PNG bank will be a historic milestone for the Group. With a simplified and strengthened business, we expect to benefit from the continuing rebound in business investment across the South Pacific.

We are in a position to capitalise on these opportunities because of the hard work of our people to deliver innovative services for customers and remain focused on our strategic intent. I would like to offer them my personal thanks for their continued efforts. I am very proud of the way they live our values and support our customers and the communities we are a part of.

I would also like to thank my colleagues on the executive, senior management and the Board for their leadership and guidance during the year.

Of course, Credit Corporation exists to serve its customers and community, and I am grateful for their continued support and trust.

Danny Robinson
GROUP CHIEF EXECUTIVE OFFICER

1 PNG Department of Treasury, 2024 National Budget.
2 International Monetary Fund, January 2024.
3 Ibid.

Five-year performance snapshot

	2019	2020	2021	2022	2023
Profit and Loss (K'000)					
Core Operating Profit	105,018	25,663	79,088	98,846	105,882
Property Revaluations	(22,221)	(16,777)	(5,001)	(1,372)	-
Investment Revaluations	55,480	6,926	10,336	5,539	46,343
Operating Profit before Tax & after Revaluations	138,277	15,812	84,423	97,378	141,475
Income Tax Expense (Benefit)	6,292	(6,184)	7,551	11,340	14,847
Operating Profit after Tax attributable to the Group	131,985	21,996	76,872	86,038	134,897
Retained Earnings	456,616	446,477	446,922	455,710	472,516
Dividends (K'000)					
Final Dividend Paid	61,509	36,952	69,592	72,672	71,748
Dividend per share (Toea)	20.0	18.00	18.00	23	24
Balance Sheet (K'000)					
Finance Receivables	613,111	504,450	409,544	413,618	492,674
Total Assets	1,541,258	1,532,646	1,416,246	1,457,007	1,562,332
Deposits	531,966	548,287	428,376	462,964	511,054
Shareholders' Funds	921,232	915,719	920,312	922,763	989,372
Performance Ratios					
Return on Assets*	6.80%	1.70%	5.40%	6.90%	7.00%
Return on Equity**	11.40%	2.80%	8.60%	10.70%	11.05%
Expense/Income***	38.00%	50.20%	51.30%	52.40%	50.00%
Net Asset Backing Per Share	2.99	2.97	2.99	3.00	3.21
EPS (Basic and Diluted)	42.9	7.1	24.9	27.9	43.8
No. of o/s ordinary shares	307,936,332	307,936,332	307,931,332	307,931,332	307,931,332
Weighted average no. of ordinary shares	307,936,332	307,936,332	307,931,332	307,931,332	307,931,332
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.6299	0.5817	0.6034	0.6294	0.5938
Solomon Islands Dollar	2.4119	2.3028	2.3177	2.361	2.278
Vanuatu Vatu	33.9300	30.6700	32.0200	33.3500	31.3000

* Core Operating Profit/Average Total Asset
** Core Operating Profit/Total Equity
*** Calculated before any fair value changes of investment and movement in bad debts provision

External environment

While the countries across the South Pacific face common challenges, including high vulnerability to global shocks, the regional economies are experiencing a sustained recovery and remain upbeat as they continue to create a positive environment for business investment and growth in demand for our services.

The Asian Development Bank (ADB) has forecast economic growth for the South Pacific at 3.5% for 2023 and 2.9% for 2024, on the continued recovery of international tourism and the resumption of public infrastructure projects.

Maintaining investor confidence is key to maximising the benefits of PNG's economic growth. While the country's rate of growth is trending up, it has been affected by lower than expected output in the oil and gas sector, and delays in the resumption of Porgera Gold Mine's operations.

The country has substantial upside potential for economic growth and employment, with the slate of resources projects and scale of government investment in the near term. Higher growth is anticipated for 2024, with the resumption of Porgera's operations expected, and Kumul Petroleum Holdings (KPHL) having been cleared by the Independent Consumer and Competition Commission to acquire an additional 5% interest in the PNG LNG project. The PNG 2024 National Budget has forecast economic growth of 5.3% for the current year.

Foreign exchange shortages continue to be a key limitation to growth. Additionally, the sequenced depreciation of the PGK will further exacerbate business costs for imports and debt servicing.

The International Monetary Fund (IMF) forecasts Fiji's growth for 2024 at 3.9%. With the rapid rebound in tourism continuing to drive the economy, Fiji is experiencing a strong recovery.

Nevertheless, significant risks to growth remain both on the demand side – due to the global outlook – and on the supply side – due to capacity constraints and price competitiveness, with sectoral production remaining weak as a result of industry challenges.

Fiji's FY2023-24 national budget increased value-added and corporate income taxes to counter the country's declining revenue to GDP ratio. Fiji's inflation rate is expected to be 3% for both 2023 and 2024.

Solomon Islands is still recovering from multiple global shocks over recent years with its fiscal position below pre-pandemic levels and fiscal deficit expected to widen to 7.5% of GDP in 2023-2024.

According to the IMF, the Solomon Islands economy is forecast to grow by 2.4% in 2024, driven by the 2023 South Pacific Games and 2024 National elections.

The budget situation in Vanuatu remains a challenge with fiscal deficit projected to deteriorate from 3.4% of GDP during 2020-2022 to 6.1% during 2023-2024.

Damage brought about by Cyclone Judy and Cyclone Kevin weighed down growth in 2023. Stronger growth is anticipated for 2024 with the IMF forecasting 2.6% real GDP growth as the economy recovers, underpinned by increased tourism.

While the Pacific Islands remain vulnerable to natural disasters such as tropical cyclones and earthquakes and increased uncertainty in the region, rebounding visitor arrivals and infrastructure project spending continue to support growth in the South Pacific.

Our strategy

The key planks of our strategic pathway address the need to reshape our Group, focus on the strengths of our core business and key markets, and make changes to become a simpler and stronger business.

Our focus will continue to be on business segments that we know very well, including middle-market and high-net-worth individuals, SMEs and commercial customers.

Our key strategic planks

Enhancing our core business in key markets

- Achieving finance company growth in our key markets of PNG and Fiji
- Centralising and automating processes
- Improving credit quality of the portfolio
- Strengthening collections and supporting distressed customers
- Improving our management of risk and risk culture.

Divest non-core assets

- Divest assets where the Group has no competitive advantage, subject to achieving the appropriate value.

Become a niche commercial bank in PNG

- Seeking an unrestricted banking licence
- Developing a new suite of banking products
- Targeting – individual (emerging affluent and high-net-worth) customers, SME and commercial customers.

The Group continues to make strong progress on its strategic pathway which aligns with our reset vision, mission and values, harnesses our core strengths, and focuses on the changes we need to make to be a successful and sustainable financial services group into the future.

The Group continues to make strong progress on its strategic pathway which aligns with our reset vision, mission and values.

Our vision

To be recognised as one of the leading financial services groups in the South Pacific.

Our mission

Building on our heritage of more than 45 years, we break down barriers to provide friendly, easy-to-understand, convenient, value-for-money financial services and products for people, families and businesses throughout the Pacific.

Port Moresby Sales and Service Team.

Our strategy (continued)

Project Transformer: preparing for banking launch

Becoming a niche commercial bank in PNG is one of the Group's key strategic planks.

While receiving Approval in Principle for a banking licence from the Bank of PNG in February 2023 was an important milestone in the transition to become a bank, it was only the beginning of the transformation of our organisation.

Project Transformer is the internal project to prepare the Group for the launch of banking services in PNG during 2024. It was launched in early 2023 and has collaborative work streams with responsibility for implementing the new core banking system, introducing a new web-based banking application, enhancing internal processes, and recruiting and upskilling our people.

Project Transformer Staff Pilot onboarding.

In addition to implementing each of these streams of activity, the Project Transformer team has had to ensure that the Group's banking services will be robust enough to comply regulatory requirements and fit-for-purpose to meet customer demands.

The new core banking system was launched in a controlled production environment in just seven months, on time and within budget. This enabled the Group to launch new internet banking and mobile applications offering our staff transaction, savings and term deposit products from December 2023. The feedback has been outstanding and has enabled the team to refine the new services and ensure they will be competitive and user-friendly when they are made available to customers later this year.

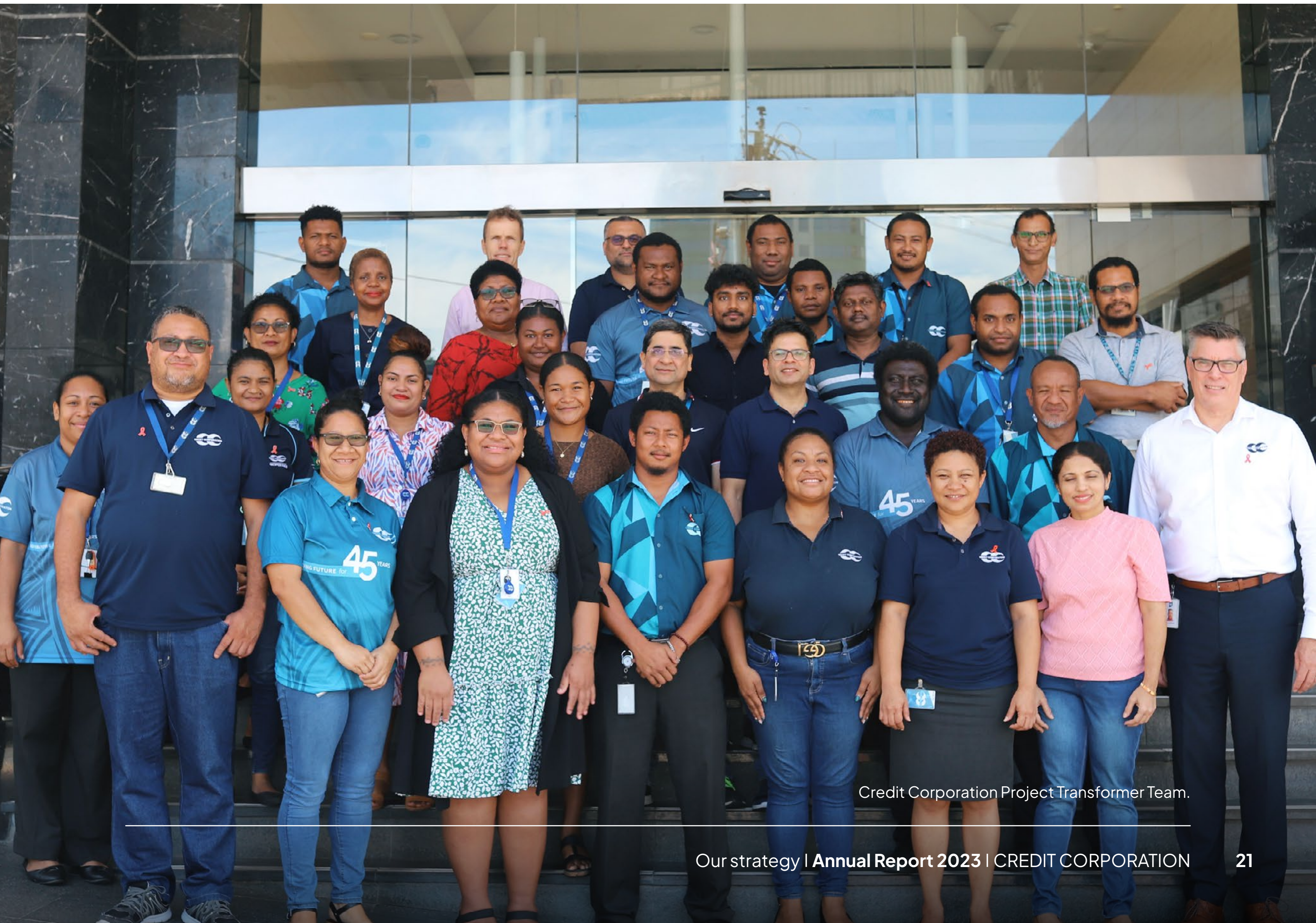
The Credit Corporation project team has brought people together from across our organisation and worked closely with staff from the Bank of PNG and in particular, the licensing, supervision and payments teams. We have also been supported by our business partners who played a key role in testing the Kina Automated Transfer System that allows customer payments to be made between banks.

The transition to become a bank is an opportunity to review and strengthen many of our internal processes. Developing new digital banking services has been a catalyst for streamlining and automating internal processes and strengthening credit risk management.

In addition to the technical and product development tasks, Project Transformer has focused on equipping our people with the skills and knowledge necessary for Credit Corporation's new banking operations. This has been a combination of recruiting people who bring new skills to the Group and providing professional development and mentoring opportunities to expand the capabilities of current staff.

Becoming a niche commercial bank will be a transformative moment for the Group and our support for customers, not only because we will offer expanded financial services but also by making our underlying operations stronger and more competitive.

Becoming a niche commercial bank will be a transformative moment for the Group and our support for customers.



Credit Corporation Project Transformer Team.

Our businesses

Finance segment

Economic conditions improved during 2023 as pandemic restrictions were removed and supply chain constraints eased, restoring confidence and encouraging businesses to invest. The Group's Finance segment reported strong growth in customer deposits which were up 10% to K511.0m, and net loan receivables which increased by 19% to K492.7m.

The Finance segment reported Net Profit After Tax of K30.1m, down from K36.6m in 2022. This was a solid result considering that profit in prior years benefited from higher levels of writebacks than in 2023, as well as our investments to support the Group's imminent transition to become a commercial bank. Normalised Net Profit After Tax for 2023 was K25.7m, compared to K17.5m in the previous financial year.

Continuing improvements in management of credit risk resulted in lower provisions and loan impairments, maintaining a strong three-year favourable trend.

Credit Corporation Finance Limited (CCFL)

PNG economic growth was largely driven by the non-mineral sector during 2023, with substantial upside for the current year with planned investments in resources projects and government services.

In FY23, CCFL made a Net Profit After Tax of K9.2m compared to K8.1m in FY22.

Net loan book increased by 12% due to new business and the reduction in provisions, an outcome of an improvement in non-performing loans.

The PNG business remains well capitalised and has a sound liquidity position.

Staff celebrating the opening of our new Mt Hagen Branch.

Credit Corporation (Fiji) Pte Ltd

Credit Corporation (Fiji) Pte Ltd (CCFJ) witnessed a notable recovery in the Fijian economy in 2023, largely attributed to the resurgence of tourism after the COVID-19 pandemic. This revival not only generated positive ripple effects across the business community but also saw an increase in income and remittance inflows. Consequently, a more optimistic economic outlook has emerged with recovery evident across various industry sectors.

Despite facing stiff competition, 2023 served as a pivotal year for CCFJ, marked by efforts to rejuvenate the loan portfolio and pursue growth opportunities.

CCFJ achieved Net Profit After Tax of K14.7m, a decrease from K24.7m in FY22 which included a significant one-off write-back in provisions totalling K12.3m.

Although global conditions present challenges to supply chains and robust competition persists in the Fiji market, CCFJ remains well positioned to navigate these challenges with a strong capital base and comfortable liquidity position.

Credit Corporation Solomon Islands

The Solomon Islands economy returned to growth in 2023, driven by the hosting of the Pacific Games, preparations for the 2024 national elections, and several large infrastructure projects in the energy and transport sectors. In the medium term, growth is expected to average 2.5 percent of GDP.

Credit Corporation (Solomon Islands) Limited (CCSI) recorded a net profit after tax of K1.0m, compared to a loss of K0.2m in FY2022. The improved performance was mainly attributed to strong loan book growth in FY23 and lower impairment charges as an outcome of improved collections.

From a growth perspective, the loan portfolio gathered momentum in the first half of the 2023 financial year in line with improving macroeconomic conditions, and further growth is expected in the short to medium term.

The Solomon Islands business remains well capitalised.

Credit Corporation Vanuatu (CCVL)

Despite multiple challenges, including the twin cyclones, political instability, and long-standing issues with Vanuatu's national airline, CCVL recorded notable growth in its net loan portfolio and as a result achieved an impressive net profit after tax of K4.9m, an increase of 81% compared to K2.7m in FY22.

The improved performance is a result of continuing changes and efforts to become a more customer centric, simple, and competent financial institution. This was steered by the Board and a new Vanuatu management team in FY23.

In spite of strong competition and high banking system liquidity, CCVL maintained its capital adequacy ratio well above the minimum requirement for licensed Financial Institutions and met all prudential requirements set by the Reserve Bank of Vanuatu.

Moving into the new financial year, CCVL is well positioned to improve on its FY23 performance in all aspects of the business through continued emphasis on quality of loans, marketing plans to build awareness of existing products, and diversifying into new customer segments.

Moving into the new financial year, all of the finance businesses are well positioned to improve on their FY23 performance in all aspects of the business.

Our businesses (continued)

Property segment

Rental income for the Property segment increased by 5% to K34.2m, while occupancy rates overall remained steady at 84%.

The sale of the Group's vacant land at Gerehu, which was not an income producing asset, generated cash inflow of K4m.

For FY23, the Property Division contributed a core operating profit of K14.9m, representing an increase of more than 11% from K13.4m in FY22.

The Property Division's residential properties continued to show good growth in 2023, driven by uptake by the resources sector in preparation for the next LNG Project.

The return of families to Era Dorina Estate (EDL) post COVID-19 through blue chip companies and aid agencies has added to occupancy growth. Q4 2023 saw unit yield returns increase driven by high occupancy in the highly sought after EDL Stages 3,4 and 5.

Era Matana Estate has further cemented itself as a major player in the executive residential space and saw strong occupancies in FY23 whilst maintaining strong yield returns on rentals.

New corporate players emerged in the market driven by a requirement for quality accommodation to a brand standard, heightened security protocols and delivery, and efficient response times on tenant maintenance reporting, which ensured tenant satisfaction levels are maintained.

Credit Corporation's residential properties have seen an increase in new tenant enquiries, with increased conversions compared to the prior year maintaining occupancy levels whilst increasing rental yield.

Overall occupancy has been consistent with the prior year.

Occupancy by property during FY23 was as follows:

- Era Dorina Estate — occupancy increased to 68% (65% as at December 2022)
- Era Matana Estate — occupancy increased to 90% (89% as at December 2022)
- Credit House — occupancy maintained at 100% from June 2023.

Credit House maintained 100% occupancy, driven by lease renewals and extensions from existing commercial tenants plus additional space requirements from a current long-term tenant.

Increased occupancies in the residential estates were further enhanced through tailored marketing campaigns and preferred accommodation supplier agreements to high-volume unit tenant companies towards the end of FY22.

This, coupled with the introduction of tenant value-added incentives including increased complimentary Wi-Fi and airport and local transfers, and improved unit offerings, successfully reduced existing tenant turnover and attracted new occupants.

The growing market, fuelled by an influx of aid agencies and commencement of preparations for mineral and gas project expansions, is expected to maintain occupancy and profitability of the Property Division.

The focus remains on building capacity in available inventory through soft refurbishment and staff resources, as well as expanding our capabilities through additional staff training to continue positive response times in tenant customer services and reduce turnaround time on maintenance issues.

Offering inventory to address a range of market segments with additional flexibility for tenant lease duration will also drive growth in occupancy and revenue.

Investment segment

The Investment segment reported positive results for 2023, based on improved share price performance of the Group's portfolio of listed investments, coupled with higher dividend receipts.

Dividend income from listed investments increased by 5.5% to K64.9m during 2023. Yields on these investments moderated during FY23 to 12.9% from 13.5% in FY22. The fair value of the investment portfolio rose 10.2% to K502.6m.

"The Property Division's residential properties continued to show good growth in 2023, driven by uptake by the resources sector in preparation for the next LNG Project.

Credit Corporation Property Team.

Our people

We have a team of 317 talented and passionate employees working across multiple countries.

We are committed to attracting talented people, and fostering a collaborative and inclusive environment where employees feel a strong connection to our purpose.

	Employees	Male	Female
CC PNG	239	155	84
CC Fiji	53	28	25
CC Solomon Islands	11	8	3
CC Vanuatu	14	6	8
Total	317	197	120

Staff with CEO, Danny Robinson at the 2023 APP Graduation.

In 2023, our major people strategies aimed to attract the best people and execute a talent management program for retention which included robust e-learning training and development pathways and continuous staff engagement strategies.

Leadership development

Our Accelerate Performance Program (APP) is an important part of Credit Corporation's ongoing investments in developing people who will lead and bring about positive change for the Group.

APP is our flagship leadership development program, and eight Credit Corporation staff completed the course in November 2023. This brings the number of our people who have successfully completed APP to 29 since 2021.

APP is designed to cultivate and enhance the leadership skills of employees across various levels within the organisation, equipping participants with the necessary tools and knowledge to navigate the dynamic business landscape successfully.

Participants engage in a series of interactive sessions, workshops, and real-world simulations, addressing key leadership competencies such as strategic communication, effective delegation, constructive feedback and managing performance. The program is tailored to align with Credit Corporation's values and objectives, ensuring that participants are well-prepared to contribute to the company's ongoing success.

Inclusive working environment

We celebrate an inclusive working environment that values all of our people for their contributions. We are committed to maintaining balanced gender representation in senior management roles, as shown in the table below.

