



INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR
ENDED 30 JUNE 2019

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

The directors of Credit Corporation (PNG) Limited ("the Company") submit herewith the condensed consolidated financial report for the half-year ended 30 June 2019. This directors' report was prepared for the Company and its subsidiaries ("the Group").

INFORMATION ABOUT THE DIRECTORS

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

Name

Syd Yates OBE
Faye-Zina Lalo
Michael Varapik OBE
Richard Sinamoi
Johnson Kalo
James Kruse
Dr Albert Mellam
Abigail Chang
David Doig (Retired 30/06/2019)

PRINCIPAL ACTIVITIES

The Group's principal activities are as follows:

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

In addition, through its subsidiary companies, the Credit Corporation Group owns and manages a portfolio of Prime Real Estate assets.

REVIEW OF OPERATIONS

The total consolidated profit after tax for the half-year ended 30 June 2019 amounted to K78 million (2018: K70 million). The net assets of the Group are K893 million (2018:K851 million).

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company and the Group during the financial half-year.

DIVIDENDS

During the half-year, Credit Corporation (PNG) Limited declared final dividend of K40 million paid on 23 August 2019.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

SUBSEQUENT EVENTS

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

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

On behalf of the Directors:



Syd Yates OBE
Chairman

Port Moresby, 10 September 2019



Johnson Kalo
Director

Port Moresby, 10 September 2019



Independent Auditor's Review Report

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

Conclusion

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

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

The Interim Condensed Consolidated Financial Report comprises:

- The condensed consolidated statement of financial position as at 30 June 2019;
- The condensed consolidated statement of profit or loss, other comprehensive income, changes in equity and consolidated statement of cash flows for the half year ended on that date;
- Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Condensed Consolidated Financial Report of the Group does not give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year period ended on that date; and in accordance with the requirements of IAS 34 *Interim Financial Reporting*.

Directors' responsibility for the Interim Condensed Consolidated Financial Report

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

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



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

Our responsibility is to express a conclusion on the Interim Condensed Consolidated Financial Report based on our review. We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Condensed Consolidated Financial Report is not giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with the requirements of the International Accounting Standard IAS 34 *Interim Financial Reporting*. As auditor of the Credit Corporation (PNG) Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby

Date: 10 September 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	Consolidated as at	
		30 June 2019 K'000 Reviewed	31 December 2018 K'000 Audited
ASSETS			
Cash and cash equivalents		135,179	93,887
Finance receivables	10	626,897	581,939
Other receivables		3,270	4,923
Interest bearing securities		1,258	6,459
Other equity investments		34	34
Investment in associate	17	14,687	12,462
Other investments	16	406,965	377,930
Inventories		903	868
Property and equipment	14	25,229	25,107
Investment property	15	277,251	297,410
Income taxes receivable		—	1,172
Deferred tax assets		27,019	28,889
Total Assets		1,518,692	1,431,080
LIABILITIES			
Trade and other payables		8,267	6,442
Deposits and borrowings	18	555,720	546,139
Employee benefits		3,053	2,749
Income taxes payable		1,706	—
Provision for dividends	13	40,031	—
Deferred tax liabilities		17,088	24,540
Total Liabilities		625,865	579,870
Net Assets		892,827	851,210
EQUITY			
Share capital	20	21,984	21,984
Reserves	11	420,777	403,161
Retained earnings		450,066	426,065
Total Equity		892,827	851,210

