CREDIT CORPORATION

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 31 DECEMBER 2020

Incorporating the requirements of Appendix 4B (equity accounted)

Appendix 4B

For the full year to 31 December 2020

Results for announcement to the market

Comparisons of the current year to 31 December 2020 are with the year to 31 December 2019.

Preliminary Final Report for the year ended 31 December 2020	**FY 2020**	**FY 2019**
Revenue from ordinary activities (PGK Millions)	**K142m**	**K210m**
Net profit after tax for the period Attributable to equity holders (PGK Millions)	K22m	K132m
Full Year dividend Unfranked (PGK toea per share)	12	13
Interim dividend Unfranked (PGK toea per share)	-	7

Appendix 4B

For the Full Year to 31 December 2020 Results for announcement to the market

Credit Corporation (PNG) Limited results for the year to 31 December 2020 compared with results for the year to 31 December 2019.

Directors

The Directors present this report together with the Consolidated Financial Report for the year ended 31 December 2020.

Directors:

The Directors of the Company during or since the end of the year are:

- Sydney Yates, Chairman
- Richard Sinamoi
- Faye-Zina Lalo
- Michael Varapik (resigned on 4th February 2021)
- Albert Mellam
- James Kruse (resigned on 5th March 2021)
- Abigail Chang

The Company Secretary since November 2020 is Jack Parina. (Beverlyn Malken – resigned 13th Nov 2020).

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1. Results overview

A CHALLENGING YEAR FOCUSED ON ASSISTING OUR CUSTOMERS AND EMPLOYEES MANAGE THROUGH THE IMPACTS OF COVID-19

1.1 Results Highlights

	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
RESULT DRIVERS - GROUP						
Group Core Operating Profit (PGK'000)*	25,663	105,019	-75.6%	1,296	34,282	-96.2%
Profit after tax attributable to the shareholders (PGK'000)	21,996	131,985	-83.3%	(1,869)	53,573	-103.5%
Expense to Income Ratio**	50.2%	38.0%	12.2%	63.1%	43.5%	19.6%
Group Return on Equity	2.8%	11.9%	-9.1%	0.3%	3.8%	-3.5%
Return on Asset	1.7%	6.8%	-5.2%	0.1%	2.2%	-2.1%
Earnings Per Share	0.07	0.43	-83.3%	- 0.01	0.17	-105.9%
Net Asset Backing Per Share	2.97	2.99	-0.6%	2.97	2.99	-0.6%
RESULT DRIVERS - FINANCE						
Net Profit After Tax (PGK'000)	(6,053)	37,418	-116.2%	(1,834)	19,274	-109.5%
Net interest margin (%)	12.8%	13.5%	-0.7%	12.2%	13.7%	-1.5%
Net Loan Book (PGK'000)	504,450	613,111	-17.7%	504,450	613,111	-17.7%
Funding (PGK'000)	548,287	531,966	3.1%	548,287	531,966	3.1%
Loan impairment expense (PGK'000)	63,374	13,953	354.2%	25,165	7,768	224.0%
RESULT DRIVERS - PROPERTY						
Core Operating Profit (PGK'000)	11,532	17,569	-34.4%	4,884	8,808	-44.6%
Occupancy Rates (Average)	76.0%	81.7%	-5.7%	76.0%	81.7%	-5.7%
Investment property fair value (PGK'000)	258,968	275,700	-6.1%	258,968	275,700	-6.1%
Rental Yields	10.1%	12.1%	-2.0%	10.1%	12.1%	-2.0%
RESULT DRIVERS - INVESTMENTS						
Fair Value of Listed Investments (PGK'000)	440,336	433,409	1.6%	440,336	433,409	1.6%
Dividend Yield	10.0%	11.7%	-1.7%	2.1%	3.2%	-1.1%
Dividend Income (PGK'000)	43,962	50,583	-13.1%	9,120	13,926	-34.5%
Share of profit of equity accounted investee (PGK'000)	-	(4,179)	-100%	-	(6,404)	-100%