Leadership level	Female	Male	Total FTE	Female %
Board	4	5	9	44%
Executive leadership	4	3	7	57%
Board and management roles	29	36	65	45%

Employee engagement

Highly engaged employees who live our values and understand their role in achieving the Group's goals are central to building and maintaining our culture of providing the best service for our customers. High satisfaction scores play an important part in attracting the best people to join Credit Corporation, and engaged employees are more likely to remain with us and build their careers.

We focus on employee engagement and experience by aligning performance and rewards, and working to strengthen performance management, leadership and succession planning, and learning and development.

Each year, we measure employee engagement through our Staff Satisfaction Survey which is conducted independently to ensure that the voices of our people are heard. Over the past three years, the survey results have shown consistent improvement in engagement. For 2023, our total satisfaction score rose to 82.7%, compared to 81.0% in 2022 and 75.5% in 2021.

We are delighted that our 2023 scores put Credit Corporation well ahead of the PNG average employee satisfaction rating of approximately 75%. While it is not a direct comparison, our scores also show that we have performed very well compared to reported worldwide averages.

The survey explores employees' views on 14 different areas of our organisation and how we treat our people. While their feedback showed improvements across the board, our training and development had the greatest positive impact on employee satisfaction. It also highlighted that effective leadership, organisational strategy and maintaining a strong emphasis on quality and customer focus were key drivers of engagement with the Group.

Employee engagement is a continuing process and while we are very proud of these results, we are not complacent about supporting our people to thrive in their roles and we will remain focused on the initiatives that motivate them to do their best and make a positive difference for our customers and the business.

Our communities

The Group has a proud history of partnering with not-for-profits and community organisations, and supporting the business community.

Our aim is to foster long-term relationships by supporting important community and corporate projects.

In 2023, the Group supported numerous community and corporate initiatives with a total contribution of K534 million to the community and business life of PNG.

Our partnerships with community organisations focus on education and training, and community health and wellbeing. We support a range of initiatives and events for the development of a resilient and thriving business community that can drive economic growth and share prosperity.

The goals of our community and corporate activities align with the United Nations Sustainable Development Goals.

- Invest in our employees' health and wellbeing.
- Invest in community projects supporting health access.
- Support access to quality education and training to enable our people to thrive in a digitised world.
- Invest in education initiatives in the community.
- Support businesses and associations in connecting and driving economic growth via trade shows and business conferences.
- Support for stronger institutions to drive economic growth and promote shared prosperity.

Suva foreshore clean-up

On Saturday 10 June 2023, Suva and Nakasi staff and their families came together with local residents for Nasese foreshore clean-up to commemorate World Environment Day (5 June 2023) and World Oceans Day (8 June 2023). Our team actively participated in the community event to keep the foreshore clean and the mangrove forest intact, to demonstrate their dedication to creating a sustainable future for the wellbeing of future generations.

Project Wok

Since 2022, Credit Corporation has partnered with Project Yumi Inc, a PNG and Australian not-for-profit committed to helping the youth of PNG to build sustainable skills for a successful future.

We have worked closely with Project Yumi on their youth empowerment initiative, Project Wok which provides young people with job readiness training to prepare them for the workforce with practical skills and experience.

The 2022 pilot program involved 29 Grade 10, 11 and 12 students in a two-day experiential job readiness training program followed by a two-week paid work experience opportunity at Credit Corporation in our Corporate Office and PNG Sales & Service and Property division. Building on the success of the pilot program, seven of the graduates accepted permanent jobs with Credit Corporation in 2023.

Project Wok has provided more than 900 students with essential job readiness training. We are proud to be part of this important program which contributes to resolving the challenging social issue of youth unemployment in PNG. In addition, it provides our people with an opportunity to be Volunteer Mentors, giving back to the community and developing their mentoring skills.

Konio-Sindrung Kobal is a graduate of Project Wok who now works as a Collections Officer at Credit Corporation. During her two-week internship, Konio worked in our Property division and in the Sales & Service Lending and Collections department.

"For someone with zero work experience, it boosted my confidence, improved my adaptability, and clarified my career goals. It contributed immensely to my overall professional development," Konio said.

"It required me to prioritise and dedicate myself to learning. The experience not only allowed me to navigate challenges successfully but also strengthened my resilience and ability to thrive in a fast-paced work environment.

"This is not just about learning the tasks at hand but also about building lasting connections and honing the skills that will serve you well in your future endeavours."

Travis Vuivagi started as Support Officer with the People and Culture team and is still in that role. He says the internship gave him the confidence to take up challenges and "*to be bold and proud of every opportunity in life and to be a better person than yesterday.*" He is grateful for having given the chance "*to work alongside a very brilliant team that had the culture to drive learning and new ideas on ways to exceed expectations.*"

CEO, Danny Robinson, with 2023 Project Wok graduates.

Our communities (continued)

Support for children's literacy program

Credit Corporation is a proud supporter of Buk bilong Pikinini (BbP), a not-for-profit organisation which aims to increase literacy rates in PNG through the establishment of children's libraries, and the provision of high-quality education programs and books.

Our donation to support BbP's literacy program is part of the Group's three-year sponsorship commitment alongside our support since 2019 providing storage facilities for books which go towards early childhood education program and to restore hundreds of school libraries around PNG.

With the support of Credit Corporation and other corporate sponsors, BbP has been able to establish a total of 15 library learning centres throughout the country and run programs for early childhood literacy and numeracy, children with special needs and teacher training, which are all aimed at improving literacy and access to education.

Contribution to community sport

Over the years, Credit Corporation has supported several sporting clubs and associations, and is currently sponsoring local teams in rugby league, rugby union, basketball and netball. Sports play a significant role in empowering young people and building strong communities, and we are proud that our contributions create a positive impact.

The Group continued its support of the Port Moresby Basketball Association (POMBA). We have now had a three-year association with POMBA, contributing to the growth and development of basketball in PNG.

We continued our long association with the Agmark Gurias Rugby League Club, the Credit Corporation Sparrows Netball Club and the Harlequins Rugby Club.

Students participating in Buk bilong Pikinini's childhood literacy program.

Commitment to ethical business practices

We believe that all companies within the private sector have a clear responsibility to ensure business is conducted in an ethical manner.

Credit Corporation has been a corporate member of Transparency International PNG (TIPNG) since 2006.

Anti-corruption organisations such as TIPNG play an important role in our society. As one of the leading companies in PNG, it is important that Credit Corporation supports their work on promoting transparency and integrity within the private and public sectors.

> **We are proud that our contributions create a positive impact.**

Sparrows Netball Club presentation at the General Staff Meeting.

Risk management

Effective risk management is a key part of Credit Corporation's strategic intent and continual improvement in this area is central to our success as a leading financial services company.

During 2023, we advanced our risk management capabilities across the business through recruitment at Board and executive levels and further enhancements to our risk policies.

Lady Winifred Kamit joined the Credit Corporation Board in March 2023, strengthening our governance framework with her extensive knowledge of the financial service sector and particularly banking regulation and legislation.

At executive level, Credit Corporation appointed Leo Kamara to the role of Group Chief Risk Officer in September 2023. Mr Kamara has over 30 years' experience in the banking and superannuation industry. The Risk Management department was further strengthened with the recruitment of an additional senior risk executive to the role of Head of Enterprise Risk Management.

During 2023, the Group undertook its continuous review of the Risk Management Framework and key underlying policies and procedures. The revised Risk Management Framework and Risk Management Strategy were endorsed by the Board in 2023.

There has been significant progress in terms of data collection, monitoring and reviewing key risk areas of the business at operational level.

The Internal Audit function continued to be outsourced to PricewaterhouseCoopers, which is now operating in conjunction with the Group's risk management function as it gradually builds the capacity and expertise to provide this capability in-house.

Risk Appetite Statements are regularly reviewed with the objective of establishing more appropriate quantitative and qualitative measures to assist the Board in holistically managing risk. This also provides greater agility to react in a timely manner to developing market conditions and business priorities across the Group's jurisdictions.

The management of non-financial risks also remains an area of focus for the Group.

Some of the key projects undertaken in 2023 included:

- enhancing the Group's Risk Appetite Statement
- review and re-documentation of risk-related policies and procedures
- closing out outstanding legacy regulatory issues
- upgrading the ECL (expected credit loss) model.

The Group identified embedding a risk culture throughout the entire operations of the business as the other strategic risk management priority for 2023. This work continues into 2024 as an important element of the organisation's focus on the journey to become a bank.

Kokopo Branch staff.

Board of Directors

Dr Albert Mellam

CHAIRMAN

Dr Albert Mellam was appointed to the Credit Corporation Board in August 2013 and was appointed Chairman in September 2022. He also holds directorships on several other private and public sector boards within Papua New Guinea and the region.

He is also a member of professional organisations such as the Australian Institute of Company Directors and the Association of Asia-Pacific Business Schools. He has undertaken business assignments for the PNG Government and corporations within the Asia-Pacific region.

Dr Mellam is an Adjunct Professor of Management at The Cairns Institute at James Cook University in Australia, and a Visiting Academic within the School of Business and Public Policy at the University of PNG supervising graduate students in Business Strategy, Corporate Leadership, and Business Ethics and Corporate Governance. He holds a doctoral degree in Psychology from the Australian National University, a Master of Science degree from the Stirling University in Scotland, and a Diploma in Knowledge Economy from the Singapore Management University. He has also held a range of academic assignments in Australia, the Southeast Asia, the Middle East, and Europe.

Richard Sinamoi

Richard Sinamoi is an experienced executive and director with more than 20 years' experience in the superannuation and financial services industry.

He was appointed to the Credit Corporation Board in November 2018 and was Chairman of the Board from July 2021 to September 2022.

Mr Sinamoi has served on boards of both commercial entities and charitable organisations, spanning a range of industries including food and beverage, general insurance, trustee services, micro banking and funds management. He is currently an Independent Director on the Boards of Nambawan Super Limited and Trans Pacific Assurance Limited, and an Executive Director of Kama Kofi Limited.

Mr Sinamoi holds a Bachelor of Applied Science Systems from the University of Western Sydney, Australia.

Abigail Chang

Abigail Chang has served in executive management roles in the private and development sectors in the Pacific and has close to 10 years of central banking experience in the areas of financial system supervision, regulation, policy development and licensing for the banking, insurance, foreign exchange and superannuation industries in Fiji. She has extensive experience working across eight Pacific countries in financial inclusion, financial capability development and digitising Government-to-Person (G2P) payments.

She was appointed to the Credit Corporation Board in December 2016. She served on the Credit Corporation Fiji Pte Ltd Board from 2014–2022, during which time, she served for more than three years as Chairperson.

Ms Chang holds a Master of International Development, a Post Graduate Diploma in Economics, double degrees in Banking and Finance and Economics and recently completed a Certificate in MBA Essentials from London School of Economics and Political Sciences.

Clare Mazzetti

Clare Mazzetti has built her career on various advisory, management consulting and transformation roles, and has deep subject matter expertise within the banking and financial services industry. Her areas of expertise include financial services, and corporate strategy and transformation.

She was appointed as a Non-Executive Director of Credit Corporation on 24 December 2021.

Ms Mazzetti has significant experience in financial services for SMEs in banking, wealth management, and sales and distribution. Coupled with her knowledge in corporate and business strategy, and strategic planning and execution, Ms Mazzetti lends great support to the growth plans for the Company.

She is currently a Director of Qudos Bank, the Uniting Church of Australia (Synod of NSW and ACT), and the Chair of the Tax Institute of Australia.

Ms Mazzetti holds an MBA and Bachelor of Economics from the University of Queensland and a Master of International Relations from the University of Sydney. She is currently undertaking a PhD at the University of Sydney relating to the international banking system. She is a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

Faye-Zina Lalo

Faye-Zina Lalo brings experience as a corporate and commercial litigation lawyer and serves as a Director on the boards of various corporate institutions. She is also an active member of various not-for-profit organisations in Papua New Guinea, including MSME Council Inc. as a founding member, and the PNG Olympic Committee.

Ms Lalo was appointed to the Credit Corporation Board in December 2016 and has been continuously serving on the board since then.

Prior to joining the Credit Corporation Board, Ms Lalo practiced corporate and commercial law for more than 13 years in PNG in both private legal firms and corporate institutions. She is a current member of the PNG Law Society and is engaged as a Senior Legal Counsel with Nelson Lawyers. She also maintains her professional membership with the Australian Institute of Company Directors and the PNG Institute of Directors.

Ms Lalo holds a Master of Business Administration and a Bachelor of Laws from the University of Papua New Guinea.

Stephen Humphries

Stephen Humphries brings significant leadership experience across a wide range of businesses and jurisdictions including, Australia, the United Kingdom, Papua New Guinea, Indonesia and Southeast Asia. He was appointed to the Credit Corporation Board on 22 April 2021.

Mr Humphries is Chief Financial Officer and Company Secretary of Healius Ltd, one of Australia's leading ASX-listed healthcare companies.

His specialist assurance experience includes healthcare, financial services, mining, heavy engineering and construction, technology, and telecommunications. Mr Humphries has significant experience across a broad spectrum of ASX 100 and large private companies and has held senior and managing partner roles with PricewaterhouseCoopers in Australia, PNG and Indonesia.

Mr Humphries is a Fellow of both the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales. He is also a member of the Independent Directors Association of PNG.

Board of Directors (continued)

Sir Melchior Togolo CBE

Sir Melchior (Mel) Togolo is well recognised in PNG business circles with more than 40 years' experience in the public and private sector at senior management level, having worked for and led the North Solomons Provincial Government and various companies in PNG and overseas.

He was appointed to the Credit Corporation Board on 9 October 2021.

Sir Mel is a founding member of the Business Council of PNG and was Vice President and President of the Council for six years. He serves on the Board of Bougainville Copper Limited, Panamex Holdings (Singapore) Limited, Heritage Park Hotel Honiara and Loloata Island Resort Port Moresby.

He brings significant leadership experience across a wide range of businesses, including a strong background in the superannuation, banking and finance industries and hotel property development, and familiarity with the fast-moving consumer goods sector.

Daryl Johnson

Daryl Johnson is a highly experienced banking executive and was appointed to the Credit Corporation Board in June 2022.

Mr Johnson brings a wealth of experience in the areas of banking, finance, payments and risk management, both in Australia and internationally.

Mr Johnson is a Non-Executive Director on the boards of Beyond Bank Australia, CUSCAL Limited and CG Spectrum Institute Pty Ltd. He previously sat on the boards of Banking Ombudsman Scheme New Zealand, Whitelion Incorporated and EFTPOS New Zealand.

Mr Johnson's last executive engagement was with Rabobank New Zealand Limited as the Chief Executive Officer, prior to which he held executive management positions at National Australia Bank and ANZ Group.

Mr Johnson has a Bachelor of Business from Curtin University, a Master of Business Administration from Murdoch University and is a Graduate of the Australian Institute of Company Directors.

Lady Winifred Kamit CBE

Lady Winifred Kamit is based in Papua New Guinea and has extensive financial services sector knowledge including banking regulation and legislation.

Lady Kamit was appointed to the Credit Corporation Board in March 2023.

She was recruited to the Board given her strong governance qualifications in addition to her deep relationships with local business and government.

Lady Kamit is a Senior Partner at Dentons PNG.

She currently sits on the boards of Post Courier Limited and Brian Bell Company Limited where she is a Member of the Audit and Risk Committee.

Lady Kamit previously sat on the boards of New Britain Palm Oil Limited, Lihir Gold Limited/ Newcrest Mining and Steamships Trading Co. Limited, all of which were publicly listed in PNG and overseas.

In September 2022, she retired as a Board member and Chairperson of the ANZ Bank in PNG.

Lady Kamit holds a Bachelor of Arts and Bachelor of Laws from the University of Papua New Guinea and is a Fellow of the Papua New Guinea Institute of Directors.

Senior Executive Team

Danny Robinson

GROUP CHIEF EXECUTIVE OFFICER

Danny Robinson is the Group Chief Executive Officer, responsible for the day-to-day operational activities of the Group across PNG and the offices in Fiji, Vanuatu and Solomon Islands.

He joined Credit Corporation in 2020 as Group Chief Operating Officer and was appointed Group Chief Executive Officer in September 2021.

He brings a wealth of experience and an admirable track record in establishing financial services distribution networks in new markets, achieving significant asset growth and delivering excellent customer service outcomes.

Prior to joining Credit Corporation, Mr Robinson was Executive General Manager of Banking at Kina Bank in Port Moresby. Prior to Kina Bank, he enjoyed a long and successful career in financial services, including senior executive roles with Suncorp Group's Retail and Business Banking divisions.

Mr Robinson holds a Postgraduate Diploma in Banking Management from the Macquarie Graduate School of Management, Australia, and is a Graduate of the Australian Institute of Company Directors.

Rei Vagi

GROUP CHIEF FINANCIAL OFFICER

Rei Vagi is Group Chief Financial Officer, responsible for all aspects of financial management and reporting across the Group's operations, including building and strengthening the capability of the finance team.

Ms Vagi was appointed as Chief Financial Officer in March 2022.

She has more than 15 years' experience as a financial controller, and extensive knowledge in financial reporting including accounting and auditing standards, cash flow management and financial planning, taxation, regulatory compliance, and financial analysis.

She has held various senior management roles for prominent organisations such as Kraft-Heinz PNG and PricewaterhouseCoopers and held the role of Financial Controller with Kina Securities Limited prior to joining Credit Corporation.

Ms Vagi holds a Bachelor of Commerce from the PNG University of Technology and is a qualified Certified Practicing Accountant.

Leo Kamara

GROUP CHIEF RISK OFFICER

Leo Kamara is the Group Chief Risk Officer, responsible for overseeing all areas of financial and non-financial risk management including the risk culture throughout the operations.

Mr Kamara was appointed as Group Chief Risk Officer on 14 September 2023. Prior to this, he worked as Credit Corporation's Head of Risk and Compliance and Acting Chief Risk Officer.

He is a risk management professional with over 30 years' finance, banking and superannuation experience. He has more than 15 years' experience in managing all areas of risk including market, operational, strategic and liquidity compliance.

Prior to joining Credit Corporation PNG Limited, Mr Kamara was the General Manager Risk for Nambawan Super Limited, one of the largest superannuation funds in the South Pacific. He has also held various roles with the ANZ Bank including Head of Governance, Pacific North-west and Head of Operations Assurance, with ANZ American Territories (ANZ Guam Inc., based in American Samoa).

Mr Kamara graduated from and holds an associate membership with the PNG Institute of Banking and Business Management (formerly the PNG Institute of Bankers) and is also a member of the Risk Management Institute of Australasia.

Senior Executive Team (continued)

Amanda Libitino

COMPANY SECRETARY

Amanda Libitino is the Group's Company Secretary, responsible for supporting corporate governance, overseeing regulatory compliance requirements, maintaining transparent communication between the organisation's stakeholders and providing Board secretarial support.

Ms Libitino joined Credit Corporation in August 2022 as Assistant Company Secretary and was later appointed as the Acting Company Secretary in January 2023 before being confirmed to the role in November 2023.

She is a lawyer by profession, practicing for over a decade. She has a broad range of experience in superannuation, banking and finance, contract law, corporate governance, statutory and regulatory compliance, conveyance and property law, and general commercial law. She previously worked with the Office of the State Solicitor and Nambawan Super Limited before joining Credit Corporation.

Ms Libitino holds a Bachelor of Laws (LLB) degree from the University of Papua New Guinea and is a current member of the PNG Law Society.

Loka Niumatairua

HEAD OF PEOPLE AND CULTURE

Loka Niumatairua is the Group's Head of People and Culture, responsible for all aspects of human resource management and organisational culture, including employee wellbeing, workplace inclusivity and diversity, and employee training and development.

Ms Niumatairua was appointed as Head of People and Culture on 27 July 2020.

She brings a wealth of experience in human resource management, change management, strategic planning and execution, and training and development, having worked in institutions such as Nambawan Super Limited, CPL Group and PNG Power, and leading teams of up to 390 people.

She holds a Bachelor of Arts with a major in Industrial Psychology from the University of Papua New Guinea and a fellowship with PNG Human Resource Institute.

Lynda Kahari

HEAD OF GROUP STRATEGY

Lynda Kahari is Head of Group Strategy, responsible for managing all aspects of the Group's corporate and customer strategies.

Ms Kahari joined Credit Corporation in December 2020 as Head of Customer Strategy and was later appointed as Acting Chief Operating Officer.

She is an experienced and reputable finance and banking executive, bringing a rich international perspective from more than two decades of experience in the financial services and payments industry.

Prior to joining Credit Corporation, Ms Kahari held various senior management roles for financial institutions such as Standard Chartered Bank, Standard Bank, Barclays Bank and MasterCard.

Ms Kahari holds a Master of Finance and Investment from the University of Witwatersrand and a Master of Business Administration from the University of Hull. She is a Graduate Member of the Australian Company Directors and is a Certified Balance Scorecard Professional with a certificate in Digital Marketing Strategies and Banking Strategy from the University of London.

Brent St. Hill

GENERAL MANAGER PROPERTIES

Brent St. Hill is the Group's General Manager Properties, responsible for management of the Group's portfolio of property assets.