The above statement should be read in conjunction with the accompanying notes on pages 10 to 22.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Notes	Consolidated Half-year ended	
		30 June 2019 K'000 Reviewed	30 June 2018 K'000 Reviewed
Finance income	8	51,368	43,445
Finance cost		(11,679)	(9,685)
Net finance income		39,689	33,760
Other income	8	61,203	54,554
Fair value gain on financial assets		29,035	18,181
Fair value loss on investment properties		(20,935)	-
Net operating income		108,992	106,495
Impairment loss on finance receivables	10	(6,185)	(12,408)
Personnel expenses		(10,300)	(8,970)
Depreciation expenses		(2,514)	(2,221)
Other operating expenses		(13,381)	(13,547)
Results from operating activities		76,612	69,349
Share of profit of equity accounted investee (net of tax)		2,225	2,626
Profit before tax		78,837	71,975
Income tax expense	9	(424)	(2,313)
Profit attributable to equity holders of the Company		78,413	69,662
Earnings per share based on profit for the half-year			
Basic and Diluted	12	0.25	0.22

The above statement should be read in conjunction with the accompanying notes on pages 10 to 22.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Consolidated Half-year ended	
	30 June 2019 K'000 Reviewed	30 June 2018 K'000 Reviewed
Profit for the half-year	78,413	69,662
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation differences for operations	3,235	(1,615)
Other comprehensive income/(loss) for the half-year (net of income tax)	3,235	(1,615)
Total comprehensive income for the half-year attributable to equity holders of the company	81,648	68,047

The above statement should be read in conjunction with the accompanying notes on pages 10 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Consolidated Half-year			
	Issued capital K'000	Reserves K'000	Retained earnings K'000	Total equity K'000
Balance at 1 January 2018	22,008	386,064	403,648	811,720
Adjustment on initial application of IFRS 9, net of tax	—	—	(4,939)	(4,939)
Total comprehensive income for the period	—	—	68,047	68,047
Transfers to reserves	—	13,131	(13,131)	—
	22,008	399,195	453,625	874,828
Transactions with owners				
Payment of dividends	—	—	(33,895)	(33,895)
Share buy-back transactions	(9)	—	(212)	(221)
	(9)	—	(34,107)	(34,116)
Balance at 30 June 2018	21,999	399,195	419,518	840,712
Balance at 1 January 2019	21,984	403,161	426,065	851,210
Total comprehensive income for the period	—	—	81,648	81,648
Transfer to reserves	—	17,616	(17,616)	—
	21,984	420,777	490,097	932,858
Transactions with owners				
Payment of dividends	—	—	(40,031)	(40,031)
	—	—	(40,031)	(40,031)
Balance at 30 June 2019	21,984	420,777	450,066	892,827

The above statement should be read in conjunction with the accompanying notes on pages 10 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Consolidated Half-year ended	
	30 June 2019 K'000 Reviewed	30 June 2018 K'000 Reviewed
	Notes	
OPERATING ACTIVITIES		
Charges earned on leases & loans	53,563	41,695
Commission, fees and rents	20,356	18,337
Interest payments	(11,679)	(9,685)
Payments to suppliers and employees	(14,762)	(16,445)
Operating cash flows before changes in operating assets	47,478	33,902
Net cash advanced in respect of finance receivables	(51,143)	(76,026)
Net cash received/(repaid) in respect of deposits	11,832	(591)
Net cash from operating activities before income tax	8,167	(42,715)
Income taxes paid	(3,128)	(2,315)
Cash flows from/(used in) operating activities	5,039	(45,030)
INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(2,709)	(5,904)
Acquisition of investment property	(776)	(2,650)
Proceeds from sale of property	482	796
Proceeds from sale of listed shares	—	3,699
Dividend received	36,657	33,027
Interest from funds deposited	1,350	2,135
Net cashflow from other investments	5,213	—
Cash flows from investing activities	40,217	31,103
FINANCING ACTIVITIES		
Share buy back	—	(220)
Proceeds of borrowings	—	5,000
Group GST paid	—	(597)
Repayment of borrowings	(2,251)	(2,236)
Repayment of interest	(1,829)	(1,924)
Cash flows from/(used in) financing activities	(4,080)	23
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents	116	(530)
Net increase/(decrease) in cash and cash equivalents	41,292	(14,434)
Cash and cash equivalents at 1 January	93,887	137,537
Cash and cash equivalents at period ended 30 June	135,179	123,103