*Core operating profits excludes fair value changes arising from revaluation investments, and income tax expense

**Expense to income ratio excludes any fair value changes of investments and movement in bad debt provisions.

1.2 Operating performance and earnings

Credit Corporation Group's ("the Group") performance for the year ended 31 December 2020 ("FY20") has reflected the impact of the COVID-19 pandemic on the economies where the Group operates and its customers. The full year results show a 76% decrease in Core Operating Profit to K25.66m and an 83% decrease in NPAT to K22.00m compared to the 31 December 2019 ("FY19") full year result. The FY20 results were largely impacted by lower lending sales activities, a decline in occupancy rates across the property portfolio and a significant increase in loan impairment costs. A further downward revaluation on the property portfolio also contributed to the results.

The year 2020 was challenging due to economic activity throughout PNG and the Pacific being significantly impacted by the pandemic, in addition to the impacts of Cyclone Harold. During the period, governments of countries where the Group operates focussed on preventive measures to keep people safe. These measures, while necessary, have contributed significantly to a fall in business activity. For the Group, this has resulted in a decline in revenue in the key markets, while impairment costs have increased by 354% to K63.4m in FY20 compared to FY19 reflecting the expected credit losses as measured under IFRS 9, *Financial Instruments*.

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

The world experienced an unprecedented health and economic crisis last year and the Group committed to assisting as many customers as possible through this difficult period. Our support provided relief to many of our customers. Furthermore, given the moving markets and the evolution of the devastating effect on economies, the Group has used a credit provision overlay that is supported by the uncertainty of the environment and a balanced risk appetite. As IFRS 9 requires an unbiased probability of the estimates, the Group considers its provisioning as neither optimistic nor overly cautious, but rather a balanced view of an evolving situation.

The Group will continue to monitor its lending portfolio and reassess provisioning levels as the situation evolves and has also deployed senior resources in modelling behaviours in 2021 to remain abreast of any deterioration of the credit quality.

Notwithstanding the challenges of FY20, the Group's focus was on helping our customers to navigate through the uncertainties and challenges posed by the pandemic, while ensuring the health and well-being of our staff.

During the year, the Group supported customers by implementing initiatives such as loan repayment deferrals (LRDs) within the finance segment. The LRDs were part of the boarder Covid 19 relief measures insisted by the Governments and regulators within key markets. Customers in our property portfolio were also affected which required certain relief measures to maintain occupancy and support our tenancies through this difficult period.

Despite these challenges, the Group ended the year in a strong position financially, operationally and culturally.

The Group has worked to strengthen its capital position in recent years, which has enabled it to build a buffer to assist in absorbing the financial impacts of COVID-19, and to be better positioned to respond to future developments in the economy. A critical focus during this period has been to manage costs in the business and to ensure sufficient liquidity within our balance sheet. This is reflected in the Group's cash position as at 31 December 2020, with the cash balance increasing by 67% since the end of FY19.

Dividends from the investment segment have also been reduced due to the economic environment.

The Group has continued its focus on key priority areas including strengthening its systems, processes, and corporate governance framework.

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

During FY20, the Group continued its technology investment including the ongoing upgrade of IT platforms, and improving and automating key business processes.

In line with the strategic direction, the management team has also been focused on implementing the following key initiatives:

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

The Group's cost to income ratio was higher at 50.2%, as a result of a reduction in revenue caused by the impacts of COVID-19 restrictions.

The Board also declared a final dividend for FY19 of 12 toea per share in June 2020. This represented a dividend yield of 7.1%. The Board decided not to pay an interim dividend for the FY20 financial year given the economic uncertainty. In assessing its options, the Board considered the Group's dividend policy, capital strength, potential impacts on capital because of increased provisioning resulting from COVID-19 related economic effects and credit stress testing scenarios.