Mr St. Hill was appointed as General Manager Properties in August 2019.

He has more than 17 years' experience in the property industry nationally and internationally with extensive knowledge in property, asset and hotel management.

Prior to joining Credit Corporation PNG, Mr St. Hill was General Manager with the Crown Hotel Port Moresby and was previously the Group Operations Manager and Regional Manager with Steamships Trading Company, within its Coral Sea Hotels subsidiary.

Country heads

Mohammed Nakeem Nawaz

COUNTRY HEAD (FIJI)

Mohammed Nawaz brings over 17 years of extensive expertise in finance, operations, and management garnered from his tenure at leading corporations. He assumed the role of Country Head for Credit Corporation Fiji in March 2023, building on his successful leadership as the Country Head for Credit Corporation Vanuatu since March 2021.

With a solid foundation in the finance industry, Mr Nawaz served as the Financial Controller of the Fiji business for five years. His career commenced with PricewaterhouseCoopers Fiji, followed by roles at the Reserve Bank of Fiji and QBE Insurance (Fiji) Pte Limited.

Mr Nawaz earned a dual degree in Accounting and Information Systems from the University of the South Pacific. He is a Certified Practising Accountant with CPA Australia and Chartered Accountant with Fiji Institute of Chartered Accountants. Additionally, he is a Graduate of the Australian Institute of Company Directors and a Fellow of Leadership Fiji.

Nitya Nand

COUNTRY HEAD (VANUATU)

Nitya Nand is a seasoned financial expert with over 15 years of extensive experience specialising in advanced financial management and reporting, strategic financial management, financial and business modelling and financial risk management.

Mr Nand was appointed as Country Head of Credit Corporation (Vanuatu) in June 2023. He holds a Bachelor of Arts Degree with double Majors in Accounting and Financial Management and Information Systems and a Master of Commerce from the University of South Pacific. He is also a Fellow and Certified Practicing Accountant of CPA Australia, a Chartered Accountant of the Fiji Institute of Accountants, and a Certified Financial Modelling and Valuation Analyst.

Ronald Vikash Prasad

COUNTRY HEAD (SOLOMON ISLANDS)

Ronald Vikash Prasad has more than 17 years of experience in the finance industry both in Fiji and Solomon Islands.

He was appointed to Country Head Solomon Islands in December 2020.

Prior to joining Credit Corporation Solomon Islands, Mr Prasad held the position of Chief Financial Officer for SPBD Microfinance SI Ltd. He has spent more than eight years at Sugar Cane Growers Fund in Fiji and has held various senior management roles.

Mr. Prasad is a certified Practising Accountant and holds a bachelor's degree with majors in Accounting/ Financial Management and Economics from University of South Pacific in Fiji.

Corporate governance statement

I. Overview

This Corporate Governance Statement sets out the Credit Corporation Group's key governance policies and practices.

A copy of this Statement can be obtained on Credit Corporation's website www.creditcorporation.com.pg.

Credit Corporation (PNG) (CCP) Limited is incorporated in Papua New Guinea (PNG) and is listed on PNG's national stock exchange, PNGX Markets (PNGX). The Group's head office is in PNG where most functional leads are housed to effect governance oversight to its locally incorporated subsidiaries in the other countries in which the Group operates throughout the Pacific.

Our governance structure is influenced by the requirements of regulators throughout the Pacific, with the parent company, Credit Corporation, maintaining oversight on holistic issues and global influences, and being responsible for setting and monitoring compliance with the Group's governance framework.

Credit Corporation and its subsidiaries each have a Board and Management structure appropriate for their operations, complexity, growth and size. Whilst our subsidiaries are locally incorporated in the jurisdiction in which they operate, they must comply with the Group's Corporate Governance Framework.

Legal and regulatory framework

Credit Corporation and each of its subsidiaries must comply with relevant laws in each of the countries in which they operate.

CCP operates in a highly regulated environment. While CCP is not a regulated entity itself, our finance subsidiaries are regulated and supervised as finance and authorised deposit-taking institutions by various Pacific regulatory and supervisory bodies (including Central Banks) in the jurisdictions in which we operate.

Accordingly, CCP must comply with strict regulatory requirements in respect of governance, capital, liquidity, risk management, conduct, financial crime and systems and controls, among other things.

CCP is publicly listed on the PNG Stock Exchange (PNGX) and must also comply with the PNGX Listing Rules.

Risk management structure

CCP has a conservative yet consistent approach to risk, which has seen us deliver sustained long-term growth by protecting our capital, to lend responsibly and support our business growth.

All of our employees are responsible for the management of risk, with the ultimate accountability residing with the Board. Our risk culture is developing and will be embedded through clear and consistent communication and appropriate training for all employees.

A comprehensive Risk Management Framework that is under continuing development, is applied throughout the Group, and is reinforced with our values and Codes of Conduct.

Corporate governance statement (continued)

II. The Board of Directors

1. The Board structure and role

The Board of Directors has ultimate responsibility for the success of the Group, is charged with delivering sustainable financial performance and long-term shareholder value, and is responsible for the overall direction, supervision and control of the Group and its management.

The Board has adopted a Board Charter, that sets out, among other things:

- the role and responsibilities of the Board (the key aspects of which are set out in Table One), including matters specifically reserved to the Board; and
- the role and responsibilities delegated to the Chief Executive Officer, which is primarily the management of the day-to-day operations of Credit Corporation.

The Board comprises nine Directors (six independent non-executive Directors and three non-executive Directors who are deemed to be non-independent).

Table One: Board Role

Strategy	Identify, develop, review and approve the strategic direction and business plan for the key businesses.
Financial oversight	Adopt the annual budget and capital expenditure plan, and monitor management and financial performance of the businesses.
Risk management framework	Oversee the effectiveness of risk management and compliance.
Financial and other reporting	Approve the Group's half-year and annual financial statements, and monitor and review management processes for the integrity of financial and other reporting as required by law.
Board performance and composition	Evaluate the performance of the Board and individual Directors on at least an annual basis in determining its size and composition.
Leadership selection	Evaluate the performance of and selection of the CEO.
Succession and remuneration planning	Plan for Board, CEO and executive succession and remuneration, and set Non-Executive Director remuneration.
Sustainability	Consider the social, ethical and environmental impact of the Group's activities and operations in the various jurisdictions.
Regulators	Monitor the conduct of the Company's relationship with key regulators to ensure the Company's obligations are being met, and set standards and monitor compliance with the Company's sustainability responsibilities, practices and policies.
Material transactions	Approve major expenditure and capital initiatives in excess of the authority levels delegated to management.
Corporate governance	Review and monitor the Company's corporate governance policies and practice.

II. The Board of Directors (continued)

1. The Board structure and role (continued)

The Board operates within the ambit of the Companies Act 1997, Credit Corporation's Constitution and the Board Charter. In discharging its duties, the Board has elected to form five (5) separate Board committees.

<table>
<tr><th>Committee</th><th>Functions/Role</th></tr>
<tr><td>Audit Committee</td><td>The function of the Audit Committee is to serve as an independent and objective body with oversight of:
• the Group's accounting policies, financial reporting and disclosure controls and procedures;
• the quality, adequacy and scope of external audit;
• the Group's compliance with financial reporting requirements; and
• the Executives' approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance.
The Executives, led by the Group Chief Financial Officer, are responsible for the preparation, presentation and integrity of the Group's financial statements. External auditors are responsible for auditing the Group's annual financial statements and for reviewing the half- yearly financial statements.</td></tr>
<tr><td>Risk & Compliance Committee</td><td>The function of the Risk & Compliance Committee is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework with oversight into all material risks. The committee is responsible for reviewing the performance of the Group's Internal Audit function.</td></tr>
<tr><td>Nomination & Remuneration Committee</td><td>The function of this Committee is to:
• govern any Board appointments at the Group level;
• oversee the Group's remuneration policy;
• oversee the remuneration of Directors and senior Group employees; and
• review the effectiveness of the remuneration policy in the context of effective risk management.</td></tr>
<tr><td>Disclosure Committee</td><td>The function of the Disclosure Committee is to assist the CEO, CFO and the audit committee in finalising the disclosures required under the various regulations and listing rules, including ensuring:
• disclosure controls and procedures are properly implemented; and
• any communication is appropriate, timely, accurate and complete.</td></tr>
<tr><td>Strategic & Investment Committee</td><td>The function of this Committee is to validate and test the Group's strategic plans whilst evaluating the capital deployment in the context of a variety of investment scenarios.</td></tr>
</table>

Each committee is governed by its own Charter which defines roles, responsibilities and membership, and each committee provides recommendations to the Board and advice on specific issues.

Corporate governance statement (continued)

II. The Board of Directors (continued)

1. The Board structure and role (continued)

Table Two: Board Committee members as at 31 December 2023

	Member of:					
Director	Board	Audit Committee	Risk & Compliance Committee	Nomination & Remuneration Committee	Disclosure Committee	Strategic & Investment Committee
Dr Albert Mellam	C	–	–	–	–	–
Richard Sinamoi	M	–	–	M	C	C
Abigail Chang	M	M	C	–	M	–
Clare Mazzetti	M	–	M	–	–	M
Faye-Zina Lalo	M	M	M	M	–	–
Stephen Humphries	M	C	M	–	–	M
Sir Melchior Togolo	M	–	–	M	–	M
Daryl Johnson	M	M	–	C	–	–
Lady Winifred Kamit	M	-	-	-	-	-

Key: M-Member, C-Chairman

II. The Board of Directors (continued)

1. The Board structure and role (continued)

Table Three: Directors attendance at Board and Committee meetings

	Board meeting	Audit Committee meeting	Risk & Compliance Committee meeting	Nomination & Remuneration Committee meeting	Disclosure Committee meeting	Strategic & Investment Committee meeting
Number of meetings *including special meetings	8*	7*	5*	7*	1	4*
Dr Albert Mellam	8	–	–	–	–	–
Richard Sinamoi	8	–	–	6	1	4
Abigail Chang	8	6	5	–	1	–
Clare Mazzetti	7	–	5	–	–	4
Faye-Zina Lalo	7	6	5	7	–	–
Stephen Humphries	7	7	5	–	–	4
Sir Melchior Togolo	8	–	–	5	–	4
Daryl Johnson	8	7	–	7	–	–
Lady Winifred Kamit[4]	6	–	–	–	–	–

2. Board's relationship with the Chief Executive Officer

The Board confirms the duties and responsibilities of the CEO annually, and approves the Key Performance Indicators for the CEO, linked to the Group's strategic goals as set by the Board.

The CEO is responsible for the day-to-day management and operations of the Group's businesses and reports to the Board on key operational and management issues, including both financial matters and material risk and compliance matters.

4 Lady Winifred Kamit was appointed to the Board on 22 March 2023.

Corporate governance statement (continued)

II. The Board of Directors (continued)

3. Chairman

Dr Albert Mellam was appointed as Chairman of the Board in September 2022. Dr Mellam was due for retirement in 2022, however, his tenure was extended by two years with the approval of the Regulator.

The role of the Chairman is set out in the Board Charter and includes:

- representing the Board to shareholders and communicating the Board's position
- leading the Board, and facilitating and encouraging constructive discussion in meetings
- assessing and agreeing professional development plans for all the Directors; and
- monitoring the contribution of individual Directors, and providing annual feedback on their performance and effectiveness.

The performance of the Chairman is reviewed every year by the Board as part of the annual Board Self- Assessment Process. The Board understands that Board leadership is key to having an effective Board that sets the direction of Credit Corporation and its subsidiaries, and discharges its fiduciary and other duties under the Companies Act and other laws.

4. Board skills and composition

The Board seeks members who combine a broad spectrum of experience and expertise with a reputation for integrity and localised knowledge in the jurisdictions we operate.

Directors are chosen from external leaders in the community based upon contributions they can make to the Board and management. Our Board is able to challenge management in a constructive manner and drive strategic results.

The Board comprises a majority of independent Directors and, as a collective group, offers a diversity of skills, opinion and perspectives with varying experiences, gender and demographics. This drives robust decision making.

Regular review of membership is conducted by the Board to ensure the current and future members provide the mix of skills necessary to support the strategic direction and rise to the challenges of the Group.

The key skills and experience of the Board members are captured below:

- Corporate governance
- Government policy and relations
- Financial services/ banking expertise
- Risk management
- Listed company experience
- Capital management and debt funding
- Insurance
- Tax
- Financial acumen
- Strategic planning
- Regulatory and compliance
- Information technology
- Company culture and talent management
- Public affairs and communication
- Crisis management
- Global orientation and exposure
- Operational management
- Market understanding and awareness.

II. The Board of Directors (continued)

5. Board performance evaluation

The Board expects a high level of performance from each Director. The Chairman is responsible for the performance evaluation process to confirm this.

The Board assesses its performance each year and is required to have an independent assessment every three years as part of compliance with the BPNG Prudential Standards. An independent Board assessment was conducted by Pro Performance Pty Ltd in 2023.

6. Director appointment and election

The appointment of Directors is governed by Credit Corporation's Constitution. All Directors are appointed for an initial three-year term. Directors can only serve a total of three terms, making a total of nine years.

All Directors must satisfy two requirements prior to taking up active duty on the Board — they:

(i) must be cleared by BPNG as a 'Fit and Proper' person pursuant to the Prudential Standards issued by BPNG under the Banks and Financial Institutions Act 2000; and

(ii) they must be duly appointed by the Board or the shareholders in a general meeting in accordance with the Constitution.

A Director appointed by the Board holds office only until the next AGM and is eligible for election by the shareholders at that meeting.

Table Four presents the summary of Directors' tenure with an indication of rotation of Directors pursuant to Article 66 (2) of the Constitution.

Corporate governance statement (continued)

II. The Board of Directors (continued)

6. Director appointment and election (continued)

Table Four: Directors' tenure as at 31 December 2023

Director	Board appointment date	Current tenure on Board	Shareholder ratification date (initial appointment)	Rotation and re-election at AGM
Dr Albert Mellam[5]	19.08.2013	10 years 4 months	26.06.2014	Due to retire in 2024
Richard Sinamoi	02.11.2018	5 years 1 month	27.06.2018	Last rotation was in 2023
Abigail Chang	07.09.2016	7 years 3 months	29.06.2017	Last rotation was in 2022
Clare Mazzetti	24.12.2021	2 years	24.06.2022	Elected at 2022 AGM
Faye-Zina Lalo	02.12.2016	7 years	27.06.2018	Last rotation was in 2022
Stephen Humphries	22.04.2021	2 years 8 months	25.06.2021	Due for re-election in 2024
Sir Melchior Togolo	29.10.2021	2 years 2 months	25.06.2021	Due for re-election in 2024
Daryl Johnson	24.06.2022	1 year 6 months	23.06.2023	Elected at 2023 AGM
Lady Winifred Kamit	22.03.2023	9 months	23.06.2023	Elected at 2023 AGM

7. Director development

In 2023, there were a number of external workshops and courses that Directors participated in to improve the Board's performance, oversight capability and insight into the business. Directors also participated in Mandatory Training modules arranged internally by the People and Culture team and rolled out to the wider organization through the Company's Cognology interface. All Directors completed the required 20 hours of training in the year.

5 Dr Albert Mellam's tenure was extended by two years with the approval of the Regulator.

II. The Board of Directors (continued)

8. Director independence

The Board determined that a majority of the Directors (six out of nine) were independent throughout the reporting period. The Board reviews the interests notified by Directors regularly and formally assesses Director independence annually.

Directors are considered to be independent where they are independent of management and free of any business or other relationship that could, or reasonably be perceived to, materially interfere with their capacity to bring independent judgement on issues before the Board and to act in the best interests of Credit Corporation and its shareholders generally. Independent Directors must not be an ex-employee of Credit Corporation nor should they hold more than a 5% shareholding interest in the company. As part of the formal independence assessment, the Board considers all business relationships between the Group on the one hand, and the Directors and companies of which they are directors or substantial shareholders on the other hand. In each case, those business relationships were of an amount not material to both parties and the Director was not involved in decisions about those relationships.

9. CEO and senior executive performance and remuneration

The Nominations and Remuneration Committee reviews the performance of the CEO and executive employees, and makes recommendations about remuneration and employment conditions to the Board for approval.

10. Conflicts of interest

Any Director who considers they have a conflict of interest or a material personal interest in a matter concerning Credit Corporation must declare it immediately to the Chairman.

The Company Secretary maintains a Register of Interests which is updated at every Board meeting. The Secretary monitors all information coming to the Board and its committees, and potential conflicts are flagged with the affected Director and the Chairman.

11. Independent advice

Directors are entitled to seek independent advice on their duties at the Group's expense, provided that they receive the prior approval of the Chairman. The advice is normally made available to all Directors. No Director sought independent advice during the 2023 year.

Corporate governance statement (continued)

II. The Board of Directors (continued)

12. Company Secretary

There is one Company Secretary for the Board and the Board committees. The Company Secretary is appointed by the Board under the Constitution.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Company Secretary was appointed in an acting capacity in January and confirmed to the role in November. She is a lawyer by profession with more than 10 years' experience in the legal profession and the financial services industry.

III. Risk management and assurance

1. Risk Management Framework

The Board oversees risk management within the Group. The Group's businesses are exposed to financial, human resource, technology, reputational, strategic, compliance, credit and operational risks. These risks are inherent in finance, property and investment businesses.

The risk strategy continues to operate a three lines of defence model, but has been enhanced to link risk methodology into its material risk management processes explained in the following diagram.

Since the Board's implementation of its annual review process there has been further enhancements in 2023 including ongoing focus on shifting key business areas into separate first and second line teams within the organisation.

The design of the Group's Risk Management Framework was reviewed and significantly updated to provide more rigorous risk ownership, accountability and reporting during the reporting period.

Governance

Risk Management Strategy "RMS"

Risk Appetite Statement "RAS"

Risk Management Framework "RMF"

- Strategic Risk
- Financial Risk
- Credit Risk
- Reputational Risk
- Operational Risk
- Compliance Risk
- IT Risk
- People Risk

Clear linkage between mission statement, Risk Management Framework and Risk Appetite Statement

Risk Appetite limits are typically measurable and follow a clear methodology in the setting

- Comprehensive coverage of RMF taxonomy
- Consistent setting across all material risk domains
- Cascading into business operations and reporting packs
- Defining policies in line with RAS objectives

III. Risk management and assurance

1. Risk Management Framework (continued)

The CEO and the Executive Management team ensures risks are monitored, controlled and reported to the Board via the governance framework operated by the Group Risk Office.

The diagram below sets out a description of how risk governance operates in the Group together with key responsibilities of the Board, the Group Executive Management, Business Units and Audit. The governance is enhanced by three Group Management committees.

Board of Directors

- Strategic & Investment Committee
- Nomination & Remuneration Committee
- Risk & Compliance Committee
- Disclosures Committee
- Audit Committee

Executive Management

- Operational Performance Metrics
- Staff Consultative Management
- Risk and Compliance Management
- Expenditure Approval
- Workplace Health and Safety
- Strategic and Project Oversight
- IT Monitoring

Management Committee

- Asset Liability Committee
- Risk Management Committee
- Credit Committee

Business	Risk Management	Audit
1st line of defence • Responsible for managing own processes • Responsible for identifying and controlling risks by using business control framework, and implementing internal processes and adequate controls	**2nd line of defence** • Setting Risk Management Framework • Independent reporting to Board (inc Risk/Audit Com) • Ensure 1st line takes ownership • Advisor/Consultant to 1st line and Board	**3rd line of defence** • Provides assurance about design and effectiveness of 1st and 2nd line • Reporting to Audit Committee • Advisory role to improve processes

Corporate governance statement (continued)

III. Risk management and assurance (continued)

2. Material business risks

Our material risks have been reviewed and continue to be monitored at the Risk Management Committee and the Board Risk Management Committee.

Material Risks (Key Risks)			
Financial Risk	HR Risk	IT Risk	Reputational Risk
Strategic Risk	Compliance Risk	Credit Risk	Operational Risk

3. External auditor

KPMG has been the Group's external auditor for over 45 years. The external audit appointment and performance are reviewed annually. KPMG were reappointed as external auditors during 2023. Every five years the lead audit partner responsible is rotated.

Ms Zanie Theron was the lead audit partner for KPMG for financial year 2023.

Details of the non-audit services provided by the external auditor over the reporting period are included in the Financial Statements. The Board has not set any nominal "cap" on the level of non-audit services to be performed by the external auditor, as it considers that this may restrict the ability of Credit Corporation to access the best advisers for the particular task.

KPMG has provided the required independence declaration to the Board for 2023. The independence declaration forms part of the Directors' Report in the Annual Report.

Credit Corporation does not invite any ex-Group audit partners to be appointed as Directors. If such a person was proposed for appointment in a management position, this would require Board approval.

The lead audit partner attends and presents audit findings to the Audit Committee, and is available to meet with members of the Audit Committee as and when required, including holding in camera meetings with the Committee without management's presence.

The lead audit partner attends the Credit Corporation's AGM and is available to answer questions from shareholders relevant to the audit.