The above statement should be read in conjunction with the accompanying notes on pages 10 to 22.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

1. REPORTING ENTITY

Credit Corporation (PNG) Limited (the “Company”) is a company domiciled in Papua New Guinea. These condensed consolidated interim financial statements as at and for the six months ended 30 June 2019, comprise the Company and its subsidiaries (the “Group”) and the Group’s interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial statements do not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report as at and for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments designated at fair value through profit and loss and investment property which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea Kina, unless otherwise noted.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s annual financial report for the financial year ended 31 December 2018. These accounting policies are consistent with International Financial Reporting Standards (“IFRS”).

These interim consolidated financial statements were authorised for issue by the Company’s board of directors on 31 August 2019.

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

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

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

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

5. SIGNIFICANT CHANGES IN THE CURRENT PERIOD

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 30 June 2019:

- a significant increase in results from operating activities largely driven by favourable loan growth, improved occupancy across the property portfolio, increase in dividend income, increase in fair value of equity investments and tight cost control.
- decrease in fair value of investment properties of K20,935,322.67 as a result of decline in demand of residential property rental in the market and some increase in market capitalisation rate. Fair values were determined using direct capitalisation approach and replacement cost having regard to current market characteristics for similar properties located in PNG.
- specific and portfolio impairment provisions remain relatively stable.

The Group early adopted IFRS 16 Leases in 2018, this resulted in the recognition of K3.63 million Right-of-use asset and K3.63 million Lease liability as at 1 January 2018.

6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018. The policy for recognising and measuring income taxes in the interim period is described in Note 9.

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

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

The Group early adopted IFRS 16 Leases as at 1 January 2018 and the impact of adopting this standard is disclosed in the Group's annual financial report for the financial year ended 31 December 2018. The application of other new and revised accounting standards and interpretations has no material impact on the amounts recognised in the financial statements.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements. The application of these new and revised standards and interpretations is not expected to have material impact on the amounts recognised in the financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

7. OPERATING SEGMENTS

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

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

	Revenue Half-year ended	
	30 June 2019 K'000	30 June 2018 K'000
General finance, leasing and hire purchase	56,427	47,622
Property investment – Rental revenues	19,356	16,781
– Fair value loss	(20,335)	–
Investment company	74,593	68,871
	130,041	133,274

	Segment Profit Half-year ended	
	30 June 2019 K'000	30 June 2018 K'000
General finance, leasing and hire purchase	22,409	13,156
Property investment – Rental revenues	9,261	5,865
– Fair value loss	(20,335)	–
Investment company	71,654	65,412
Total profit before tax for reportable segments	82,989	84,433
Elimination of inter-segment profit	(6,377)	(15,084)
Share of profit of equity-accounted investee	2,225	2,626
Profit before tax	78,837	71,975

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

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

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

	Segment revenue K'000	Inter-segmental revenue K'000	External revenues K'000
Half-year ended 30 June 2018			
General finance, leasing and hire purchase	47,622	(801)	48,423
Property investment – Rental revenues	16,781	1,007	15,774
– Fair value gain/(loss)	–	–	–
Investment company	68,871	16,767	52,104
	133,274	16,973	116,301

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

Reconciliation of reportable segment assets and liabilities:

	General finance, leasing and hire purchase	Property investment	Investment company	30 June 2019 K'000
Assets				
Total assets for reportable segments	765,880	313,426	865,948	1,945,254
Investment in equity-accounted investee	—	—	14,687	14,687
Elimination of inter-company balances	(55,370)	(2,097)	(39,528)	(96,995)
Elimination of investment in subsidiaries	—	—	(344,254)	(344,254)
Consolidated total assets	710,510	311,329	496,853	1,518,692
Liabilities				
Total liabilities for reportable segments	554,672	144,143	40,647	739,462
Elimination of inter-company balances	(67,403)	(32,289)	(13,905)	(113,597)
Consolidated total liabilities	487,269	111,854	26,742	625,865