Group return on equity reduced by 910bps to 2.8%, reflecting the challenging times during FY20.

While it is presently difficult to predict the duration of the recovery from the pandemic, the Group will maintain a prudent approach to risk, and focus on disciplined operational execution.

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

The Group understands the current environment will present opportunities for financial services companies who are able to focus on their customers' needs, while remaining prudent in their approach to managing operations.

1.2.1 Finance Segment

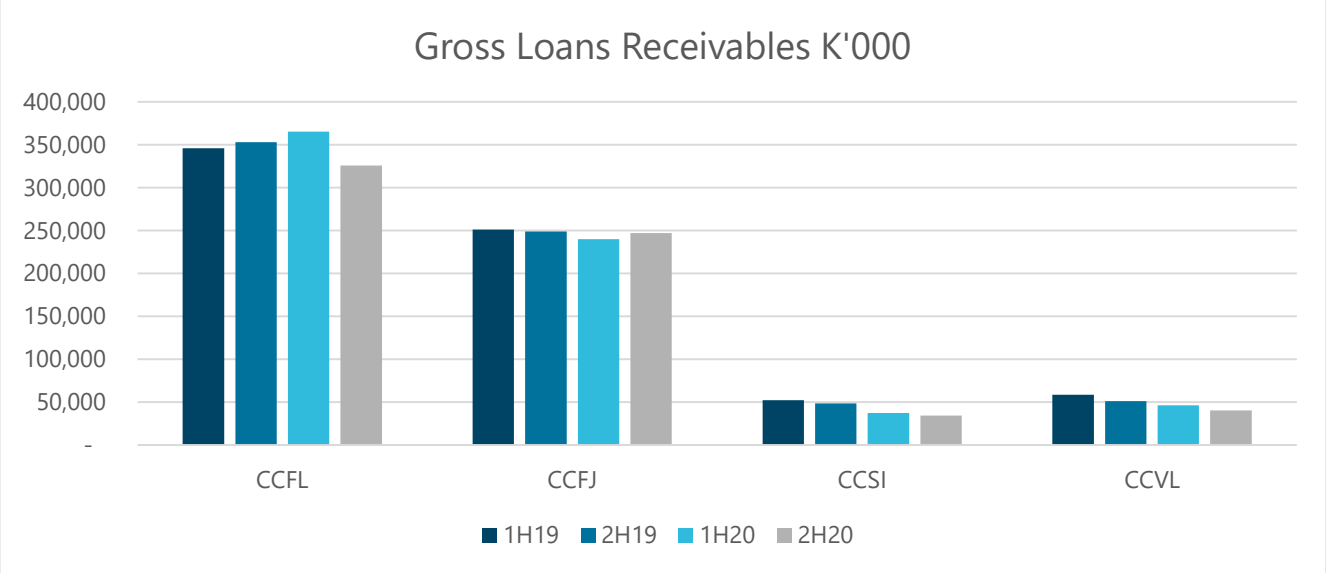
The Group's finance companies have been significantly impacted by the COVID-19 pandemic restrictions introduced by governments across all jurisdictions. The subsequent closing of borders has contributed to the revenue decline from tourism activities, impacting customers in all industries, but most significantly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

The governments of countries where we operate have responded with some fiscal stimulus to drive economic activity to assist in replacing revenue shortfalls, however the Group expects GDP levels to remain subdued for the near term.