III. Risk management and assurance (continued)

4. Internal auditor

PricewaterhouseCoopers was appointed to provide Internal Audit support during the year. Group Internal Audit provides independent and objective assurance services to management and the Board in relation to the internal controls, Risk Management Framework and governance of the Group. It does so through:

- performing audits in accordance with an Internal Audit Plan. The Plan is formulated using a risk-based approach and approved annually by the Board Risk and Compliance Committee (BRCC)
- having direct access and being accountable to the Board through the BRCC, with the right to communicate to it in the absence of management; and
- regular reporting to the BRCC on the results of its audits.

The Board Risk and Compliance Committee is responsible for reviewing the performance of the Internal Audit function.

IV. Communicating with shareholders

1. Shareholder engagement

Shareholders and other stakeholders are informed of all material matters affecting Credit Corporation through PNGX announcements, periodic communications and a range of forums and publications available on Credit Corporation's website. These communications are part of Credit Corporation's continuous disclosure obligations. Shareholders have the option to utilise electronic communications.

Other shareholder engagement activities include:

- the Annual General Meeting
- the Annual Report; and
- regular releases of financial information, including half and full-year financial results.

Corporate governance statement (continued)

V. Corporate Ethics

1. Core values

The Group's core values are:

(i) fellowship

(ii) integrity

(iii) growth

(iv) impact; and

(v) customer obsessed.

2. Codes of Conduct

Credit Corporation has consistently themed Codes of Conduct throughout the organisation. These Codes set out the standards expected of Directors and employees. The Codes of Conduct emphasise the standards of honesty, integrity and fair dealing by all employees in their interaction with customers, suppliers, the community, competitors and each other in the performance of their duties.

3. Other policies

The Board and executive management maintain a range of other policies which define Credit Corporation's commitment to good corporate governance and responsible business practices.

VI. Diversity

Credit Corporation drives diversity throughout the Group in a number of lead areas such as social diversity, gender, skills and experience and thought leadership. We celebrate diversity and inclusion, and see them as key strengths. Across our operations spanning five nations — in our boardrooms, meeting rooms, branches and all places in between — this commitment to diversity and inclusion helps ensure that everyone at Credit Corporation feels valued, respected and heard.

We believe teams that are both diverse and inclusive attain higher levels of engagement, loyalty and growth, and through diversity of thought comes innovation and better decision-making. As a company that is founded on strong partnerships and relationships, we know that diversity and inclusion help us better reflect the different needs and perspectives of the communities we serve so we are better able to meet their needs. Our commitment to diversity and inclusion goes beyond the doors of our business.

We support customers and communities through a range of initiatives, such as making financial services more accessible to customers with diverse needs and contributing to branch-level celebrations of cultural expression.

Credit Corporation is proud to promote inclusion in the communities where we operate, and to support the diversity of all our employees and customers.

The Group supports female representation at all levels of management and business operations, and has appointed many talented female Directors and employees. Focused leadership coaching and mentoring will continue as part of our overall succession planning for male and female talent.

Table Five: Gender Breakdown

Director	Total	Males	Females	Females %
Board	9	5	4	44%
Executive	7	3	4	57%
Senior Managers	8	6	2	25%
Managers	18	7	11	61%
Non-management	257	175	82	32%
TOTAL	**299**	**196**	**103**	**34%**

VII. Corporate social responsibility

The Group supports community projects and incentives that relate to women's and children's health welfare, local disaster relief outreach programs and youth through sporting sponsorships. This community support is reported at page 28 of this Annual Report.

Company information

Credit Corporation (PNG) Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Registered Office

Credit House, Cuthbertson Street
Port Moresby
Papua New Guinea

Principal Place of Business

Credit House, Cuthbertson Street
Port Moresby
Papua New Guinea

Directors

Dr. Albert Mellam (Chairman)

Richard Sinamoi

Abigail Erica Wendy Chang

Faye-Zina Lalo

Stephen Humphries

Sir Melchior Togolo

Clare Mazzetti

Daryl Johnson

Lady Winifred Tare Kamit (appointed 22 March 2023)

Company Secretary

Amanda Libitino (appointed 22 November 2023)

Auditors

KPMG PNG

Nambawan Plaza, Level B2
McGregor Street
Port Moresby
Papua New Guinea

Bankers

Bank of South Pacific Limited

Australia & New Zealand Banking Group (PNG) Limited

Australia & New Zealand Banking Group (Fiji) Limited

National Bank of Vanuatu

Westpac Bank PNG Limited

Westpac Bank Fiji

Bred Bank Fiji

HFC Bank Fiji

Directors' report

Your directors present their annual report on the affairs of Credit Corporation (PNG) Limited (the "Company") and its controlled entities ("the Group") including the financial statements for the year ended 31 December 2023.

Activities

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

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

Results

The net profit after taxation for the Group attributable to the members of the Group for the year was K134.9 million (2022: K86.0 million) and for the Company was K145 million (2022: K56.9 million).

Dividends

The Company paid total dividends of K71.7 million (K0.233 per share) during the year (2022: K72.7 million or K0.236 per share paid during 2022).

Events subsequent to balance date

The Bank of PNG (BPNG) on 2 February 2023 granted Credit Corporation Finance Limited (CCFL) an "Approval in Principle" for a banking licence. This licence is valid for a period of 12 months from the date granted to prepare for upgrading the Company's current licence from a financial institution to a niche commercial bank.

Since the issuance of the "Approval in Principal", CCFL has worked through the conditions as outlined by BPNG and is expected to be granted a banking license subsequent to 31 December 2023. The license will allow the entity to engage in banking activities and provide banking services in accordance with applicable laws and regulations.

The issuance of the banking license has the potential to impact the financial position, financial performance, and cash flows of the entity in subsequent reporting periods.

The entity will continue to monitor the impact of the banking license on its financial position and performance in subsequent reporting periods. Any material developments related to the banking operations will be disclosed in the notes to the financial statements in future reporting periods.

Additionally, Era Matana Limited and Era Dorina Limited were amalgamated with Credit House Limited. The certificate of amalgamation was issued on the 26 March 2024 with effective date of amalgamation being 1 January 2024. On 10 April 2024, the amalgamated entity Credit House Limited was re-registered as Credit Corporation Properties Limited.

Furthermore, subsequent to the sale of the undeveloped land held by Credit Corporation Industrial Limited, the Group decided to proceed with the deregistration of the business. The deregistration process commenced on 1 November 2023 and is underway, pending finalisation.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review that significantly affected, or may significantly affect, the operations of the Company or the results of those operations for the financial year ended 31 December 2023.

Directors' report (continued)

Directors

The directors as at and during the financial year ended 31 December 2023 of the Company are listed on page 56. No director was a substantial shareholder of the Company as at and during the year ended 31 December 2023 and none had any material interest in any contract or arrangement with the Company or any related entity during the year.

Remuneration of Directors and employees

The Directors and employees' remuneration information is disclosed in Note 6.3 (b).

Interests register

The details of information recorded in the Interests register is disclosed in Note 6.3 (a).

Auditors' remuneration

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

Donations

During the year, the Company made donations totalling K281,879 (2022: K117,000).

For and on behalf of the board of directors

Dr Albert Mellam
CHAIRMAN
Date: 14 May 2024

Stephen Humphries
DIRECTOR
Date: 14 May 2024

KPMG

Independent Auditor's Report

To the shareholders of Credit Corporation (PNG) Limited ("Company") and its controlled entities ("Group").

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Credit Corporation (PNG) Limited (the Company) and its controlled entities (the Group).

In our opinion, the accompanying Financial Report of the Company and the Group is in accordance with the *Companies Act 1997*, including:

- giving a true and fair view of the **Company** and **Group's** financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The **Financial Report** comprises:

- Statements of financial position as at 31 December 2023;
- Income statements, Statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Company and the Group in accordance with the ethical requirements of the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have remained independent as required by the Code throughout the period of our audit and to the date of this Auditor's Report.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Fair value of investment properties;
- Allowance for expected credit losses on finance receivables; and
- Fair value of investment in subsidiaries.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

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

Fair value of investment properties (K225,846,000) – Group

Refer to Note 3.6 *Investment property* to the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of investment properties is a key audit matter due to the significance of the balance (representing 14% of the Group's total assets) and judgement required by us in assessing the Group's key valuation assumptions. We focused on the important features of the Group's investment property valuation process. In order of application, these included: • Key assumptions and methodology adopted: being capitalisation rates, future income inputs (net passing rent and net market rent), vacancy allowances, outgoings recoveries and capital expenditure allowances to the capitalisation of income (cap rate) methodology; • Judgement required by us in assessing the appropriateness of the Group's selection of the cap rate methodology as the primary valuation methodology under the accounting standards. The adoption of an alternative valuation method may result in a different valuation outcome; • The property market is largely illiquid and inactive with minimal comparable transactions. This increases the subjectivity as there are minimal comparable transactions and published data on capitalisation rates etc; and • Inherently subjective nature of investment properties valuations which increased as a result of the impacts of current and forecasts of future economic conditions; and its sensitivity to key input assumptions, including, vacancy allowance and capitalisation rates.	Our procedures included the following: • Understanding the Group's process regarding the valuation of investment property, including the Group's valuation policy; • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used for investment property in the industry, with accounting standards and with the Group's stated valuation policy; • We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to form independent expectations of likely movements in investment property values and underlying key assumptions such as capitalisation rates and vacancy allowances; • For a sample of tenancy agreements, we compared the rental income used in the investment property valuations to the tenancy schedules; • We compared the capitalisation rates used by the Group in their investment property valuations to rates used for other comparable properties determined reasonable based on their location and asset grade; we also tested, on a sample basis, other key inputs to the investment property valuations such as vacancy allowances, outgoings rates for consistency to existing lease contracts. • We considered and challenged the Group's assessment of the impact of current and forecasts of the future economic conditions on the key input

	assumptions; • We assessed events after balance date, in accordance with the accounting standards, for adjusting events impacting the Group's valuation of investment properties; and • We assessed the appropriateness of the Group's accounting policies and disclosures in respect of investment property in accordance with IFRS 13 *Fair value measurement.*
Allowance for expected credit losses on finance receivables (K56,914,000) – Group	
Refer to Note 3.2 *Finance receivables* to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Allowance for expected credit losses on finance receivables is a key audit matter due to the significance of finance receivables to the financial statements and the inherent complexity of the Group's expected credit loss (ECL) models (ECL models) used to measure ECL allowances. The ECL models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions including: • estimated sale proceeds of the assets held as collateral (haircuts); • time to realisation of collateral; • probability of future changes in macroeconomic environment; • historical default rates; • cure rate; This involves significant judgement applied by the Group and required by us in challenging these estimates, including forward looking information reflecting potential future economic events. Additionally, allowances for individually assessed loans exceeding specific thresholds are individually assessed by the Group. We exercise significant judgement in challenging the Group's assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Group in respect of the loans.	Our audit procedures included: • assessing the Group's significant accounting policies against the requirements of the accounting standard. Testing key controls of the Group in relation to: • The ECL model governance and validation processes; • The assessment and approval of the forward looking macroeconomic assumptions and scenario weightings through challenge applied by the Group's internal governance processes; • Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger; • Data entry of information from the signed loan agreements to the core banking system. This included the principal amount of the loan, the interest rate, and the loan tenure; and • IT systems controls recording aging of loans. We tested relevant General Information Technology Controls (GITCs) in relation to the key IT applications used by the Group in measuring ECL allowances In addition to controls testing, our procedures included the following: • Working with our financial risk management ('FRM') specialist, we obtained an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against criteria in the accounting

<table>
<tr><td></td><td>standards;

• Working with the FRM specialist, we assessed the accuracy of the Group's ECL model by re-performing model calculations and comparing this to the amount recorded by the Group;

• Assessed the accuracy of the data used in the ECL models by checking a sample of data fields including the account balance, days in arrears, collateral values to relevant source systems for a sample of loans; and

• We challenged key assumptions in the Group's ECL allowances by assessing the requirement for additional individual allowances and assessing the completeness of additional allowances post model adjustments by checking the consistency of risks we identified in the loan portfolio against the Group's assessment.

We assessed the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing against and the requirements of the accounting standard.</td></tr>
<tr><td colspan="2">Fair value of investment in subsidiaries (K392,825,000) – Company stand-alone</td></tr>
<tr><td colspan="2">Refer to Note 3.4(d) Investments in subsidiaries to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The investment in subsidiaries balance is a significant balance and represents 38% of total assets of the Company

Investments in subsidiaries are carried at fair value at the reporting date using the Group's policy as described in Note 3.4(d). The valuation of investment in subsidiaries is dependent on several assumptions and inputs including price-to-earnings ratios.

We considered the valuation of investment in subsidiaries to be a key audit matter due to the:

• Financial significance of investment in subsidiaries in the statement of financial position.
• Inherently subjective nature of investment valuations arising from the use of assumptions in the valuation methodology.
• Sensitivity of valuations to key input assumptions, including, earnings multiples, discount factors and forecast sustainable earnings and the impacts</td><td>Our procedures included the following:

• Working with our KPMG Corporate Finance specialists, we challenged the Company's price-to earnings and price-to-book ratios. We compared these ratios to published studies of industry trends and expectations and considered differences for the subsidiaries' operations. We used our knowledge of the subsidiaries, their past performance, business and our industry experience;
• We performed a recalculation of management's valuations to assess the mathematical accuracy of these calculations;
• We evaluated forecasted net maintainable earnings in light of current and expected market conditions and the historical performance of the subsidiaries.
• We considered the sensitivity of the models by key assumptions, such as the price-to-earnings, price-to-book ratios and net maintainable earnings,</td></tr>
</table>

caused by the impacts of current and forecasts of the future economic conditions.	within a reasonable possible range and included specific analysis of reasonable possible impacts of current and forecasts of the future economic conditions; and • We assessed the appropriateness of the Company's accounting policies and disclosures in respect of investment in subsidiaries against the requirements of the relevant accounting standards.

Other Information

Other Information is financial and non-financial information in Credit Corporation (PNG) Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

As part of the audit in accordance with *International Standards on Auditing*, the auditor exercises professional judgement and maintain professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial reports, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditors' report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during our audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2023:

- We have obtained all the information and explanations that we have required; and
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

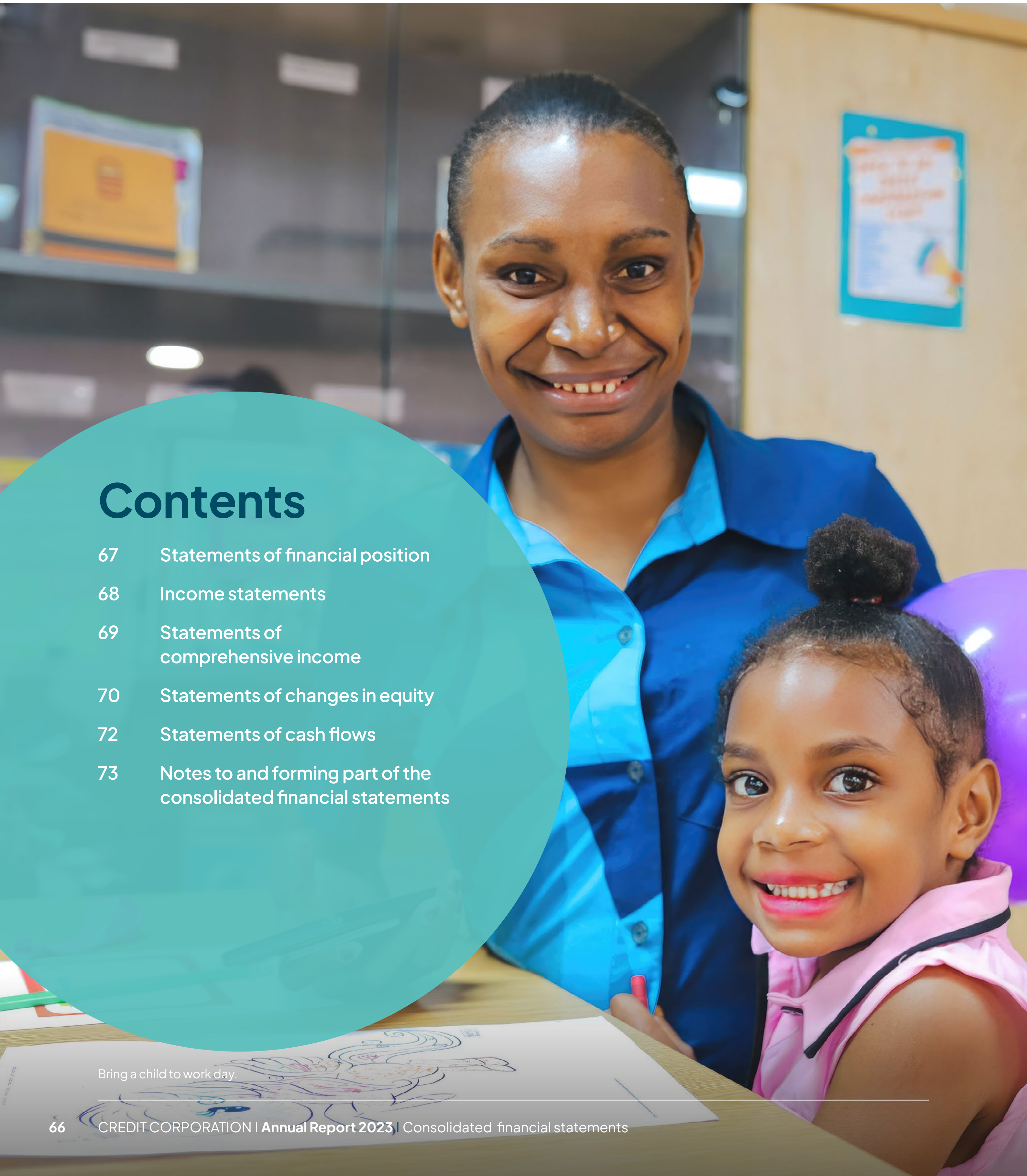
KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby
14 May 2024

Financial report

For the year ended 31 December 2023



Contents

Bring a child to work day.