	General finance, leasing and hire purchase	Property investment	Investment company	31 December 2018 K'000
Assets				
Total assets for reportable segments	730,121	325,699	802,391	1,858,211
Investment in equity-accounted investee	—	—	12,462	12,462
Elimination of inter-company balances	(39,380)	(7,755)	(48,204)	(95,339)
Elimination of investment in subsidiaries	—	—	(344,254)	(344,254)
Consolidated total assets	690,741	317,944	422,395	1,431,080
Liabilities				
Total liabilities for reportable segments	533,021	150,385	590	683,996
Elimination of inter-company balances	(65,784)	(29,509)	(8,833)	(104,126)
Consolidated total liabilities	467,237	120,876	(8,243)	579,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

8. REVENUE

The following are the Group's main revenue streams:

	Consolidated Half-year ended	
	30 June 2019 K'000	30 June 2018 K'000
Finance income	51,368	43,445
Other income		
Profit on sale of listed shares	—	3
Profit on sale of property, plant and equipment	417	(14)
Dividend income	36,657	32,918
Rental income from property	16,951	14,263
Rental outgoings	1,095	1,181
Interest on term deposit, treasury bills and semi-government bonds	1,439	1,445
Other operating income	4,644	4,758
Total other income	61,203	54,554

9. INCOME TAX EXPENSE

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

Reconciliation of total income tax expense

	30 June 2019 K'000	30 June 2018 K'000
Current tax expense	6,252	5,372
Under/(over) provisions in tax expense	(683)	(157)
Deferred tax expense	(5,145)	(2,902)
Income tax expense/(benefit)	424	2,313
Profit before tax	78,837	71,975
Computed tax using the applicable PNG corporate income tax rate (30%)	23,651	21,592
Effect of tax rates in foreign jurisdictions	(2,368)	(2,245)
Tax effect of:		
Share of profit of equity accounted associate reported net of tax	(953)	(1,125)
Current year unrealized gains for which no deferred tax is recognized	(8,711)	(5,454)
Dividend income exempt from tax listed entities	(10,997)	(9,875)
Gain on land revaluation - non taxable	(2,850)	0
Other	2,652	(579)
Tax expense in the income statement	424	2,314

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

10. FINANCE RECEIVABLES

	30 June 2019 K'000	31 December 2018 K'000
Gross finance receivables	796,375	747,257
Less: Unearned charges	(101,209)	(99,398)
Less: Deferred establishment fees	(5,948)	(5,373)
Less: Impairment allowance	(62,321)	(60,547)
Net finance receivables	626,897	581,939
Finance leases included in finance receivables analyzed as follows:		
Not later than one year	7,719	7,575
Later than one year and not later than five years	33,078	35,001
	40,797	42,576
Less: Unearned charges	(5,304)	(6,440)
Net finance leases	35,493	36,136

Analysis of impairment allowance	30 June 2019 K'000	31 December 2018 K'000
Impairment allowance		
Opening balance	60,547	38,270
Increase in allowance	9,757	25,268
Bad debts written off	(2,664)	(3,344)
Recoveries on overdue accounts	(3,572)	–
Effect of changes in foreign exchange rates	(1,747)	353
Closing balance	62,321	60,547

Total recoveries on written off accounts for the period ended 30 June 2019 was K930 thousand (30 June 2018: K457 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

11. RESERVES

	30 June 2019 K'000	31 December 2018 K'000
(a) Asset revaluation reserve		
Balance at 1 January	51,530	57,797
Deficit on revaluation of properties	(20,935)	(8,952)
Tax effect on revaluation of properties	6,281	2,686
Surplus/(deficit) on revaluation of investments	—	—
Closing Balance	36,876	51,531
(b) Asset realisation reserve		
Balance at 1 January	149	149
Transfer from retained earnings	—	—
Closing Balance	149	149
(c) Exchange fluctuation reserve		
Balance at 1 January	6,216	6,813
Translation adjustment	3,235	(597)
Closing Balance	9,451	6,216
(d) General reserve		
Balance at 1 January	345,266	321,306
Transfer from retained earnings	29,035	23,960
Closing Balance	374,301	345,266
Total Reserves	420,777	403,161