Gross loan receivables (net of unearned interest) reduced by K54m or 8% in FY20 due to our prudent approach to lending in the current environment. The majority of the loan repayments where loans were paid- off at maturity came in the smaller portfolios of Solomon Islands (K14m), Vanuatu (K11m) and to a lesser extent Fiji (K2m). The

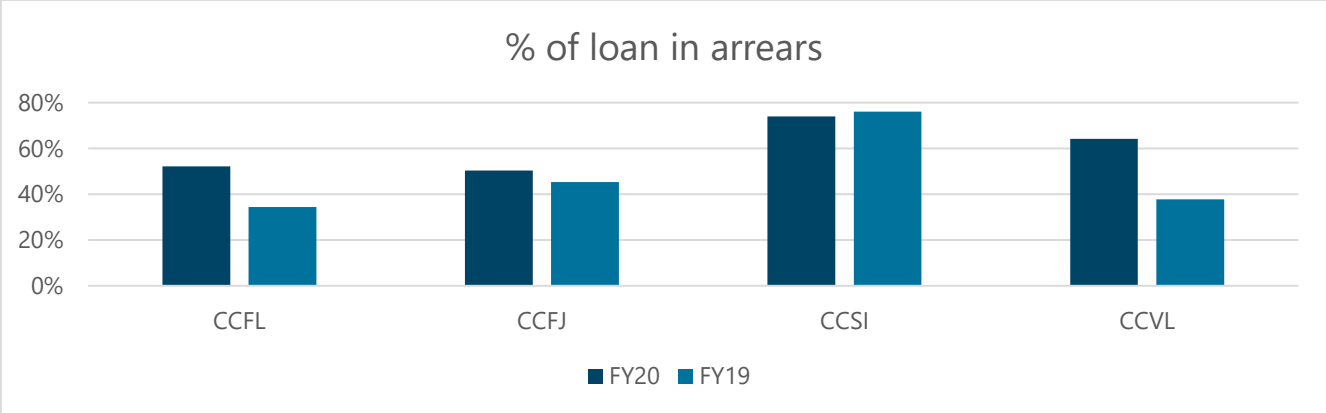
PNG portfolio decreased by K27m or 7.6%. Business development initiatives have been implemented with consideration of the longer-term impacts of the COVID-19 restrictions on respective local economies.

Gross Loan Receivables PGK'000



The finance business introduced measures to support businesses experiencing challenges due to the effect of COVID-19 on their businesses. This situation has contributed significantly to the increased impairment and provision costs. There were a number of customers experiencing challenges prior to the COVID-19 pandemic and these, required additional provisioning. The Group has taken a balanced view to loan provisioning levels in increasing total provisions by K55m or 85% from FY19 to reflect the level of uncertainty within the global and local markets. Current loan provisions now stand at K119m.

Total Overdue Account Balances by %



The volume of customer requests for LRDs has varied across the jurisdictions following the initial granting of three-month deferrals (subject to eligibility).

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

The finance segment overall recorded loss after tax of K6.1m, compared to a NPAT of K37.4m for FY19. The main contributor to the result was attributed to the increase in loan provisions and a decrease in interest income from reduced loan receivables.

The Group's focus has been on managing the COVID 19 amplified arrears and the management of long-term non-performing loans through proactive recovery action.

In line with the requirements of IFRS 9, the Group undertook a review process of its entire loan portfolio to ensure that each loan asset was restated according to the relevant credit quality measures.

Due to reduced economic activity across key markets and key concentrated portfolios, the Group determined that some customers would be challenged in returning their businesses to normal. This resulted in an increase estimate of expected credit losses as many of our customers were unable to repay the indebtedness.

The Group has uplifted its recovery focus and introduced a dedicated business unit to review all distressed loan assets. The asset management team has been established with new parameters to manage customers through this period via several approaches. The Asset Management Unit now has responsibility for monitoring asset quality and is working with the credit and service and sales teams on the most appropriate strategies.

Focus has been now placed on significant exposures that are putting upward pressure on impairment costs and resolving legacy loans, particularly in the PNG business. Further, recovery work has also been undertaken for CC Solomon Islands with positive results.

PNG

Papua New Guinea is experiencing similar challenges to other economies in the Pacific region due to the impact of COVID-19.

PNG's along with the Pacific region economies are expected to post a modest recovery in 2021 however growth is dependent on key resource projects proceeding in the future.