Statements of financial position

For the year ended 31 December 2023

	Note	Consolidated 2023 K'000	Consolidated 2022 K'000	Company 2023 K'000	Company 2022 K'000
Assets					
Cash and cash equivalents	3.1	176,606	220,397	46,646	31,792
Other deposits	3.4(f)	–	–	1,516	1,485
Financial receivables	3.2	492,674	413,618	–	–
Other receivables	3.3	11,108	11,309	68,116	44,528
Interest bearing securities	3.4(a)	52,099	36,171	–	–
Other equity investments	3.4(b)	34	34	34	34
Investments in associate	3.4(c)	15,539	8,283	15,539	8,283
Financial assets/investment in subsidiaries	3.4(d)(e)	502,553	456,210	895,378	849,379
Inventories		1,143	1,077	–	–
Income taxes receivable	2.6(b)	2,611	7,503	49	926
Property and equipment	3.5	64,548	29,153	3,314	3,834
Investment property	3.6	225,846	250,500	–	–
Deferred tax assets (net)	2.6(c)	17,571	22,752	3,301	2,024
Total assets		**1,562,332**	**1,457,007**	**1,033,893**	**942,285**
Equity					
Share capital	5.1	21,984	21,984	21,984	21,984
Reserves	5.2	494,872	445,069	775,838	729,839
Retained earnings		472,516	455,710	151,321	124,379
Total equity		**989,372**	**922,763**	**949,143**	**876,202**
Liabilities					
Trade and other payables	3.7	13,963	19,979	78,623	60,958
Deposits and borrowings	3.8	550,080	506,943	–	–
Employee benefits	3.9	8,917	7,322	6,127	5,125
Total liabilities		**572,960**	**534,244**	**84,750**	**66,083**
Total equity and liabilities		**1,562,332**	**1,457,007**	**1,033,893**	**942,285**

For and on behalf of the board of directors

Dr. Albert Mellam
Chairman
Date: 14 May 2024

Stephen Humphries
Director
Date: 14 May 2024

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Income statements

For the year ended 31 December 2023

		Consolidated		Company	
	Note	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Finance income	2.1	72,810	66,483	–	–
Finance costs	2.2	(13,631)	(15,894)	–	–
Net finance income		**59,179**	**50,589**	**–**	**–**
Other income	2.1	110,652	101,327	109,792	76,021
Loss on disposal of investment property	3.6	(500)	–	–	–
Fair value gain on financial asset	3.4(e)	46,343	5,539	46,343	5,539
Fair value loss on investment properties	3.6	–	(1,372)	–	–
Net operating income		**215,674**	**156,083**	**156,135**	**81,560**
Impairment reversal on finance receivables	3.2(iii)	9,072	19,050	–	5,434
Personnel expenses	2.4	(32,424)	(29,042)	(11,490)	(12,293)
Depreciation expenses	3.5	(5,750)	(5,429)	(1,129)	(782)
Other operating expenses	2.3	(45,097)	(43,284)	(7,902)	(18,326)
Results from operating activities		**141,475**	**97,378**	**135,614**	**55,593**
Share of gain of equity accounted investee	3.4(c)	8,269	–	8,269	–
Profit before tax		**149,744**	**97,378**	**143,883**	**55,593**
Income tax benefit/(expense)	2.6(a)	(14,847)	(11,340)	1,150	1,338
Profit attributable to equity holders of the company		**134,897**	**86,038**	**145,033**	**56,931**
Earnings per share based on profit for the year					
Basic and Diluted		0.44	0.28	0.47	0.18

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Statements of comprehensive income

For the year ended 31 December 2023

		Consolidated		Company	
		2023	2022	2023	2022
	Note	K'000	K'000	K'000	K'000
Profit for the period		**134,897**	**86,038**	**145,033**	**56,931**
Items that may be reclassified that may be classified subsequently to profit and loss					
Foreign currency translation differences for foreign operations	5.2(c)	3,460	(10,915)	–	–
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	3.4(d)	–	–	(344)	25,203
Other comprehensive income for the year (net of income tax)		**3,460**	**(10,915)**	**(344)**	**25,203**
Total comprehensive income for the year attributable to equity holders of the company		**138,357**	**75,123**	**144,689**	**82,134**

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Statements of changes in equity

For the year ended 31 December 2023

Consolidated	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2022		**21,984**	**451,406**	**446,922**	**920,312**
Total comprehensive income for the year		–	–	75,123	75,123
Transfer to reserves		–	(6,337)	6,337	–
		–	**(6,337)**	**81,460**	**75,123**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(72,672)	(72,672)
Total transactions with owners		**–**	**–**	**(72,672)**	**(72,672)**
Balance at 31 December 2022		**21,984**	**445,069**	**455,710**	**922,763**
Balance at 1 January 2023		**21,984**	**445,069**	**455,710**	**922,763**
Total comprehensive income for the year		–	–	138,357	138,357
Transfer to reserves		–	49,803	(49,803)	–
			49,803	**88,554**	**138,357**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(71,748)	(71,748)
Total transactions with owners		**–**	**–**	**(71,748)**	**(71,748)**
Balance at 31 December 2023		**21,984**	**494,872**	**472,516**	**989,372**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Statements of changes in equity

For the year ended 31 December 2023

Company	Note	Share capital K'000	Reserves K'000	Retained earnings K'000	Total K'000
Balance at 1 January 2022		**21,984**	**699,097**	**146,319**	**867,400**
Total comprehensive income for the year		–	25,203	56,931	82,134
Transfer to reserves		–	5,539	(6,199)	(660)
		–	**30,742**	**50,732**	**81,474**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(72,672)	(72,672)
Total transactions with owners		**–**	**–**	**(72,672)**	**(72,672)**
Balance at 31 December 2022		**21,984**	**729,839**	**124,379**	**876,202**
Total comprehensive income for the year		–	(344)	145,033	144,689
Transfer to reserves		–	46,343	(46,343)	–
		–	**45,999**	**98,690**	**144,689**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(71,748)	(71,748)
Total transactions with owners		**–**	**–**	**(71,748)**	**(71,748)**
Balance at 31 December 2023		**21,984**	**775,838**	**151,321**	**949,143**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Statements of cash flows

For the year ended 31 December 2023

	Note	Consolidated 2023 K'000	Consolidated 2022 K'000	Company 2023 K'000	Company 2022 K'000
Operating activities					
Charges earned on leases and loans		72,810	66,483	–	–
Commission, fees and rents		42,091	32,487	1,005	(395)
Dividends received		–	–	80,889	73,897
Interest payments		(13,631)	(15,894)	–	–
Payments to suppliers and employees		(84,341)	(66,023)	(21,453)	(27,493)
Operating cash flows before changes in operating assets		16,929	17,053	60,441	46,009
Net cash (paid)/received in respect of finance receivables		(69,984)	14,976	–	–
Net cash received in respect of deposits		47,925	34,726	–	–
Net cash from subsidiaries		–	–	25,122	31,992
Net cash from operating activities before income tax		(5,130)	66,755	85,563	78,001
Incomes taxes paid	2.6(b)	(4,619)	(8,521)	–	636
Cash flows from operating activities		**(9,749)**	**58,234**	**85,563**	**78,637**
Investing activities					
Purchase of property and equipment	3.5	(18,797)	(5,893)	(609)	(1,807)
Proceeds from sale of property and equipment		247	4,066	–	3,800
Capital expenditure on investment property		(1,053)	(899)	–	–
Proceeds from sale of investment property		4,000	–	–	–
Dividend received		65,932	61,536	–	–
Interest from funds deposited		3,849	3,873	–	–
Net cashflow from term deposits and government bonds		(15,928)	(4,395)	–	10,817
Cash flows from/(used in) investing activities		**38,250**	**58,288**	**(609)**	**12,810**
Financing activities					
Repayment of borrowings		(5,235)	(5,560)	–	–
Repayment of interest		(2,415)	(2,436)	–	–
Dividends paid		(71,748)	(72,672)	(71,748)	(72,672)
Cash flows used in financing activities		**(79,398)**	**(80,668)**	**(71,748)**	**(72,672)**
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		7,106	(4,796)	1,648	–
Net (decrease)/increase in cash and cash equivalents		**(43,791)**	**31,058**	**14,854**	**18,775**
Cash and cash equivalents at 1 January		220,397	189,339	31,792	13,017
Cash and cash equivalents at 31 December	3.1	**176,606**	**220,397**	**46,646**	**31,792**

The statements of cash flow are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 73 to 154.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements

1.1. Corporate information

These are the standalone and consolidated financial statements for Credit Corporation (PNG) Limited ("the Company") and its controlled entities (together "the Group"), respectively, for the year ended 31 December 2023.

1.2. Reporting entity

Credit Corporation (PNG) Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is Credit House, Cuthbertson Street, Port Moresby, Papua New Guinea. The consolidated financial statements as at and for the year ended 31 December 2023, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

1.3. Basis of preparation

(a) Statement of compliance

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

The Group and Company are a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements have been authorised for issue by the Board of Directors on 14 May 2024.

(b) Basis of measurement

The consolidated financial statements have been prepared primarily on the historical cost basis except for financial instruments measured at fair value through profit and loss, investment property which are measured at fair value through profit or loss, and investment in subsidiaries measured at fair value with any changes posted through other comprehensive income. The Group owns property that is utilised for its own operational needs.

(c) Functional currency

The financial statements are presented in the Papua New Guinea currency, the Kina, which is also the Company's functional currency.

(d) Use of estimates and judgements

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

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

1 About our financial statements (continued)

1.3. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

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

- Note 3.2 – Finance receivables
- Note 3.4(d) – Investments in subsidiaries
- Note 3.6 – Investment property
- Note 4 – Financial instrument disclosures

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 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.

1.4. Basis of consolidation

(a) Subsidiaries

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

(b) Investments in associates

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

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

1 About our financial statements (continued)

1.4. Basis of consolidation (continued)

(c) Transactions eliminated on consolidation

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

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

(d) Basis of consolidation

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see 1.4 a).

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

1.5. Foreign currency

(a) Foreign currency transactions

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

(b) Foreign operations

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

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

1 About our financial statements (continued)

1.5. Foreign currency (continued)

(b) Foreign operations (continued)

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

1.6. Financial assets and liabilities

(a) Classification and measurement of financial instruments

(i) Recognition and initial measurement

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

(ii) Classification and subsequent measurement of financial assets

The Group classifies financial assets into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

Financial assets include both debt and equity instruments.

a. Debt instruments

Debt instruments include loans and debt securities and are classified into either amortised costs or measured at FVTPL measurement categories.

Debt instruments measured at amortised cost — debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised as interest income using the effective interest rate method.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(a) Classification and measurement of financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

a. Debt instruments (continued)

Debt instruments measured at FVTPL – debt instruments are measured at FVTPL if assets:

i) are held for trading purposes;

ii) are held as part of a portfolio managed on a fair value basis; or

iii) whose cash flows do not represent payments that are solely payments of principal and interest.

The Group did not have any debts instruments that are measured at FVTPL in 2023 (2022: None).

The classification of debt instruments is determined based on:

a) the business model under which the asset is held; and

b) the contractual cash flow characteristics of the instrument.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The business model of the Group is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model. The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortisation of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs, and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

b. Equity instruments

Equity instruments are classified into fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI). Equity instruments are measured at FVTPL, unless an election is made to designate them at FVTOCI upon purchase.

At initial recognition, the Group measures equity instruments at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition the changes in fair value are recognised as part of fair value (loss)/gain on financial assets line in the Consolidated Income Statement for FVTPL or in other comprehensive income for FVTOCI.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(a) Classification and measurement of financial instruments (continued)

(iii) Classification and subsequent measurement of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

Deposits are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on borrowings is recognised using the effective interest rate method as interest expense.

(iv) Determination of fair value

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability to which the Group has access at the measurement date.

The Group values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Group maximises the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year, there were no transfers between levels of the fair value hierarchy (2022: None).

(v) Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan's terms are modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(a) Classification and measurement of financial instruments (continued)

(v) Modification of financial assets (continued)

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency, change of counterparty and the extent of change in interest rates, maturity and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition.

For financial assets modified as part of the Group's restructuring policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar restructuring action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(a) Classification and measurement of financial instruments (continued)

(vi) Derecognition of financial assets and liabilities

Derecognition of financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Consolidated Income Statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counterparty on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the Consolidated Income Statement.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost

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*.

(i) Expected credit loss impairment model

Expected credit loss ("ECL") allowances

The modelling methodology applied in estimating ECL in these financial statements are briefly described in note 1.6 of these consolidated financial statements.

The uncertainty around delays in key major projects and the fluctuating economy increases the risk to the forecast resulting in potential misstatement of the ECL balance due to uncertainties around.

- the extent and duration of the economic downturn, 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 and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(i) Expected credit loss impairment model (continued)

Base case economic forecast assumptions

The table below summarises the principal macroeconomic indicators included in the economic scenarios used for finance receivables at 31 December 2023 and the forecast for the year 2024.

	Revised Base case economic forecast as at 31 December 2023	Revised Base case economic forecast as at 31 December 2022
Papua New Guinea		
Gross Domestic Products (GDP)	PNG's GDP decreased by 1.3% in 2023 and is expected to increase to 5% in 2024.	PNG's GDP increased by 2.6% in 2022 and expected to increase to 5.1% in 2023.
Consumer Price Index (CPI)	Average CPI for 2023 was at 5% but this is expected to decrease to 4.9 in 2024.	Average CPI for 2022 was at 6.6% and this is expected to decrease to 5.4% in 2023.
Fiji		
Gross Domestic Products (GDP)	Fiji's GDP decreased by 12.5% in 2023 and is expected to decrease to 3.9% in 2024.	Fiji's GDP increased by 16.5% in 2022 but is expected to decrease to 6.9% in 2023.
Consumer Price Index (CPI)	Average CPI for Fiji in 2023 was 3% but is expected to increase to 3.5% in 2024.	Average CPI for Fiji in 2022 was 4.7% but is expected to decrease to 3.5% in 2023.
Vanuatu		
Gross Domestic Products (GDP)	Vanuatu's GDP decreased by 0.4% in 2023 and is expected to increase to 2.6% in 2024.	Vanuatu's GDP increased by 0.5% in 2022 and is expected to grow by 1.4% in 2023.
Consumer Price Index (CPI)	Average CPI for Vanuatu in 2023 was 9.3% but is expected to decrease to 5.7% in 2024.	Average CPI for Vanuatu in 2022 was 4.6% but is expected to decrease to 3.4% in 2023.
Solomon Islands		
Gross Domestic Products (GDP)	Solomon Island's GDP increased by 6.6% in 2023 and is expected to decrease to 2.4% in 2024.	Solomon Island's GDP decreased by 5.7% in 2022 and is expected to grow by 7.1% in 2023.
Consumer Price Index (CPI)	Average CPI for Solomon Islands in 2023 was 4.9% but is expected to decrease to 4% in 2024.	Average CPI for Solomon Islands in 2022 was 3.7% but is expected to decrease to 3.6% in 2023.

*Source: International Monetary Fund

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(i) Expected credit loss impairment model (continued)

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 12 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.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – 12–month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12–month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.
- Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Credit loss allowances are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
- Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

The following diagram shows the impairment approach under IFRS 9.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Performing (Initial recognition)	Underperforming (SICR since initial recognition)	Non-performing (Credit Impaired Assets)
Recognition of ECL		
12–month ECL	Lifetime ECL	Lifetime ECL
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost carrying amount (i.e. net of credit allowance)

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(i) Expected credit loss impairment model (continued)

Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of key statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio. The PD calculation uses historical data and considers 'payment holiday probation', 'restructure probation', 'downturn PD internal', 'portfolio average PD internal', 'PD product segmentation' and 'PD years and PD configuration.'
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. The LGD calculation considers collateral haircut, time to realization, cost to recover, cure rate and LGD floor. LGD is usually expressed as a percentage of the EAD.

Qualitative information assumptions on ECL changes

- Haircut on collateral – the reduction/discounting of assets used as collateral on a loan. The ECL model was updated to segment collateral by applying the appropriate haircut based on the asset type as the previous model applied a set of fixed haircuts to all asset types.
- Time to realisation – this is the time taken to realize on a collateral from default notice.
- Cost to recovery – this is currently capitalised as part of the loan balance. This policy remains unchanged.
- Cure rates – this is the probability of an account to recover to a performing status once an account has defaulted.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(i) Expected credit loss impairment model (continued)

Assumptions	Scenario	2023	2022	Increase/decrease
Time to realisation	Base	10 months	12 months	Decreased
	Upturn	5 months	6 months	Decreased
	Downturn	27 months	30 months	Decreased
Cost to recover		0%	0%	Stable
Cure rate	Base	23%	20%	Increased
	Upturn	35%	31%	Increased
	Downturn	3%	0%	Increased
ECL weighting	Base	72%	73%	Decreased
	Upturn	5%	5%	Stable
	Downturn	23%	22%	Increased

(ii) Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgment.

(iii) 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.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(iii) Macroeconomic factors (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2023 to 2026, for finance receivables.

Country – GDP Growth		2023	2024	2025	2026
Papua New Guinea	Base Scenario	3.00%	5.00%	3.10%	3.10%
Fiji	Base Scenario	7.50%	3.90%	3.70%	3.50%
Solomon Islands	Base Scenario	2.50%	2.40%	3.00%	3.00%
Vanuatu	Base Scenario	1.50%	2.60%	3.50%	3.10%

Group – GDP Growth					
	Based scenario	3.63%	3.48%	3.33%	3.18%
	Upside scenario (10% increase)	3.99%	3.82%	3.66%	3.49%
	Downside scenarios (10% decrease)	3.26%	3.13%	2.99%	2.86%

Source: International Monetary Fund

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 31 December 2023

Scenario	Base	Upturn	Downturn
Weighting	72%	5%	23%

At 31 December 2022

Scenario	Base	Upturn	Downturn
Weighting	73%	5%	22%

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.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(iv) Assessment of significant increase in credit risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- applied a credit provision overlay that is supported by the uncertainty of the environment and a balanced risk appetite.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The common assessments for SICR include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(v) Expected life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

(vi) Presentation of allowance for credit losses in the Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction of impairment, if any, from the gross carrying amount of the financial assets; and
- Off-balance sheet credit risks which include undrawn lending commitments: as a provision in other liabilities.

(vii) Restructured financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

(viii) Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation; and
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

Financial assets in default are also considered credit impaired.

(ix) Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the impairment loss on finance receivables line in the Consolidated Income Statement.

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(x) Sensitivity analysis

Sensitivity analysis has been performed on certain assumptions being:

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

Set out below are the sensitivity analysis on reasonable changes to these assumptions.

	31 December 2023	
Increase/(decrease) by	Increase by 10% K'000	Decrease by 10% K'000
Change in collateral haircut	1,834	(1,644)
Change in time to realisation	288	(290)
	31 December 2022	
Change in collateral haircut	2,576	(2,438)
Change in time to realisation	615	(619)

	31 December 2023	
Increase/(decrease) by	Increase by 10% K'000	Decrease by 10% K'000
Changes in probability weighted scenarios	(2,339)	2,339
	31 December 2022	
Changes in probability weighted scenarios	(6,136)	6,136

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(xi) Collateral

The Group has a range of policies that are used for the purpose of managing and mitigating credit risks. To reduce its exposure to credit risks the Group accepts collateral to funds advanced. The specific types of collateral and valuation of collateral during the loan origination process and period assessment of credit quality are clearly outlined in the internal credit policies. The different collateral types for loans and advances are:

- Fixed and floating charges over company assets;
- Chattel mortgage over personal property; and
- Registered Mortgage over property.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses.

Finance receivables that are credit-impaired and related collateral held in order to mitigate potential losses are shown below. Refer to Note 1.3 (d) for considerations in relation to haircuts on collaterals.

	Gross exposure (net of unearned income and deferred income K'000	Impairment allowance K'000	Carrying amount K'000	Fair value of collateral held K'000
2023				
Credit impaired assets				
Stage 1	408,351	(22,197)	386,154	640,537
Stage 2	42,245	(5,296)	36,949	76,125
Stage 3	98,992	(29,421)	69,571	131,587
	549,588	**(56,914)**	**492,674**	**848,249**
2022				
Credit impaired assets				
Stage 1	308,718	(10,518)	298,200	664,484
Stage 2	45,468	(11,328)	34,140	91,853
Stage 3	126,345	(45,067)	81,278	216,670
	480,531	**(66,913)**	**413,618**	**973,007**

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.6. Financial assets and liabilities (continued)

(b) Impairment of financial assets carried at amortised cost (continued)

(xii) 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.

(xiii) 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.

	2023 K'000	2022 K'000
Stage 1 — 12-month ECL	408,351	308,718
Stage 2 — Lifetime ECL	42,245	45,468
Stage 3 — Lifetime ECL	98,992	126,345
Gross carrying amount	**549,588**	**480,531**
Allowance for credit loss	(56,914)	(66,913)
Net carrying amount	**492,674**	**413,618**

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.7. Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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

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

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

1.8. Leases

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

1 About our financial statements (continued)

1.8. Leases (continued)

(a) The Group as lessee (continued)

Lease payments included in the remeasurement of lease liability compose:

- Fixed lease payments (including in- substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included under 'Deposits and borrowings' in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.8. Leases (continued)

(a) The Group as lessee (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property and equipment' line in the consolidated statements of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 1.7.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

i) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	Consolidated	
	2023 K'000	2022 K'000
Right-of-use assets **Buildings**		
At 1 January	3,290	3,888
Additions/disposals/transfers	784	800
Depreciation for the year	(739)	(1,481)
Effect of fx	96	83
At 31 December	**3,431**	**3,290**
Lease liabilities		
Current	1,290	1,141
Non-current	2,486	2,469
	3,776	**3,610**

See Note 3.8 (d) for maturity analysis of lease liabilities as at 31 December 2023.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.8. Leases (continued)

(a) The Group as lessee (continued)

ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Consolidated	
	2023 K'000	2022 K'000
Depreciation charge of right-of-use assets:		
Buildings	(1,209)	(1,481)
Interest expense (included in finance cost)	184	253

Total cash outflow for leases (including both principal & interest payment) in 2023 was K1.2 million (2022: K1.5 million).

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

1 About our financial statements (continued)

1.9. New standards and interpretations not adopted

The application of new and amended accounting standards and interpretations has no material impact on the amounts recognised in the financial statements. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023; however, the Group did not apply the following or amend standards in preparing these financial statements:

Effective date	New standard or amendments
1 January 2023	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
	Definition of Accounting Estimates – Amendments to IAS 8
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
	International Tax Reform – Pillar Two Model Rules – Amendment to IAS 12

1.10. Forthcoming requirements

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) that are relevant to the Group and that are available for early adoption. The Group has not early adopted any of the available standards during the reporting period.

Effective date	New standard or amendments
1 January 2024	Non-current liabilities with covenants – Amendments to IAS 1 and
	Classification of Liabilities as Current or Non-current – Amendments to IAS 1
	Lease liability in a Sale and Leaseback – Amendments to IFRS
	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
	Lack of Exchangeability – Amendments to IAS 21
Available for optional adoption/effective date deferred indefinitely	Sales of Contribution of Assets between in Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

1.11. Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal cause of business.

The Directors of the Group and Company consider that the Group and Company will have sufficient sources of funding to continue to fulfil all obligations as and when they fall due. Accordingly, the Directors consider the Group and Company's financial statements should be prepared on a going concern basis.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

2 Financial performance

2.1. Finance and other income

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Finance income	**72,810**	**66,483**	**–**	**–**
Other income				
Profit/(loss) on sale of property and equipment	358	130	–	(64)
Dividend income				
– from subsidiaries (Note 3.4(d))	–	–	40,825	13,227
– from investments in listed companies (Note 3.4(e))	64,919	61,536	64,919	61,536
Rental income from property (Note 3.6)	30,030	28,781	–	52
Rental outgoings	4,613	4,718	–	35
Interest on term deposit, treasury bills and semi-government bonds	3,849	3,830	36	216
Other operating income	6,883	2,332	4,012	1,020
Total other income	**110,652**	**101,327**	**109,792**	**76,021**

Recognition and measurement

Revenue

(a) Finance income

Finance income comprises finance charges earned from the provision of finance lease and is recognised over the finance contract using the effective interest rate method.