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

12. EARNINGS PER SHARE

For continuing and discontinued operations

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

	Six months ended	
	30 June 2019 K'000	30 June 2018 K'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share from profit/(loss) for the period attributable to owners of the parent	0.25	0.22
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	308,045	311,421
Effect of dilutive share options	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	308,045	311,421
From continuing operations		
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the parent	78,412	69,663
Less: (profit) loss for the period from discontinued operation	—	—
Earnings for the purposes of basic and diluted earnings per share from continuing operations	78,412	69,663

13. DIVIDENDS

Final dividend for the year ended 31 December 2018 of 13 toea (2018: 11 toea) per share was declared on 27 June 2019 and paid to shareholders on 23 August 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

14. PROPERTY AND EQUIPMENT

	Building, capital WIP & ROUA K'000	Furniture & fittings K'000	Motor vehicles K'000	Office equipment K'000	Total K'000
Consolidated					
Cost					
At 1 January 2018	12,362	14,750	5,345	8,080	40,537
Additions	28	1,094	1,091	1,604	3,817
Disposals/transfers	—	(3,459)	(474)	(527)	(4,460)
IFRS 16 Right of Use Asset	3,629	—	—	—	3,629
Effect of changes in foreign exchange rates	6	5	1	8	20
At 31 December 2018	16,025	12,390	5,963	9,165	43,543
At 1 January 2019	16,025	12,390	5,963	9,165	43,543
Additions	—	716	988	268	1,972
Disposals/transfers	548	—	(794)	(5)	(251)
IFRS 16 Right of Use Asset	86	—	—	—	86
Effect of changes in foreign exchange rates	26	1	7	6	40
At 30 June 2019	16,685	13,107	6,164	9,434	45,390
Depreciation					
At 1 January 2018	989	8,933	2,615	5,199	17,736
Charge for the year	138	1,571	965	954	3,628
IFRS 16 Depreciation — ROU	1,307	—	—	—	1,307
Disposals/transfers	—	(3,250)	(462)	(521)	(4,233)
Effect of changes in foreign exchange rates	—	2	(3)	(1)	(2)
At 31 December 2018	2,434	7,256	3,115	5,631	18,436
At 1 January 2019	2,434	7,256	3,115	5,631	18,436
Charge for the period	69	841	540	507	1,958
IFRS 16 Depreciation — ROU	557	—	—	—	557
Disposals/transfers	(46)	—	(745)	(7)	(799)
Effect of changes in foreign exchange rates	2	1	4	3	9
At 30 June 2019	3,016	8,098	2,913	6,134	20,161
Carrying amounts					
At 1 January 2018	11,373	5,817	2,730	2,881	22,801
At 31 December 2018	13,591	5,134	2,848	3,534	25,107
At 30 June 2019	13,669	5,009	3,250	3,300	25,229

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15. INVESTMENT PROPERTY

	30 June 2019 K'000	31 December 2018 K'000
Balance as at 1 January	297,410	301,810
Revaluation	(20,935)	(8,952)
Transfer to property, plant and equipment	(110)	—
Acquisitions	886	4,552
Closing Balance	277,251	297,410

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

Investment property	Valuation basis	Valuer	Valuation effective date	Value as at 30 June 2019 K'000	Value as at 31 December 2018 K'000
Era Dorina	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd.	30 June 2019	138,857	152,555
Credit House	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd.	30 June 2019	73,834	75,331
Era Matana	Direct capitalisation	Savills Valuation & Professional Services (S) Pte Ltd.	30 June 2019	56,660	60,523
CCIL	Replacement cost	Savills Valuation & Professional Services (S) Pte Ltd.	30 June 2019	4,100	4,601
CCP	Direct capitalisation	Professionals	30 June 2019	3,800	4,400
				277,251	297,410

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

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

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

Direct capitalisation is a fair value model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific 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.