On the positive front the delayed Total-led liquefied natural gas (LNG) export development has signed a key fiscal stability agreement with the government. This marks a significant step in de-risking the proposed Papua LNG scheme.

Furthermore, an Environmental Permit has been awarded to the Wafi-Golpu Joint Venture project. This is a key step in it achieving a special mining licenses.

Twinza Oil is also presently awaiting formal approval of the Pasca A Gas Project Agreement.

The PNG Government has indicated that it is committed to ongoing investment in infrastructure which should also support the economy.

During FY20, business lending activity slowed dramatically from March 2020 and continued for the balance of the year. New business lending was only K96m for the year compared to K168m in 2019, which reflected lower market activity and the Group's prudent approach to new lending given the uncertain environment. The attention of our team moved to customer assistance with loan repayment deferrals, collections and recovery of non-performing loans.

A loss of K 12.7 million was recognised for CCF PNG for FY20. This was attributed to a 5% drop in revenue in addition to loan impairment costs. The increase in impairment costs was attributed to macro headwinds posed by COVID-19 and some overhaul of loan data quality issues. The Net loan book reduced by 21% to K262m as a result of reduced sales activities and increased loan impairment provisions.

Furthermore, the PNG portfolio has several industry concentrations which did not experience a quick recovery or were reliant on government contracts that slowed throughout 2020.

The credit quality, and level of arrears, for the top 25 customers (approximately 56% of the loan portfolio) worsened with a 67% concentration of total provisioning. These customers were migrated to our newly formed asset management unit and will be subject to various recovery strategies to manage the impairment and expected credit losses.

A review of all loan assets that constituted 96% of the provisions and 85% of the value was executed and stress tested for loan quality issues including security (collateral values) and loan arrears history (probability of default information).

Fiji

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

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

As a result, the Fiji business's lending sales volumes have slowed dramatically over 2020, with businesses in Fiji impacted by the economic fallout and the resulting slowdown in commitment to all but essential capital investment. The economic situation was further exacerbated by the impacts of Cyclone Harold hitting Fiji in April and causing major damage to the outer islands.

A key focus area of the Fiji business has been on processing the number of LRD Requests. Many customers have been granted a loan repayment deferral to allow them to recover from the economic impacts.

The Fiji business profit after tax for the year was a modest K2.5m, with net loan receivables down K20.3m or 8.6% and impairment costs up K14.5m, compared to FY19.

While the Fiji business has faced significant challenges in FY20, it is well placed to weather the storm given it is well capitalised with a comfortable liquidity position.

Solomon Islands

The Solomon Islands economy remained subdued in FY20. The continuation of this trend is due to delay in major government infrastructure projects along with the effects of COVID-19 pandemic.

The lack of economic activity and a number of non-performing loans carried over from the previous year resulted in a reduction of the net loan book by K3.4m or 12.7% in FY20.

Despite the falling loan book, remedial action helped the Solomon Islands business to maintain its arrears level. CC Solomon Islands has a strong liquidity position and is well placed to capitalise on business opportunities as they arise in FY21.

There is expectation that the Solomon Islands economy will rebound in 2021 with expected GDP growth of 2%. Major government and donor agency projects becoming operational will be key to this growth.

Vanuatu

Vanuatu experienced Category 5 Tropical Cyclone Harold, a volcanic ash cloud and the COVID-19 pandemic in FY20.

In line with forecast by IMF, Vanuatu's real economic growth for 2020 is projected to be negative, with a 4.1% decline after uninterrupted growth for the past 18 years. The domestic economic outlook is forecast to achieve a solid recovery with 5% growth in 2021 and 4.3 per cent in 2022.