(b) Dividend income

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

(c) Commissions

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

(d) Rental income

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

All rental income is derived in Papua New Guinea.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

2 Financial performance (continued)

2.1. Finance and other income (continued)

Recognition and measurement (continued)

Revenue (continued)

(e) Other income

Other income comprises interest income on funds invested (including other equity investments financial assets), gains on the disposal of other equity investments financial assets. Interest income on funds deposited is recognised as it accrues in profit or loss, using the effective interest rate method.

2.2. Finance costs

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Interest on customer deposits	(13,631)	(15,894)	–	–

Recognition and measurement

Finance costs comprise interest expense on interest bearing deposits and other costs associated with financing income. Interest is recognised using the effective interest method.

2.3. Other operating expenses

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
General administrative expenses	23,488	20,915	1,302	4,605
Software licensing and other IT costs	3,052	2,695	2,188	1,871
Legal fees	35	84	–	–
Auditor's remuneration – audit fees	1,248	1,114	318	220
Auditor's remuneration – other accounting services	17	–	–	–
Professional advisory fees	10,089	13,283	4,088	11,598
Donations	282	117	6	–
Direct operating expenses for investment property that generated rental income	6,886	5,076	–	32
	45,097	**43,284**	**7,902**	**18,326**

2 Financial performance (continued)

2.4. Personnel expenses

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Wages and salaries	27,777	26,709	8,537	10,421
Contributions to defined contribution plans	1,662	412	718	–
Long service leave and annual leave	194	812	–	–
Other staff costs	2,791	1,109	2,235	1,872
	32,424	**29,042**	**11,490**	**12,293**

The number of employees at 31 December 2023 employed in the Group was 338 (2022: 281).

2.5. Dividends

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Final dividend of K0.123 per share (2022: Final of K0.134 per share)	37,876	41,263	37,876	41,263
Interim dividend of K0.110 per share (2022: K0.102 per share)	33,872	31,409	33,872	31,409
	71,748	**72,672**	**71,748**	**72,672**

Final dividend for the year ended 31 December 2022 was declared on 24 March 2023 and paid on 5 May 2023. In addition, an interim dividend for the year ended 31 December 2023 was declared on 14 September 2023 and paid on 18 October 2023.

2 Financial performance (continued)

2.6. Taxation

(a) Income tax expense/(benefit)

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Current tax expense	8,511	6,148	–	–
Under/(over) provisions in tax expense/(benefit)	286	(461)	126	–
Deferred tax (benefit)/expense	6,050	5,653	(1,276)	(1,338)
Income tax expense/(benefit)	**14,847**	**11,340**	**(1,150)**	**(1,338)**
Profit before tax	149,744	97,378	143,884	55,593
Computed tax using the applicable PNG corporate income tax rate (30%)	44,923	29,213	43,165	16,678
Effect of tax rates in foreign jurisdictions	(2,393)	(4,183)	–	–
Tax effect of:				
Share of profit of equity accounted associate reported net of tax	(2,481)	–	(2,481)	–
Current year unrealised gains for which no deferred tax is recognised	(13,903)	(1,662)	(13,903)	(1,662)
Dividend income exempt from tax asset	(12,618)	(16,216)	(24,866)	(16,216)
Change in Corporate tax rate to 25% from 20%	(1,087)	–	–	–
Non-deductible expenses	(168)	4,649	(2,037)	1,492
Under provisions in prior years	286	(461)	127	–
Derecognition of previously recognised DTA	3,069	–	(1,155)	(1,630)
Recognition of previously unrecognised deferred taxes	(781)	–	–	–
Tax expense/(benefit) in the income statement	**14,847**	**11,340**	**(1,150)**	**(1,338)**

2 Financial performance (continued)

2.6. Taxation (continued)

(b) Income taxes (receivable)/payable

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
At 1 January	(7,503)	(4,491)	(926)	(894)
Income tax expense for the year	8,511	6,148	–	–
Under/over provision in prior years	286	(461)	–	–
Income taxes paid during the year	(4,619)	(8,521)	–	–
Interest withholding tax credit	(104)	(178)	(6)	(32)
Offset against other taxes	818	–	883	–
At 31 December	**(2,611)**	**(7,503)**	**(49)**	**(926)**

2 Financial performance (continued)

2.6. Taxation (continued)

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2023 and 2022 are attributable to the items detailed in the table below:

	2023			2022		
	Asset K'000	Liability K'000	Net K'000	Asset K'000	Liability K'000	Net K'000
Consolidated						
Property, equipment and investment properties	12,392	(16,301)	(3,909)	13,000	(16,489)	(3,489)
Employee benefits	2,296	178	2,474	2,074	–	2,074
Provision for impairment — finance receivables	15,694	–	15,694	16,973	–	16,973
Other items	125	(12)	113	1,766	(1,698)	68
Tax losses	3,199	–	3,199	7,126	–	7,126
Net tax assets/(liabilities)	**33,706**	**(16,135)**	**17,571**	**40,939**	**(18,187)**	**22,752**
Company						
Property, equipment and investment properties	1,384	–	1,384	8	–	8
Employee benefits	1,838	–	1,838	1,537	–	1,537
Other items	79	–	79	480	(1)	479
Net tax assets/(liabilities)	**3,301**	**–**	**3,301**	**2,025**	**(1)**	**2,024**

Recognition and measurement

Income tax

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

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

2 Financial performance (continued)

2.6. Taxation (continued)

(c) Deferred tax assets and liabilities (continued)

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2 Financial performance (continued)

2.7. Operating segments

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

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

Parent entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis.

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

2 Financial performance (continued)

2.7. Operating segments (continued)

Information about reportable segments

	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
At 31 December 2023				
Revenue	81,339	34,191	67,932	183,462
Inter-segment revenue	2,456	5,937	41,862	50,255
Finance costs	(13,631)	–	–	(13,631)
Fair value (loss)/gain	–	–	46,343	46,343
Depreciation	(2,703)	(1,918)	(1,129)	(5,750)
Share of profit of equity-method investee	–	–	(8,269)	(8,269)
Reportable segment profit before income tax	(38,641)	(12,684)	(98,419)	(149,744)
Reportable segment assets	719,765	265,843	576,724	1,562,332
Investment in associate	–	–	15,539	15,539
Reportable segment liabilities	528,069	38,206	6,685	572,960
At 31 December 2022				
Revenue	72,970	33,349	61,491	167,810
Inter-segment revenue	2,458	5,240	14,530	22,228
Finance costs	(15,894)	–	–	(15,894)
Fair value (loss)/gain	–	(1,372)	5,539	4,167
Depreciation	(3,259)	(1,388)	(782)	(5,429)
Reportable segment profit before income tax	47,198	12,031	38,149	97,378
Share of profit of equity-method investee	–	–	–	–
Reportable segment assets	673,207	274,113	509,687	1,457,007
Investment in associate	–	–	8,283	8,283
Reportable segment liabilities	480,000	46,783	7,461	534,244

Notes to and forming part of the financial statements

For the year ended 31 December 2023

2 Financial performance (continued)

2.7. Operating segments (continued)

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

	2023 K'000	2022 K'000
Revenues		
Total revenue for reportable segments	233,717	190,038
Fair value (loss)/gain	46,343	4,167
Finance costs	(13,631)	(15,894)
Elimination of inter-segment revenue	(50,255)	(22,228)
Net operating income	**216,174**	**156,083**
Profit or loss		
Total profit or loss for reportable segments	188,477	116,429
Elimination of inter-segment profit	(47,002)	(19,051)
Share of profit of equity-accounted investee	8,269	–
Consolidated profit before tax	**149,744**	**97,378**
Assets		
Total assets for reportable segments	2,124,506	1,977,436
Investment in equity-accounted investee	15,539	8,283
Elimination of intercompany balance	(184,888)	(135,543)
Elimination of investment in subsidiaries	(392,825)	(393,169)
Consolidated total assets	**1,562,332**	**1,457,007**
Liabilities		
Total liabilities for reportable segments	757,155	662,612
Elimination of intercompany balances	(184,195)	(128,368)
Consolidated total liabilities	**572,960**	**534,244**

2 Financial performance (continued)

2.7. Operating segments (continued)

Geographical segments

	Net operating income		Net assets	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Papua New Guinea	181,906	124,237	847,749	789,195
Fiji	24,814	25,484	104,699	94,378
Solomon Islands	4,014	2,502	13,709	15,702
Vanuatu	5,440	3,860	23,215	23,488
Total	**216,174**	**156,083**	**989,372**	**922,763**

Recognition and measurement

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

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

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

2.8. Earnings per share

The calculation of basic earnings per share (consolidated) at 31 December 2023 was based on profit attributable to ordinary shareholders of K134.9 million (2022: K86.0 million) and a weighted average number of ordinary shares outstanding of 307,931,332 (2022: 307,931,332). There is no difference between basic and diluted earnings per share.

Recognition and measurement

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position

3.1. Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Cash at bank and on hand	156,981	180,495	46,350	31,497
Short-term deposits	19,625	39,902	296	295
Cash and cash equivalents	**176,606**	**220,397**	**46,646**	**31,792**

Cash and cash equivalents include cash on hand and at bank and short-term deposits with a maturity not more than three months. Cash at bank and on hand and short-term deposits interest rates range between 0.25% to 0.9% (2022: 0.25% to 2.5%).

3.2. Finance receivables

(i) Analysis of net finance receivables

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Gross finance receivables	637,588	542,134	–	–
Less: Unearned charges	(82,469)	(57,438)	–	–
Less: Deferred establishment fees	(5,531)	(4,165)	–	–
Less: Provision for impairment	(56,914)	(66,913)	–	–
Net finance receivables	**492,674**	**413,618**	**–**	**–**

Gross finance receivables less finance charges and deferred establishment fees were split as follows:

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Current	81,593	113,416	–	–
Non-current	467,995	367,115	–	–
	549,588	**480,531**	**–**	**–**

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.2. Finance receivables (continued)

(ii) Finance leases included in finance receivables analysed as follows:

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Not later than one year	881	16,177	–	–
Later than one year and not later than five years	338	10,775	–	–
	1,219	26,952	–	–
Less: Unearned charges	(22)	(652)	–	–
Present value of lease payments receivable	1,197	26,300	–	–
Impairment loss allowance	(301)	(6,966)	–	–
Net finance leases	**896**	**19,334**	**–**	**–**

(iii) Analysis of provisions

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Impairment allowance			–	–
Balance at 1 January	66,913	114,987	–	–
(Decrease)/increase in provisions	(9,072)	(19,050)	–	–
Recoveries on overdue accounts	–	(12,452)	–	–
Bad debts written off	(5,314)	(14,313)	–	–
Effect of FX	4,387	(2,259)	–	–
Closing balance	**56,914**	**66,913**	**–**	**–**

None of the finance receivables that have been written off is subject to enforcement activities.

The increase or (decrease) in provisions should be analysed alongside the details in Note 4.2.(a) for a comprehensive understanding of movement.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.2. Finance receivables (continued)

(iv) Analysis of finance receivables by industry

	Consolidated 2023		Consolidated 2022	
	K'000	%	K'000	%
Agriculture	6,670	1%	5,820	1%
Mining	33,717	5%	12,639	2%
Manufacturing	11,614	2%	11,389	2%
Forestry and saw-milling	1,646	0%	2,821	1%
Civil contracting	27,270	4%	34,646	6%
Building and construction	68,305	11%	62,972	12%
Real Estate	34,239	5%	33,587	6%
Wholesale/Retail	64,323	10%	64,673	12%
Transport and storage	235,248	37%	173,717	32%
Professional and business services	38,056	6%	41,219	8%
Private and self employed	106,141	17%	85,569	16%
Other	10,359	2%	13,082	2%
	637,588	**100%**	**542,134**	**100%**

Recognition and measurement

Lease payments

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

Lease income

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

Determining whether an arrangement contains a lease

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.2. Finance receivables (continued)

(iv) Analysis of finance receivables by industry (continued)

Recognition and measurement (continued)

Determining whether an arrangement contains a lease (continued)

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

Key judgements and estimates

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

For further details refer to Note 1.6 (a).

3.3. Other receivables

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Current				
Amounts owed by related corporations	–	–	38,200	37,186
Dividend withholding tax receivable	–	940	–	940
Dividend receivable	–	–	25,868	866
Other debtors and prepayments	11,108	10,369	4,048	5,536
	11,108	**11,309**	**68,116**	**44,528**

The amounts owed from related corporations relate to intercompany receivable from various subsidiaries. Refer to Note 6.3 (c). These intercompany balances are interest free and repayable on demand. The amount stated is without any impairment provision (2022: K6.2 million).

Other debtors and prepayments comprise of receivables from our rental properties and GST returns. The majority of the amounts are due to be settled within twelve months of the balance sheet date.

3 Financial position (continued)

3.4. Investments

(a) Interest bearing securities

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
	52,099	36,171	–	–

Interest bearing deposits as at 31 December 2023 relates to Government Inscribed Stock (GIS) and a K10,147,945 investment in term deposits held with Kina Bank Limited. GIS mature in February 2024, February 2025, May 2026, August 2026, February 2027, and May 2027 (2022: February 2024, August 2026, May 2026, and May 2027) with interest rates of 9.0%, 4.5%, 4.75%, 5.35%, 10.0%, 5.0%, and 5.60% (2022: 9%, 10%, 5.35%, and 5.60%) respectively. Interest is paid semi-annually until maturity. The term deposit has a 1-year term and earns interest per annum of 2.25%.

(b) Other equity investments

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
	34	**34**	**34**	**34**

The Company purchased shares in Credit & Data Bureau (K33,600) in 2008.

Equity investments are non-current and are classified at fair value through profit and loss.

(c) Investments in associate (non-current)

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
	15,539	**8,283**	**15,539**	**8,283**

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted.

The Group owns 25% (2022: 25%) of the issued shares of Capital Insurance Group (its principal place of business is Papua New Guinea) and has determined that it has significant influence because it has representation on the board of the investee but does not have a controlling vote. At 31 December 2023, the investment was valued at K15.5 million (2022: K8.3 million).

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.4. Investments (continued)

(c) Investments in associate (non-current) (continued)

Capital Insurance Group is a large insurance company in the South Pacific region with subsidiaries operating in both life and general insurance business. The investment was acquired for strategic purposes to complement the opportunities and safeguard the risks inherent within the finance and properties business segments.

The Group and Company's share of profit after tax in Capital Insurance Group for the year was K8.3 million (2022: Nil). During the year, the Group and Company received K1.0 million dividend (2022: nil) from the Capital Insurance Group.

Summarised financial information:

Financial position

Year	Current assets K'000	Non-current assets K'000	Total assets K'000	Current liabilities K'000	Non-current liabilities K'000	Total liabilities K'000	Net assets K'000
2023	227,227	2,930	230,156	152,476	3,709	156,185	**73,972**
2022	211,032	11,629	222,661	152,631	1,084	153,715	**68,946**

Financial performance

Year	Income K'000	Expenses K'000	Profit/(loss) K'000
2023	111,519	100,178	**11,341**
2022	88,054	78,482	**9,573**

The carrying amount of the investment in associate reconciles between opening and closing balances as below:

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Opening balance at 1 January	8,283	8,283	8,283	8,283
Dividends received	(1,013)	–	(1,013)	–
Net share of operating profit	8,269	–	8,269	–
Closing balance 31 December	**15,539**	**8,283**	**15,539**	**8,283**

The data about financial position and financial performance are based on financial information provided by the Capital Insurance Group and adjusted by the Group's management for the purposes of equity accounting. Dividends from investments in associates represent a return on investment and are therefore applied as a reduction to the carrying amount of the investment.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.4. Investments (continued)

(d) Investments in subsidiaries

	Country	Ownership	2023 K'000	2022 K'000
Credit Corporation Finance Limited	PNG	100%	86,900	78,700
Credit House Limited	PNG	100%	87,401	89,533
Era Dorina Limited	PNG	100%	112,564	109,936
Era Matana Limited	PNG	100%	6,560	–
Credit Corporation Industrial Limited	PNG	100%	–	–
Credit Corporation (Fiji) Limited	Fiji	100%	72,000	80,900
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	18,300	22,200
Credit Corporation (Solomon Islands) Limited	Solomon Islands	100%	9,100	11,900
			392,825	**393,169**

Fair value analysis

The Company values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a level 1 valuation. When quoted market prices are not available, the Group maximizes the use of observable inputs within the valuation models. When all the significant inputs are observable, the valuation is classified as level 2. Valuations that require the significant use of unobservable inputs are considered level 3.

Valuation techniques used to derive level 3 fair values

Subsidiaries — Property segment

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

Subsidiaries — Finance segment

Fair values of investments in other subsidiaries were determined based on Profit to book ratio based on comparable businesses, recent transactions involving companies of similar nature of business, having regard to sustainable long-term earnings estimated for each individual company, current market environment and competitive position of individual companies. The P/B ratio used ranged from 0.83 to 0.85.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.4. Investments (continued)

(d) Investments in subsidiaries (continued)

Valuation techniques used to derive level 3 fair values (continued)

The fair value of a financial asset is the price (using quoted market prices, where available), that would be received to sell an asset in an orderly transaction between market participants. The movement in fair value of investments in subsidiaries is recognised in the statement of other comprehensive income. It is excluded from statement of profit before tax because the gains and losses have not yet been realised. An unrealised gain or loss occurs when an investment has appreciated or depreciated in fair value, but a sale transaction has not yet occurred for the gain or loss to be realised. Therefore, total gains/(losses) are recognised through the statement of comprehensive income.

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

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

Listed shares

	2023				2022		
	% 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	497,229	46,819	36,294,081	450,410	5,808
Airlines PNG Limited	0.65%	2,000,000	–	–	2,000,000	–	–
City Pharmacy Limited	0.94%	1,890,912	1,494	(264)	1,953,544	1,758	(99)
Kina Asset Management Ltd	8.84%	4,255,463	3,830	(212)	4,255,463	4,042	(170)
			502,553	**46,343**		**456,210**	**5,539**

The increase in market value of K46.3 million (2022: increase of K5.5 million) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

3 Financial position (continued)

3.4. Investments (continued)

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

Sensitivity analysis

	Effect on profit or loss and equity increase/(decrease) 2023 K'000	2022 K'000
Increase of 10% in share prices	50,255	45,621

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

(f) Other deposits (current)

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Other deposit	–	–	1,516	1,485

Credit Corporation (PNG) Limited has investments in 1 year term deposit with Credit Corporation Finance Limited, which earn interest of 2.4% per annum. The balance including accrued interest as at 31 December 2023 is K1.8 million (2022: K1.5 million).

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.5. Property and equipment

Consolidated	Building, and ROUA* K'000	Capital WIP	Furniture and fittings K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Cost						
At 1 January 2022	21,116	–	14,905	7,020	16,295	59,336
Additions	–	–	1,569	1,334	2,399	5,302
Disposals/transfers	(266)	–	(4,228)	(670)	(922)	(6,086)
IFRS 16 right of use asset	800	–	–	–	–	800
Effect of FX	(597)	–	(28)	(102)	(117)	(844)
At 31 December 2022	21,053	–	12,218	7,582	17,655	58,508
At 1 January 2023	21,053	–	12,218	7,582	17,655	58,508
Additions	1,884	12,431	1,425	1,882	1,175	18,797
Disposals/transfers**	21,207	–	936	(603)	(707)	20,833
IFRS 16 right of use asset	784	–	–	–	–	784
Effect of FX	979	–	48	175	180	1,382
At 31 December 2023	45,907	12,431	14,627	9,036	18,303	100,304
Depreciation						
At 1 January 2022	4,856	–	11,232	3,957	9,908	29,953
Charge for the year	135	–	1,112	1,092	1,609	3,948
IFRS 16 depreciation — ROUA	1,481	–	–	–	–	1,481
Disposals/transfers	(4)	–	(4,161)	(670)	(894)	(5,729)
Effect of FX	(123)	–	(22)	(68)	(85)	(298)
At 31 December 2022	6,345	–	8,161	4,311	10,538	29,355
At 1 January 2023	6,345	–	8,161	4,311	10,538	29,355
Charge for the year	257	–	1,378	1,310	2,066	5,011
IFRS 16 depreciation — ROUA	739	–	–	–	–	739
Disposals/transfers	557	–	52	(442)	(46)	121
Effect of FX	251	–	37	98	144	530
At 31 December 2023	8,149	–	9,628	5,277	12,702	35,756
Carrying amounts						
At 1 January 2022	16,260	–	3,673	3,063	6,387	29,383
At 31 December 2022	14,708	–	4,057	3,271	7,117	29,153
At 31 December 2023	37,758	12,431	4,999	3,759	5,601	64,548

*Right-of-use assets

**The increase in the balance of Property and equipment in the current year pertains to the reclassification of a portion of the value of Credit House occupied by related entities.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.5. Property and equipment (continued)

Company	Building, capital WIP K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Cost				
At 1 January 2022	266	611	4,151	5,028
Additions	–	565	1,508	2,073
Disposals/transfers	(266)	–	–	(266)
At 31 December 2022	–	1,176	5,659	6,836
At 1 January 2023	–	1,176	5,659	6,835
Additions	–	417	192	609
Disposals/transfers	–	–	–	–
At 31 December 2023	–	1,593	5,851	7,444
Depreciation				
At 1 January 2022	–	311	1,909	2,220
Charge for the year	–	154	628	782
Disposals/transfers	–	–	–	–
At 31 December 2022	–	465	2,537	3,002
At 1 January 2023	–	465	2,537	3,002
Charge for the year	–	240	889	1,129
Disposals/transfers	–	–	(1)	(1)
At 31 December 2023	–	705	3,425	4,130
Carrying amounts				
At 1 January 2022	266	300	2,242	2,808
At 31 December 2022	–	711	3,122	3,834
At 31 December 2023	–	888	2,426	3,314

3 Financial position (continued)

3.5. Property and equipment (continued)

Recognition and measurement

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

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

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

Subsequent costs

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

The Group has reclassed as at 31 December 2023 part of previously held investment property to owner-occupied status. The reclassification has resulted in a change in the carrying amount of the property on balance sheet of K21.2 million to property, plant and equipment. There was no impact on profit or loss as the investment property is recorded a fair value. The reclassification has no material retrospective impact to the financial statements for comparative purposes.