Fair value hierarchy

The fair value measurement for investment properties of K277 million have been categorised at Level 3 fair value, as the input 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 10.00% and 11.50% (2018: 10.00% to 10.75%). Accordingly, an increase in market lease rental rates and/or a decrease in the capitalisation rate would increase the fair value of properties. A decrease in market lease rental rates and/or increase capitalisation rate would decrease the fair value of properties. A sensitivity analysis is provided in the next page.

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FOR THE HALF-YEAR ENDED 30 JUNE 2019

Sensitivity analysis

	30 June 2019 K'000	31 December 2018 K'000
Increase of 1% in market capitalisation rate	(22,552)	(26,838)
10% increase in market lease rentals	34,415	29,976

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

Recognition and measurement

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

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

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

Key judgments and estimates

Judgment is required in determining the following key assumptions:

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

16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

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

Listed shares	% Held	30 June 2019			31 December 2018		30 June 2018
		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	401,412	29,035	36,294,081	372,377	18,517
Airlines PNG Limited	0.65%	2,000,000	240	—	2,000,000	240	—
City Pharmacy Limited	0.95%	1,953,544	1,270	—	1,953,544	1,270	(293)
Kina Asset Management Ltd.	8.71%	4,255,463	4,043	—	4,255,463	4,043	(43)
			406,965	29,035		377,930	18,181

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2019

17. INVESTMENT IN ASSOCIATE

	30 June 2019 K'000	31 December 2018 K'000
Equity-accounted investee	14,687	12,462

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (31 December 2018: 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 30 June 2019, the investment was valued at K14.687 million (31 December 2018: K12.462 million).

The Group and Company's share of profit after tax and comprehensive income in Capital Insurance Group for the period was K2.22 million (30 June 2018: loss of K2.63 million). During the 6-month period ended 30 June 2019, the Group received no dividend (31 December 2018: Nil) from the Capital Insurance Group.

18. DEPOSITS AND BORROWINGS

	30 June 2019 K'000	31 December 2018 K'000
Current		
Interest bearing deposits	435,649	433,235
IFRS 16 lease liability	825	862
Secured bank loans	57,859	60,110
	494,333	494,207
Non-current		
Interest bearing deposits	60,173	50,196
IFRS 16 lease liability	1,214	1,736
	61,387	51,932
	555,720	546,139

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19. FINANCIAL INSTRUMENTS – FAIR VALUE VERSUS CARRYING VALUES

Consolidated	Level of FV hierarchy	Fair values		Carrying amount	
		June 2019 K'000	December 2018 K'000	June 2019 K'000	December 2018 K'000
Interest bearing securities	1	1,258	6,459	1,258	6,459
Financial assets at fair value through profit or loss	1	406,965	377,930	406,965	377,930
Other equity investments	3	34	34	34	34
Finance receivables	2	626,897	581,939	626,897	581,939
Cash and cash equivalents	1	135,179	93,887	135,179	93,887
Secured bank loans	2	(57,859)	(60,110)	(57,859)	(60,110)
Interest bearing deposits	2	(495,822)	(483,431)	(495,822)	(483,431)
Total		616,652	516,708	616,652	516,708

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

20. ISSUED CAPITAL

Issued capital as at 30 June 2019 amounted to K21.98 million. There were no movements in the issued capital of the Group in the current interim reporting period.

21. COMMITMENTS

A capital outlay of K2.6 million is expected by the Group for the Property Division's acquisition of various plant and equipment.

As at 30 June 2019, the Group has K600 thousand contractual commitment for the IT works.

The Group is not expecting any significant contingent liabilities.

22. SUBSEQUENT EVENTS

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