The economy is highly dependent on its services sector (~60% of GDP) largely made up of tourism activities, but due to COVID-19 and the border lockdown that focus has switched to the agriculture, forestry and fishing sector (18.4% of GDP). Unfortunately, the hub of the agriculture sector is in the northern part of the country, which was severely impacted by Tropical Cyclone Harold in April 2020. Furthermore, during the same month the southern part of the country was impacted by widespread volcanic ash. This is the first time in 40 years, Vanuatu has experienced three simultaneous large-scale disasters in a month.

The Vanuatu business recorded a net profit of K0.5m in 2020, with provisioning of K7.3m being the largest expense. Liquidity remained strong during the year while the operation was selective in writing new business as the focus post COVID-19 remained on collections and managing existing loan portfolio.

1.2.2 Property Segment

COVID-19 has had an impact on the Properties segment during FY20 with declining occupancies, downward pressure on rental rates and increased rental abatements.

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

- Era Dorina – occupancy decreased to 52% (61% in FY19).
- Era Matana – occupancy decreased to 84% (94% in FY19).
- Credit House – occupancy remained stable at 95% (95% in FY19).

Average occupancy levels for the property portfolio decreased to 76% during FY20 compared to 82% in FY19. Occupancy levels at Credit House have been stable, while more focus has been placed on securing occupancy levels at our residential properties after the initial departure of tenants as a result of repatriation of expatriate staff by the Australian Government and other international agencies.

Other competitor residential properties have also suffered declining occupancies as a result of the COVID-19 travel and movement restrictions. This has placed downward pressure on rental rates that were already challenged due to the existing oversupply of high-end properties in the Port Moresby market. This has resulted in lease tenure for residential properties reducing from an average of 24 months to 12 months.

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

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

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

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

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

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

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

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

1.2.3 Investment Segment

The investment portfolio consists of listed equities, predominantly BSP shares. The valuation of shares in BSP increased by 1.6% in FY20. Dividend income also decreased by 13.1% in FY20.

1.2.4 Property Valuations

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

For FY20 reporting, the Group performed a further valuation analysis on its properties in light of current uncertainties posed by COVID-19. Accordingly, property values had decreased by a further K16.8m. The valuation position was attributed to market factors such as rental rates, property prices and yields, and average lease tenures due to current uncertainties.

The results of the valuation are as per below:

Investment Property	Valuation Basis	Dec-20 K'000	Dec-19 K'000	Mov't K'000
Era Dorina	Direct Capitalisation	126,286	137,937	(11,651)
Credit House	Direct Capitalisation	72,149	72,927	(778)
Era Matana	Direct Capitalisation	52,733	56,936	(4,203)
Gerehu Land	Replacement Cost	4,000	4,100	(100)
Credit Corporation Property - Lae	Direct Capitalisation	3,800	3,800	-
		258,968	**275,700**	**(16,732)**

Despite pressure on rental rates and reduced average market tenure, the Group continued with its work to maintain its status as a preferred supplier in the market.

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

1.3 Key strategic priorities

The Group has been focused on remaining resilient in the face of current market volatility and uncertainties caused by COVID-19. Priorities have shifted to one of actively managing customers, in addition to a heightened focus on supporting staff health and well-being. We are also focused on maintaining a strong balance sheet that provides a solid platform for us to take full advantage of growth opportunities as the global and local economies recovers.

The strength of our relationship with our customers, institutional shareholders, our banking partners, and the regulators in each of the Group's jurisdiction has been mutually beneficial in terms of successfully navigating through these uncertain times.

The Group has utilised the pandemic to fully test and implement its business continuity plans and despite some logistical challenges, the Group is pleased with the level of preparedness demonstrated by our Teams during this uncertain period.

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

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

1.4 Governance and risk

The Group updated and enhanced its Governance, Risk & Compliance (GRC) plan in FY20 following the onboarding of the Chief Risk Officer. The newly formed risk team is focusing on strengthening the Group governance structures and rebuilding the Risk Management Framework to fit the current market, strategy, and business priorities.