Depreciation

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

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

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

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

3 Financial position (continued)

3.6. Investment property

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Balance as at 1 January	250,500	254,773	–	3,800
Fair value gain/(loss) recognised in profit or loss	–	(1,372)	–	–
Disposal of investment property	(4,500)	(3,800)	–	(3,800)
Capital expenditure	1,053	899	–	–
Transfers to property and equipment	(21,207)	–	–	–
Balance as at 31 December	**225,846**	**250,500**	**–**	**–**

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 internal directors' valuation. The last external valuation was performed by Savills Valuations Pty Ltd as at 31 December 2022.

Fair values were assessed using the capitalisation approach. This was determine using the present value of expected cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. In the current year, the directors assessed that the carrying value of the investment property is fairly stated.

Investment property with a total carrying amount of K225.8 million (2022: K250.5 million) was encumbered at 31 December 2023.

				Value as at 31 December	
Investment property	Valuation basis	Independent valuer	Valuation date	2023 K'000	2022 K'000
Credit House	Direct capitalisation	Directors' valuation	31 December 2023	69,587	90,000
Era Dorina	Direct capitalisation	Directors' valuation	31 December 2023	103,234	103,000
Era Matana	Direct capitalisation	Directors' valuation	31 December 2023	53,025	53,000
Gerehu undeveloped land	Replacement cost	Directors' valuation		–	4,500
				225,846	**250,500**

3 Financial position (continued)

3.6. Investment property (continued)

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

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

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

The Group used direct capitalisation approach to ensure consistency with the fair valuation model used by external valuations available as at the 2022 year end.

Fair value hierarchy:

The fair value measurement for investment properties of K225.8 million have been categorised at Level 3 fair value, as the inputs to the valuation techniques used made reference to significant observable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalisation rates of between 10% and 10.5% (2022: 10% to 10.5%) and average commercial rent of K1,899 per sqm (2022:K1,805 per sqm) and average residential rent between K4,000 to K5,000 per week (2022: K4,000 to K5,000). Accordingly, an increase in market lease rental rates and/or a decrease in the discount rate and/or decrease capitalisation rate would increase the fair value of the properties. A decrease in market lease rates and/or an increase in discount rate and/or increase capitalisation rate would decrease the fair value of the properties. A sensitivity analysis is provided below.

Sensitivity analysis

	Effect on profit or loss and equity increase/ (decrease)	
	2023 K'000	2022 K'000
Increase of 0.01 bps in market capitalisation rate	(22,587)	(23,421)
0.1 bps increase in market lease rentals	25,885	26,192

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.6. Investment property (continued)

Recognition and measurement

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

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

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

Key judgments and estimates

Judgement is required in determining the following key assumptions:

- Adopted capitalisation rate: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regards 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.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.6. Investment property (continued)

Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between 1 to 4 years, usually with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership.

Maturity analysis of operating lease receivables

The following table set out a maturity analysis of future lease receivables, showing the undisclosed lease payments to be received after the reporting period.

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Year 1	29,507	34,267	–	–
Year 2	11,163	50,066	–	–
Year 3	5,041	3,774	–	–
Year 4 onwards	7,397	–	–	–
Total	**53,108**	**88,107**	**–**	**–**
Amounts reported in profit or loss				
Lease income on operating leases	30,030	28,781	–	52

Notes to and forming part of the financial statements

For the year ended 31 December 2023

3 Financial position (continued)

3.7. Trade and other payables

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Rental bonds payable/(receivable)	1,598	1,553	–	–
Rental income in advance	307	90	–	–
Other creditors and accrued expenses	12,058	18,336	553	2,847
Intercompany	–	–	78,070	58,111
Total	**13,963**	**19,979**	**78,623**	**60,958**

Other creditors and accrued expenses are payable within the next 12 months.

3.8. Deposits and borrowings

		Consolidated		Company	
	Note	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Current					
Interest bearing deposits	(a)	463,781	385,157	–	–
IFRS 16 Lease Liability	(d)	1,290	1,141	–	–
Secured bank loans	(b) and (c)	35,250	40,369	–	–
		500,321	**426,667**	**–**	**–**
Non-current					
Interest bearing deposits	(a)	47,273	77,807	–	–
IFRS 16 Lease Liability	(d)	2,486	2,469	–	–
		49,759	80,276	–	–
		550,080	**506,943**	**–**	**–**

(a) Interest bearing deposits

Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K47.2 million (2022: K77.8 million) is repayable within 5 years (2022: 5 years).

3 Financial position (continued)

3.8. Deposits and borrowings (continued)

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

The loan granted to Era Matana with value of K29.8 million as at 31 December 2023 is scheduled to be repaid in monthly instalments of K478,661 (including interest) to February 2030. The loan granted to Era Dorina of K5.7 million as at 31 December 2023 is scheduled to be repaid in monthly instalments of K132,146 (2022: K132,146) to January 2028. Interest on these loans of K2.1m (2022: K2.5 million) is included in other operating expenses.

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

The secured bank loans are subject to various financial covenants, as defined in the facility agreements. During the financial year and at year end, the Group was in compliance with these covenants.

(c) Bank facilities and security

Borrowings include:

(i) Credit Corporation (Fiji) Limited has a bank overdraft facility of K5.1 million (FJD$3m) (2022: K4.8 million (FJD$3m)) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 31 December 2023, this facility has not been used.

(ii) Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K3.2 million (VT100m) (2022: K3.0 million (VT100m) with National Bank of Vanuatu. The facility is secured by first registered mortgage over all assets and undertakings of Credit Corporation (Vanuatu) Limited including uncalled and unpaid capital and with limited guarantee and indemnity from Credit Corporation (PNG) Limited for K3.3 million. As at 31 December 2023, this facility has not been used.

(iii) Era Dorina Limited has an advance facility from Bank of South Pacific Limited of K19.5million at a variable interest rate. The loan is secured by a registered equitable mortgage over the fixed and floating assets of Era Dorina Limited, first registered mortgage over the residential property situated on Vol 36, Folio 97, Allotment 32 and 33, Section 34 and Portion 2259, Ela Makana, Granville, Port Moresby.

(iv) Era Matana Limited has a facility limit from Bank South Pacific Limited of K50 million at a variable interest rate. The loan is secured by a first registered fixed and floating charge over the whole of the company's assets and undertakings including called but unpaid and called capital, first registered mortgage over, the residential property situated on Vol 13, Folio 80, Allotment 22, Section 33, Granville, Port Moresby known as "Era Matana" and a deed of guarantee and indemnity for K50 million by Era Dorina Limited and Credit Corporation PNG Limited.

(v) Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited of K10 million at 31 December 2023 (2022: K10 million). This facility is secured by a guarantee with (joint & several) by Credit House Limited and Credit Corporation (PNG) Limited. First registered Mortgage over Lots 2,4 and 8 Section 45, Granville, Port Moresby known as "Credit House".

3 Financial position (continued)

3.8. Deposits and borrowings (continued)

(d) Lease liabilities

Maturity analysis of IFRS 16 lease liabilities — See Note 1.8 (a).

	Company	
	2023 K'000	2022 K'000
Maturity analysis:		
Year 1	1,290	1,141
Year 2	1,088	1,002
Year 3	512	762
Year 4	403	252
Year 5	415	223
Onwards	68	230
	3,776	**3,610**

3.9. Employee benefits

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Long service leave	1,568	716	684	113
Annual leave	1,516	1,492	283	328
Others	5,833	5,114	5,160	4,684
	8,917	**7,322**	**6,127**	**5,125**

Recognition and measurement

Long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2023 in respect of long-term employee benefits (long service leave) other than pension plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

Short-term employment benefits and others

A liability is recognised for the amount expected to be paid under short-term cash bonus and annual leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. The Group recognised short term incentives in the amount of K6.1 million as accruals for bonus and other incentives for the period. The payout of bonuses and incentives was partially made in 2023 and another payment will be made in the following year.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures

4.1. Financial management

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

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

(a) Risk management framework

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

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

The Group's Audit Committee and the Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

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

(i) Finance and other receivables

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

The Audit and the Risk Management Committee have established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

Lending limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit and the Risk Management Committee; these limits are reviewed quarterly.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(b) Credit risk (continued)

(i) Finance and other receivables (continued)

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

The Group establishes an allowance for impairment that reflects the present value of all cash shortfalls related to default events either over the 12 months or 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.

(ii) Investments, other deposits, cash and cash equivalents

The Group limits its exposure to credit risk by investing only in liquid securities (government securities and interest bearing deposits with banks). For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and short term deposits with a maturity not more than three months. Cash at bank and on hand and short-term deposits interest rates range between 0.25% to 0.9%. Government Inscribed Stock held have interest rates ranging between 5% to 10%.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2023, K69.5 million (2022: K69.5 million) was guaranteed to wholly owned subsidiaries.

(c) Liquidity risk

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(c) Liquidity risk (continued)

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

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

	2023 K'000	2022 K'000
Current assets	281,617	343,184
Current liabilities	(521,628)	(452,024)
Net	**(240,011)**	**(108,840)**

(d) Market risk

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

(i) Equity price risk

The Group is exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (see Note 3.4 (b–c)) are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group invested in a portfolio of listed shares which are held for trading (see Note 3.4 (e)). This type of investment is approved by the board as the alternative to investment in money market funds in order to generate higher investment return on the spare funds.

Refer to Note 3.4 (e) for equity price sensitivity analysis.

(ii) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise.

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

The table below shows the balances of monetary assets and liabilities denominated in foreign currency.

As 31 December 2023	Fijian Dollar FJD$000	Solomon Islands Dollar SBD$000	Vanuatu Vatu Vuv000	Timor Leste US Dollar USD000
Assets				
Finance receivables	103,866	76,512	528,282	–
Cash and cash equivalents	41,371	7,442	554,610	–
Other receivables	273	487	4,067	–
Income tax receivable	–	770	–	–
Net deferred tax assets	2,902	6,563	–	–
	148,412	91,774	1,086,959	–
Liabilities				
Trade and other payables	783	437	73,686	–
Deposits and borrowings	91,621	67,694	289,209	–
Income tax payable	361	–	–	–
Employee benefits	534	–	16,841	–
	93,299	68,131	379,735	–
Net foreign currency exposure	55,113	23,643	707,224	–
As 31 December 2022				
Assets				
Finance receivables	95,743	44,540	225,743	–
Cash and cash equivalents	45,202	30,544	1,102,990	1,343
Other receivables	193	246	4,004	1,493
Income tax receivable	327	1,232	–	–
Net deferred tax assets	2,605	14,808	–	–
	144,070	91,370	1,332,737	2,836
Liabilities				
Trade and other payables	1,061	718	56,448	4
Deposits and borrowings	89,353	61,758	518,558	–
Income tax payable	–	–	–	–
Employee benefits	731	–	–	5
	91,145	62,476	575,006	9
Net foreign currency exposure	52,925	28,894	757,731	2,827

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

Foreign exchange risk sensitivity analysis

The following analysis is performed for reasonably possible movements in the foreign exchange rates to PGK (assumption: +/– 10%) with all other variables held constant, showing the impact on profit/(loss) before income tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. There are no changes from prior year on this assumption.

Effect on profit/(loss) before income tax	Change	Fiji PGK'000	Solomon Islands PGK'000	Vanuatu PGK'000	Timor Leste PGK'000
31 December 2023	10%	(1,641)	(116)	(452)	–
31 December 2023	–10%	1,641	116	452	–
31 December 2022	10%	(2,246)	24	(332)	101
31 December 2022	–10%	2,246	(24)	332	(101)
Effect on equity					
31 December 2023	10%	(7,166)	(1,291)	(2,110)	–
31 December 2023	–10%	7,166	1,291	2,110	–
31 December 2022	10%	(8,580)	(1,409)	(2,076)	249
31 December 2022	–10%	8,580	1,409	2,076	(249)

As shown in the table above, the Group is primarily exposed to changes in PGK exchange rates against other functional currencies used by the group companies in their respective jurisdictions. The main functional currencies that are used to denominate monetary assets and liabilities are shown in the sensitivity table above.

Exchange rates used by the Group in preparing financial statements

PGK 1 is equivalent to the rates below:

	2023		2022	
	Average	At year end	Average	At year end
Fijian Dollar	0.6252	0.5938	0.6260	0.6294
Solomon Islands Dollar	2.3373	2.2780	2.3298	2.3610
Vanuatu Vatu	33.0017	31.3000	33.1133	33.3500
US Dollar	0.2853	0.2758	0.2916	0.2915

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(d) Market risk (continued)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2023 K'000	2022 K'000
Amounts recognised in profit or loss		
Net foreign exchange gain included in other operating expenses	(2,790)	220
Net losses recognised in other comprehensive income		
Foreign currency translation differences on foreign operations	3,460	(10,915)

(e) Operational risk

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

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

Compliance with Group standards is supported by a program of periodic reviews undertaken by the members of Audit and the Risk Management Committee. The results of the reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors and senior management of the Group.

4 Financial instrument disclosures (continued)

4.1. Financial management (continued)

(f) Capital management

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

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

The Group's target in 2023 was to achieve a return on capital of between 5 and 15 percent; in 2023, the actual return was 15.1 percent (2022: 10.7 percent).

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

	2023 K'000	2022 K'000
Total liabilities	572,960	534,244
Less: cash and cash equivalents	(176,606)	(220,397)
Net debt	396,354	313,847
Total equity	989,372	922,763
Debt to adjusted capital ratio at 31 December	0.40	0.34

There were no changes in the Group's approach to capital management during the year. Various finance subsidiaries are subject to respective Central Banks restrictions imposed on capital requirements. These subsidiaries have been in compliance with respective capital requirements imposed by their Central Banks as at and during the year ended 31 December 2023.

4 Financial instrument disclosures (continued)

4.2. Financial instruments

(a) Credit risk

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Interest bearing securities	52,099	36,171	–	–
Other equity investments	34	34	34	34
Finance receivables (net)	492,674	413,618	–	–
Other deposits	–	–	1,516	1,485
Other receivables	11,108	11,309	68,116	44,528
Cash and cash equivalents	176,606	220,397	46,646	31,792
Total	**732,521**	**681,529**	**116,312**	**77,839**

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Papua New Guinea	267,292	235,866	–	–
Fiji	174,917	152,118	–	–
Solomon Islands	33,587	18,865	–	–
Vanuatu	16,878	6,769	–	–
Total	**492,674**	**413,618**	**–**	**–**

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Transport and storage	235,248	173,718	–	–
Civil contracting, building and construction and real estate	129,814	131,206	–	–
Wholesale/retail	64,323	64,673	–	–
Others	208,203	172,537	–	–
Total	**637,588**	**542,134**	**–**	**–**

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(a) Credit risk (continued)

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Not past due	323,583	220,886	–	–
Past due 1–30 days	89,825	98,328	–	–
Past due 31–180 days	43,816	41,732	–	–
Past due 181–360 days	6,866	9,565		
Past due more than 1 year	28,584	43,107	–	–
Total Net	**492,674**	**413,618**	**–**	**–**

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

Credit quality analysis

Asset quality impairment

	2023		
Figures in PGK'000	Carrying amount	Provisions	Net carrying amount
Loan balance (net of unearned income)			
Stage 1 – 12 month ECL	408,351	(22,197)	386,154
Stage 2 – Life time ECL	42,245	(5,296)	36,949
Stage 3 – Life time ECL	98,992	(29,421)	69,571
Total	**549,588**	**(56,914)**	**492,674**

	2022		
Figures in PGK'000	Carrying amount	Provisions	Net carrying Amount
Loan balance (net of unearned income)			
Stage 1 – 12 month ECL	308,718	(10,518)	298,200
Stage 2 – Life time ECL	45,468	(11,328)	34,140
Stage 3 – Life time ECL	126,345	(45,067)	81,278
Total	**480,531**	**(66,913)**	**413,618**

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(a) Credit risk (continued)

Reconciliation of opening and closing balance of loss allowance for each stage.

	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Balance at 1 January 2023	(10,494)	(11,323)	(45,096)	(66,913)
Transfer to Stage 1	(8,941)	3,211	5,730	–
Transfer to Stage 2	1,809	(2,306)	497	–
Transfer to Stage 3	2,226	4,121	(6,347)	–
Net remeasurement of loss allowance	11,996	(9,748)	8,799	11,047
New financial assets originated	(12,739)	(2,081)	(2,884)	(17,704)
Financial assets that have been derecognised	2,012	2,096	11,621	15,729
Write-offs	358	241	4,715	5,314
Foreign exchange and other movement	(212)	(370)	(3,805)	(4,387)
Balance at 31 December 2023	**(13,985)**	**(16,159)**	**(26,770)**	**(56,914)**
Balance at 1 January 2022	(11,104)	(14,232)	(89,651)	(114,987)
Transfer to Stage 1	(29,950)	4,380	25,570	–
Transfer to Stage 2	1,586	(4,228)	2,642	–
Transfer to Stage 3	927	3,221	(4,148)	–
Net remeasurement of loss allowance	33,931	698	4,149	38,778
New financial assets originated	(8,090)	(4,276)	(937)	(13,303)
Financial assets that have been derecognised	1,996	2,596	1,435	6,027
Write-offs	(11)	109	14,214	14,312
Foreign exchange and other movement	221	409	1,630	2,260
Balance at 31 December 2022	**(10,494)**	**(11,323)**	**(45,095)**	**(66,913)**

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

(i) Consolidated

Amount as at 31 December 2023 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1–2 years K'000	3–5 years K'000	More than 5 years K'000
Secured borrowings	35,250	37,302	37,302	–	–	–
Interest bearing deposits	511,054	518,892	469,008	30,762	19,122	–
Lease liabilities	3,776	3,776	1,290	1,088	1,330	68
Trade and other payables	13,963	13,963	13,963	–	–	–
Total	**564,043**	**573,933**	**521,563**	**31,850**	**20,452**	**68**

Amount as at 31 December 2022 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1–2 years K'000	3–5 years K'000	More than 5 years K'000
Secured borrowings	40,369	42,376	42,376	–	–	–
Interest bearing deposits	462,963	490,254	408,142	65,940	16,172	–
Lease liabilities	3,610	3,610	3,610	–	–	–
Trade and other payables	19,979	19,979	19,979	–	–	–
Total	**526,921**	**556,219**	**474,107**	**65,940**	**16,172**	**–**

(ii) Company

At 31 December 2023, non-derivative financial liabilities, all of which are due within the year were K78.6m (2022: K61.0m).

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(c) Interest rate risk

Profile

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

	Consolidated		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Fixed rate instruments				
Financial assets	71,724	76,073	1,516	295
Finance receivables	399,915	310,720	–	–
Financial liabilities	(510,856)	(463,069)	–	–
Total net	**(39,217)**	**(76,276)**	**1,516**	**295**
Variable rate instruments				
Finance receivables	**92,759**	**102,898**	**–**	**–**
Total net	**92,759**	**102,898**	**–**	**–**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

	100bsp increase		100bps decrease	
Consolidated	Profit/(loss) K'000	Equity K'000	Profit/(loss) K'000	Equity K'000
Variable rate instruments				
As at 31 December 2023	(928)	(928)	928	928
As at 31 December 2022	(865)	(865)	865	865

Company (not applicable).