Risk is now managed in five key function areas across three divisions:

1. Credit Risk Division
2. Governance Risk & Compliance Division
    a. Material Risk Management
    b. Compliance Management
    c. Governance
3. Asset Management Unit (newly formed)
    a. Impaired Asset Division
    b. General Counsel & Legal
    c. Quality Assurance

The Group Executive Committee manages the eight (8) key risks (and overall operations) for the Group under a revised governance structure.

The Risk Appetite Statements for the Group are being reviewed which will determine more quantitative measures to assist the Board in managing risk and a new Risk Management Strategy will be endorsed in the first quarter of 2021.

With the emerging challenges, Operational, Credit Risk and Impaired Asset Management are our key risk priorities.

The Group is implementing strategies to ensure robustness across these material risk areas. Data integrity and aligning our customer experience with current economic challenges are also key focus areas along with uplift strategies for our risk model, risk management system and risk culture program.

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

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

1.4.1 Future performance, forward looking statements

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

1.4.2 Rounding

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

1.5 Profit results for the year ended 31 December 2020.

1.5.1 Statutory results

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Finance Income	98,938	109,677	-10%	45,199	56,353	-20%
Finance cost	(26,696)	(24,731)	8%	(12,600)	(13,052)	-3%
Net Finance income	72,242	84,946	-15%	32,599	43,301	-25%
Other income	79,902	92,564	-14%	26,457	30,821	-14%
Fair value gain/(loss) on financial assets	6,926	55,480	-88%	(311)	26,444	-101%
Fair value loss on investment properties	(16,778)	(22,221)	-24%	(370)	(1,285)	-71%
Net operating income	**142,292**	**210,769**	**-32%**	**58,375**	**99,281**	**-41%**
Impairment loss on finance receivables	63,374	13,953	354%	25,165	7,768	224%
Personnel expenses	22,116	19,323	14%	11,017	9,023	22%
Depreciation expense	5,502	4,638	19%	2,813	2,124	32%
Other operating expenses	35,488	30,399	17%	18,764	14,521	29%
Total expenses	**126,480**	**68,313**	**85%**	**57,759**	**33,436**	**73%**
Results from operating activities	**15,812**	**142,456**	**-89%**	**616**	**65,845**	**-99%**
Share of profit of equity accounted investee (net of tax)	-	(4,179)	-100%	-	(6,404)	-100%
Profit before tax	**15,812**	**138,277**	**-89%**	**616**	**59,441**	**-99%**
Income tax (benefit) / expense	(6,184)	6,292	-198%	2,485	5,868	-58%
Profit attributable to equity holders of the company	**21,996**	**131,985**	**-83%**	**(1,869)**	**53,573**	**-103%**

The above information reflects the full year audited consolidated financial results for Credit Corporation Group for the financial year ended 31 December and Half year ended 30 June reviewed financial statements.

1.5.2 Net interest margin

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Average Interest earning assets	558,780	597,220	-6.4%	538,565	620,004	-13.1%
Average yield on interest earning assets (%)	17.7%	18.4%	-0.7%	16.8%	18.8%	-2.0%
Average interest bearing liabilities	540,126	507,699	6.4%	554,611	513,895	7.9%
Average cost on interest bearing liabilities (%)	4.9%	4.9%	0.1%	4.5%	5.1%	-0.5%
Interest spread (%)*	12.8%	13.5%	-0.7%	12.2%	13.7%	-1.5%

The net interest margin ("NIM") reduced by 70bps to 12.8% in FY20. The reduction in margins was attributed to increased costs of funds in maintaining the Group's funding base given current macroeconomic headwinds.

Reduced sales activity across key markets impacted interest income and yields across the loan portfolio. In addition, a number of loans went into non-accrual status requiring interest to be suspended.