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(d) Fair value versus carrying values

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

Consolidated	Level of FV hierarchy	Fair values 2023 K'000	Fair values 2022 K'000	Carrying amounts 2023 K'000	Carrying amounts 2022 K'000
Assets					
Interest bearing securities	1	52,099	36,171	52,099	36,171
Financial assets designated at fair value through profit and loss	1	502,553	456,210	502,553	456,210
Other equity investments	3	34	34	34	34
Finance receivables	2	492,674	413,618	492,674	413,618
Other receivables	2	11,108	11,309	11,108	11,309
Cash and cash equivalents	1	176,606	220,397	176,606	220,397
		1,235,074	**1,137,739**	**1,235,074**	**1,137,739**
Liabilities					
Trade and other payables	2	(13,963)	(19,979)	(13,963)	(19,979)
Secured bank loans	2	(35,250)	(40,369)	(35,250)	(40,369)
Interest bearing deposits	2	(511,054)	(462,964)	(511,054)	(462,964)
Lease liabilities	2	(3,776)	(3,610)	(3,776)	(3,610)
Liabilities		**(564,043)**	**(526,922)**	**(564,043)**	**(526,922)**
Company					
Assets					
Financial assets designated at fair value through profit and loss	1	502,553	456,210	502,553	456,210
Investments in subsidiaries	3	392,825	393,169	392,825	393,169
Other equity investments	3	34	34	34	34
Other deposits	2	1,516	1,485	1,516	1,485
Other receivables	2	68,116	44,528	68,116	44,528
Cash and cash equivalents	1	46,646	31,792	46,646	31,792
		1,011,690	**927,218**	**1,011,690**	**927,218**
Liabilities					
Trade and other payables	2	**(78,623)**	**(60,958)**	**(78,623)**	**(60,958)**

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(e) Fair value hierarchy

Consolidated	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
31 December 2023				
Interest bearing securities	52,099	–	–	52,099
Other investments (financial assets designated at fair value through profit and loss account)	502,553	–	–	502,553
Other equity investments	–	–	34	34
Finance receivables	–	492,674	–	492,674
Other receivables	–	11,108	–	11,108
Cash and cash equivalents	176,606	–	–	176,606
Total Assets	**731,258**	**503,782**	**34**	**1,235,074**
Liabilities				
Trade and other payables	–	(13,963)	–	(13,963)
Secured bank loans	–	(35,250)	–	(35,250)
Interest bearing deposits	–	(511,054)	–	(511,054)
Lease liabilities	–	(3,776)	–	(3,776)
	–	**(564,043)**	**–**	**(564,043)**
Consolidated				
31 December 2022				
Interest bearing securities	36,171	–	–	36,171
Other investments (financial assets designated at fair value through profit and loss account)	456,210	–	–	456,210
Other equity investments	–	–	34	34
Finance receivables	–	413,618	–	413,618
Other receivables	–	11,309	–	11,309
Cash and cash equivalents	220,397	–	–	220,397
Total Assets	**712,778**	**424,927**	**34**	**1,137,739**
Liabilities				
Trade and other payables	–	(19,979)	–	(19,979)
Secured bank loans	–	(40,369)	–	(40,369)
Interest bearing deposits	–	(462,964)	–	(462,964)
Lease liabilities	–	(3,610)	–	(3,610)
	–	**(526,922)**	**–**	**(526,922)**

Notes to and forming part of the financial statements

For the year ended 31 December 2023

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(e) Fair value hierarchy (continued)

Company	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
31 December 2023				
Other investments (financial assets designated at fair value through profit and loss account)	502,553	–	–	502,553
Investment in subsidiaries	–	–	392,825	392,825
Other equity investments	–	–	34	34
Other deposits	–	1,516	–	1,516
Other receivables	–	68,116	–	68,116
Cash and cash equivalents	46,646	–	–	46,646
Total Assets	**549,199**	**69,632**	**392,859**	**1,011,690**
Liabilities				
Trade and other payables	**–**	**(78,623)**	**–**	**(78,623)**
Company				
31 December 2022				
Other investments (financial assets designated at fair value through profit and loss account)	456,210	–	–	456,210
Investment in subsidiaries	–	–	393,169	393,169
Other equity investments	–	–	34	34
Other deposits	–	1,485	–	1,485
Other receivables	–	44,528	–	44,528
Cash and cash equivalents	31,792	–	–	31,792
Total assets	**488,002**	**46,013**	**393,203**	**927,218**
Liabilities				
Trade and other payables	**–**	**(60,958)**	**–**	**(60,958)**

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

Level 2 investments consist mainly of investments in deposits, trade receivables and payables.

Level 3 investments consist primarily of investments in equity of subsidiaries. The investments in the subsidiaries were all valued as at 31 December 2023.

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(e) Fair value hierarchy (continued)

Recognition and measurement

Determination of fair values

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

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

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

(i) Investment property

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

Where an external valuation is not obtained as at year end, an internal valuation will be prepared having regard to the last external valuation.

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

4 Financial instrument disclosures (continued)

4.2. Financial instruments (continued)

(e) Fair value hierarchy (continued)

(ii) Equity and debt securities

The fair value of financial assets at fair value through profit or loss and at amortized cost is determined by reference to their quoted closing bid price at the reporting date. The fair value of financial assets at amortised cost is determined for disclosure purposes.

(iii) Finance and other receivables

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

(iv) Non-derivative financial liabilities

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

Key judgements and estimates

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

5 Equity

5.1. Share capital

	Consolidated and company 2023 K'000	2022 K'000
Issued ordinary share capital		
307,936,332 shares in issue at 1 January	21,984	21,984
307,936,332 shares in issue at 31 December	**21,984**	**21,984**

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

In accordance with the provisions of the Constitution, the Board of Directors of the Company may issue shares as it thinks fit so long as it does not create a controlling interest in the Company and subject to complying with the requirements of Papua New Guinea's National Stock Exchange (PNGX) Listing Rules.

Measurement and recognition

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

Notes to and forming part of the financial statements

For the year ended 31 December 2023

5 Equity (continued)

5.2. Reserves

		Consolidated		Company	
		2023 K'000	2022 K'000	2023 K'000	2022 K'000
Asset revaluation reserve	**(a)**				
Balance at 1 January		19,771	20,731	306,143	280,940
Surplus/(deficit) on revaluation of properties		–	(1,372)	–	–
Tax effect on revaluation of properties		–	412	–	–
Surplus/(deficit) on revaluation of investments		–	–	(344)	25,203
Balance at 31 December		**19,771**	**19,771**	**305,799**	**306,143**
Asset realisation reserve	**(b)**				
Balance at 1 January		149	149	149	149
Transfer from retained earnings		–	–	–	–
Balance at 31 December		**149**	**149**	**149**	**149**
Exchange fluctuation reserve	**(c)**				
Balance at 1 January		1,603	12,518	–	–
Translation adjustment		3,460	(10,915)	–	–
Balance at 31 December		**5,063**	**1,603**	**–**	**–**
General reserve	**(d)**				
Balance at 1 January		423,546	418,008	423,547	418,008
Transfer (to)/from retained earnings		46,343	5,538	46,343	5,539
Balance at 31 December		**469,889**	**423,546**	**469,890**	**423,547**
Total reserves		**494,872**	**445,069**	**775,838**	**729,839**

(a) Asset revaluation reserve

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

5 Equity (continued)

5.2. Reserves (continued)

(b) Asset realisation reserve

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

(c) Exchange fluctuation reserve

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

(d) General reserve

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

6 Other disclosures

6.1. Employees

The Group contributed to superannuation funds which are defined contribution plans, whereby employees contribute certain legislated percentage of their salary to the fund and the Group contributes a certain percentage of each member's salary as allowed by law. During 2023, the Group expensed K1.7 million (2022: K1.4 million) in contributions payable.

Recognition and measurement

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

6.2. Commitments and contingencies

(i) Commitments

The Group expects a capital outlay of K29.3 million (2022: K29.1 million) for the implementation of its core banking system and the acquisition of various property and equipment for its Property Division.

(ii) Contingencies

There are no contingencies as at 31 December 2023 (2022: Nil).

Notes to and forming part of the financial statements

For the year ended 31 December 2023

6 Other disclosures (continued)

6.3. Related parties

(a) Interest register

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

Name: Abigail Erica Wendy Chang **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited.
Name: Abigail Erica Wendy Chang **Nature of interest:** Shareholder	**Companies** Credit Corporation (PNG) Limited – 21,000 ordinary shares.
Name: Abigail Erica Wendy Chang **Nature of interest:** Term Deposit Holder	**Companies** Credit Corporation Fiji Limited for FJD 738,223, matures 24 September 2024.
Name: Abigail Erica Wendy Chang **Nature of interest:** Social or professional membership	**Organisation** Australian Institute of Company Directors. Independent Directors Association in PNG.
Name: Abigail Erica Wendy Chang **Nature of interest:** Member of Board of Governors	**Organisation** Don Bosco Technical Institute.
Name: Dr. Albert Conrad Mellam **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Kumul Consolidated Holdings Ltd, Incentive Fund Board - Australian Government.
Name: Dr. Albert Conrad Mellam **Nature of interest:** Social or professional membership	**Organisation** Association of Asia Pacific Business School, South Korea, James Cook University.
Name: Faye–Zina Lalo **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Amalpack Limited, AFL PNG Development Limited, PNG Olympic Committee.
Name: Faye–Zina Lalo **Nature of interest:** Social or professional membership	**Organisation** Australian Institute of Company Directors.

6 Other disclosures (continued)

6.3. Related parties (continued)

(a) Interest register (continued)

Name: Stephen James Donald Humphries **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Idameneo 789 Limited, Murdoch Haematology & Oncology Clinic Pty Limited, Murdoch Private Hospital Pty Ltd, Agilex Biolabs Pty Ltd, ACN 088 631 949 Pty Ltd, Amokka Java Ltd, Brystow Pty Ltd, Northcoast Nuclear Medicine (Qld) Pty Ltd.
Name: Stephen James Donald Humphries **Nature of interest:** Social or professional membership	**Professional bodies** AICD Graduate Australian Institute of Chartered Accountants. Institute of Chartered Accountants of England and Wales. Independent Directors Association in PNG.
Name: Richard Sinamoi **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Nambawan Super Limited, Western Trucks Ltd., Kama Kofi Limited, Iomanis Agi Import Export Pte Limited, PNGPC Limited, Trans Pacific Assurance Limited.
Name: Richard Sinamoi **Nature of interest:** Shareholder	**Companies** Credit Corporation (PNG) Limited – 485,629 ordinary shares, Kama Kofi Limited, Iomanis Agri Import Export Pte Limited, PNGPC Limited, Western Trucks Ltd, Trans Pacific Assurance Ltd.
Name: Richard Sinamoi **Nature of interest:** Social or professional membership	**Professional bodies** Australian Institute of Company Directors. PNG Institute of Directors.
Name: Sir Melchoir Togolo **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Panamex Holding (Singapore) Pte Limited, Heritage Park Hotel (Honiara SI), City Mission PNG, Loloata Island Resort Limited, Bougainville Copper Limited.
Name: Sir Melchoir Togolo **Nature of interest:** Professional membership	**Professional bodies** Australian Institute of Company Directors.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

6 Other disclosures (continued)

6.3. Related parties (continued)

(a) Interest register (continued)

Name: Sir Melchoir Togolo **Nature of interest:** Shareholder	**Companies** BSP 14,086 shares jointly owned with spouse.
Name: Clare Mazzetti **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Qudos Bank Limited, Uniting Church of Australia, Synod of NSW & ACT, Uniting Financial Services, The Tax Institute (Chair).
Name: Clare Mazzetti **Nature of interest:** Social or professional membership	**Professional bodies** Australian Institute of Company Directors. Fellow – FINISA.
Name: Daryl Craig Johnson **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Beyond Bank Australia Ltd, Cuscal Limited, Cadeau Pty Ltd (Self-Managed Superannuation Fund), CG Spectrum Institute Pty Ltd.
Name: Daryl Craig Johnson **Nature of interest:** Social or professional membership	**Professional bodies** Australian Institute of Company Directors.
Name: Lady Winifred Tare Kamit **Nature of interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, South Pacific Post Limited, Post Courier Limited, Brian Bell Company Limited, Kamchild Limited, Bunowen Services Limited, Kamit Consultancy Services Ltd.
Name: Lady Winifred Tare Kamit **Nature of interest:** Shareholder	**Companies** Kamchild Limited, Bunowen Services Limited, Kamit Consultancy Services Ltd.
Name: Lady Winifred Tare Kamit **Nature of interest:** Social or professional membership	**Professional bodies** PNG Institute of Directors Inc. (Founding Member and Fellow), PNG Law Society.
Name: Lady Winifred Tare Kamit **Nature of interest:** Director	**Professional bodies** Anglicare PNG Inc.

Notes to and forming part of the financial statements

For the year ended 31 December 2023

6 Other disclosures (continued)

6.3. Related parties (continued)

(a) Interest register (continued)

Name: Lady Winifred Tare Kamit	**Entity**
Nature of interest: Senior Partner (corporate/ commercial advisory)	Dentons Lawyers.

(b) Transactions with Directors and key management personnel

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

	2023	2022
Richard Sinamoi, a Director of the company and a Director of Nambawan Superannuation Limited (a shareholder of the company) holds shares as follows:	62,947,271	62,947,271
Richard Sinamoi, a Director of the Company holds shares as follows:	485,629	485,629
Abigail Chang, a Director of the Company holds shares as follows:	21,000	21,000

(ii) Remuneration of Directors

	2023 K'000	2022 K'000
Dr. Albert Mellam (Chairman)	250	197
Richard Sinamoi	243	217
Abigail Chang	216	196
Faye-Zina Lalo	214	196
Clare Mazzetti	201	183
Sir Melchior Togolo	201	183
Stephen Humphries	216	196
Daryl Johnson	203	111
Lady Winifred Kamit (appointed 22 March 2023)	212	–
David Foster (resigned 31 January 2022)	–	15
	1,956	**1,494**

6 Other disclosures (continued)

6.3. Related parties (continued)

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

(iii) Remuneration of key management personnel

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

	2023	2022
200,000–259,999	1	–
320,000–379,999	–	1
440,000–499,999	1	1
560,000–669,999	1	–
670,000–779,999	1	1
780,000–889,999	1	1
890,000–999,999	1	2
1,110,000–1,219,999	–	1
1,220,000–1,439,999	2	–
1,440,000–1,549,999	–	1
1,550,000–2,299,999	3	2
2,300,000–4,300,000	1	–
Total	12	10

Notes to and forming part of the financial statements

For the year ended 31 December 2023

6 Other disclosures (continued)

6.3. Related parties (continued)

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

(iv) Key management personnel compensation

	Note	Transaction value for the year end 31 December 2023 K'000	2022 K'000	Balance outstanding as at 31 December 2023 K'000	2022 K'000
Short-term benefits	(i)	15,687	13,450	4,695	615
Long-term benefits	(ii)	410	8	410	55
Total		16,097	13,458	5,105	670

A related party is a person or an entity that is related to the reporting entity and has significant influence over the reporting entity in making financial or operational decisions.

The transactions were processed at arm's length by the related parties concerned.

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

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

(v) Other transactions with Directors and key management personnel

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

Related party	Transaction	Note	Transaction value for the year end 31 December 2023 K'000	2022 K'000	Balance outstanding as at 31 December 2023 K'000	2022 K'000
Management personnel	Personal Loan	(i)	29	(139)	91	8
Management & Director	Deposit	(ii)	(24)	(1,293)	(1,425)	(1,293)
Total			5	(1,432)	1,334	(1,285)

Note: Balances with brackets indicate a payable balance.

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

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

6 Other disclosures (continued)

6.3. Related parties (continued)

(c) Transactions with subsidiaries — the Company

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

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
Transaction	Note	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Management fee	(i)	1,000	1,000	–	–
Interest bearing deposit	(ii)	37	216	1,812	1,713
Dividends	(iii)	40,825	13,227	25,868	866
Other	(iv)	24,275	34,425	39,870	15,595
Total		66,137	48,868	67,550	18,174

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

(ii) Credit Corporation (PNG) Limited has at call deposits with Credit Corporation Finance Limited totalling to K295,710 (2022: K228,062). Surplus funds have also been deposited in 1 year deposits with Credit Corporation Finance Limited at 2.45 interest rates per annum. The interest earned during 2023 was K36,547 (2022: K215,782).

(iii) Dividends were only received from CHL, CCFJ and CCVL amounted to K24.3m (2022: K13.2m).

(iv) Other transactions with subsidiaries including receivable from the subsidiary companies Era Matana Limited, Credit Corporation Industrial Limited, Credit House Limited and payables to Credit Corporation Finance Limited.

(d) Other related party transactions

(i) The associate company of Credit Corporation (PNG) Limited, Capital General Insurance, has interest bearing deposit accounts amounting to K1,976,065 as at 31 December 2023 (2022: K1,920,698) at 4.6% per annum with Credit Corporation Finance Limited.

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

6 Other disclosures (continued)

6.4. Events occurring after balance sheet date

The Bank of PNG (BPNG) on 2 February 2023 granted Credit Corporation Finance Limited (CCFL) an "Approval in Principle" for a banking licence. This licence is valid for a period of 12 months from the date granted to prepare for upgrading the Company's current licence from a financial institution to a niche commercial bank.

Since the issuance of the "Approval in Principal", CCFL has worked through the conditions as outlined by BPNG and is expected to be granted a banking license subsequent to 31 December 2023. The license will allow the entity to engage in banking activities and provide banking services in accordance with applicable laws and regulations.

The issuance of the banking license has the potential to impact the financial position, financial performance, and cash flows of the entity in subsequent reporting periods. It is not possible to reasonably estimate its financial impact as at the year ended 31 December 2023.

The entity will continue to monitor the impact of the banking license on its financial position and performance in subsequent reporting periods. Any material developments related to the banking operations will be disclosed in the notes to the financial statements in future reporting periods.

Additionally, Era Matana Limited and Era Dorina Limited were amalgamated with Credit House Limited. The certificate of amalgamation was issued on the 26 March 2024 with effective date of amalgamation being 1 January 2024. On 10 April 2024, the amalgamated entity Credit House Limited was re-registered as Credit Corporation Properties Limited.

Furthermore, subsequent to the sale of the undeveloped land held by Credit Corporation Industrial Limited, the Group decided to proceed with the deregistration of the business. The deregistration process commenced on 1 November 2023 and is underway, pending finalisation.

No other significant events have occurred since the balance sheet date which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2023 or in the results and cash flows of the Company for the year ended on that date.

Top 20 shareholders

		Shares Held	%
1	Nambawan Super Limited	62,947,271	20.44%
2	National Superannuation Fund Limited	62,099,367	20.17%
3	Teachers Savings & Loan Society Ltd	57,925,483	18.81%
4	Lamin Trust Fund	19,158,710	6.22%
5	Motor Vehicles Insurance Limited	17,100,000	5.55%
6	Federation of Savings & Loan Societies Limited	16,621,878	5.40%
7	Glen Panipas McIlwain	5,229,066	1.70%
8	BSP Life (Fiji) Limited	4,091,838	1.33%
9	Finance Corporation Limited	3,190,647	1.04%
10	Patronella Ia Bilur Harrison	3,000,000	0.97%
11	Capuchin Friars Minor of PNG	2,452,214	0.80%
12	Kina Asset Management No. 1	2,146,337	0.70%
13	Comrade Trustee Services	2,082,333	0.68%
14	Kina Nominees Limited	2,010,000	0.65%
15	West New Britain Provincial Government Trust Deed No 2 A/C	2,000,000	0.65%
16	Pacific MMI Insurance Limited	1,872,406	0.61%
17	Daughters of Our Lady of Sacred Heart Olsh Provincialate	1,800,000	0.58%
18	Nasfund Contributors Savings & Loan Society Limited	1,550,000	0.50%
19	Warwick Pomat Costigan	1,500,000	0.49%
20	Mineral Resources Development Company Limited	1,361,316	0.44%
		270,138,866	**87.73%**

Shareholding range	Shares Held
1–1,000	334,056
1,001–5,000	1,073,439
5,001–10,000	2,641,196
10,001–100,000	7,513,881
100,001 and above	296,368,760
	307,931,332

Shares trade	No	Volume
2023	126	2,691,263

Corporate directory

Registered Office

Ground Floor, Credit House,
Cuthbertson Street, Port Moresby,
Papua New Guinea

Principal Place of Business

Ground & 1st Floor, Credit House,
Cuthbertson Street, Port Moresby,
Papua New Guinea

Directors

Dr Albert Conrad Mellam

Richard Sinamoi

Abigail Erica Wendy Chang

Faye-Zina Lalo

Stephen Humphries

Sir Melchior Togolo

Clare Mazzetti

Daryl Johnson

Lady Winifred Tare Kamit

Group Chief Executive Officer

Danny Robinson

Company Secretary

Amanda Libitino

Auditors

KPMG Chartered Accountants
PO Box 507, Port Moresby,
Papua New Guinea

Fiji – KPMG

Solomon Islands – KPMG (Fiji)

Vanuatu – Law Partners

Tax Advisors

PricewaterhouseCoopers
PwC Haus, Level 6
Harbour City, Konedobu
Port Moresby, NCD 125
Papua New Guinea

Share Registry

PNG Registries Limited
Level 4, Cuthbertson House
PO Box 1265
Port Moresby, Papua New Guinea
Telephone: +675 321 6377
Email: brenda@online.net.pg

Bankers

Australia and New Zealand Banking Group (PNG) Limited

Australia and New Zealand Banking Group (Fiji) Limited

Bank South Pacific Limited

National Bank of Vanuatu

Westpac Bank PNG Limited

Papua New Guinea

Credit Corporation (PNG) Limited

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