**Interest spread for 2019 was changed to 13.5% from 11.6% as per published 2019 Appendix 4B due to reclassifications.*

1.5.3 Investment fair value movement

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Property						
Residential property	(15,854)	(19,241)	-18%	(5,516)	(2,369)	133%
Commercial Property	(924)	(2,980)	-69%	5,146	1,084	375%
Total gain/(loss) on property valuation	**(16,778)**	**(22,221)**	**-24%**	**(370)**	**(1,285)**	**-71%**
Financial Assets						
Listed equity	6,926	55,480	-88%	(311)	26,444	-101%
Share of profits from equity accounted investee	-	(4,179)	-100%	-	(6,404)	-100%
Total gain/(loss) on valuation of financial assets	**6,926**	**51,301**	**-86%**	**(311)**	**20,040**	**-102%**
Total gain/(loss) on valuation of investments	**(9,852)**	**29,080**	**-134%**	**(681)**	**18,755**	**-104%**

Property valuations

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

During 2020, the Group requested Savills Singapore to perform a desktop assessment again on its property values in light of current uncertainties posed by COVID-19. Accordingly, based on the Savills assessment, the Directors' valuations for property values have decreased by K16.8m.

Investment valuations

The investment portfolio consists of listed equities with BSP dominating 99% of the investment portfolio. Valuation of shares was based on closing market price as at 31 December 2020. The Group had 36,294,081 shares in BSP as at 31 December 2020 with a fair value of K436m. This represents a decrease of 86% in fair value movement from FY19.

Dividend income received in FY20 also decreased by 13.1% to K44m and was predominantly derived from the Group's BSP investment.

1.5.4 Share of profits from equity accounted investee

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Investments - equity accounted	8,283	8,283	0%	8,283	8,283	0%
Share of profit of equity accounted investee (net of tax)	-	(4,179)	-100%	-	(4,179)	-100%

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

For the purposes of reporting the FY20 results, the Group performed an independent assessment of the value of its investment in CIG. Based on this assessment the Group has determined there have been no material changes to the value of this investment since FY19.

During the year, there were no dividends received from CIG.

1.5.5 Operating expenses

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Impairment loss on finance receivables	63,374	13,953	354%	25,165	7,768	224%
Personnel expenses	22,116	19,323	14%	11,017	9,023	22%
Depreciation expense	5,502	4,638	19%	2,813	2,124	32%
Other operating expenses	35,488	30,399	17%	18,764	14,521	29%
Total Expenses	126,480	68,313	85%	57,759	33,436	73%

Operating expenses in FY20 increased by 85% (K58m) compared to FY19 and this was largely attributed to increased loan impairment costs. (The increase in impairment costs is further explained in the Asset Quality and Impairment section).

The following expense items increased in FY20.

- Personnel expense costs were higher because of all key management positions being filled for a full 12-month period together with additional staff being recruited.
- Depreciation expense also increased by 19% and this was attributed to further investment in IT systems, replacement of fully depreciated assets.
- Other operating expenses increased by 17% in FY20 compared to FY19 mainly attributed to the Group engaging with various external professional service firms to assist with improving its platforms, systems, process automation, boosting capability and perusing strategic initiatives.

The Group will continue to implement various cost disciplines to ensure operating expenses are tightly controlled.

1.5.6 Asset quality and impairment

Figures in PGK'000s	Full Year Ended		
	Dec-20	Dec-19	Change %
Loan Balance (net of unearned income)			
· Stage 1 -12 month ECL	344,687	487,379	-29%
· Stage 2 - Life time ECL	97,708	71,832	36%
· Stage 3 - Life time ECL	181,208	118,392	53%
Total loans (Net of unearned income)	623,604	677,603	-8%
Loan Provisions	(119,154)	(64,492)	85%
Net loan book	504,450	613,111	-18%
Loan impairment expense	63,374	13,953	354%

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

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

Accordingly, the Group has increased its provisions to reflect the uncertainties posed by COVID-19. Loan impairment costs have increased by 354% to K63.4m in FY20 compared to FY19.

The increase has been attributed to multiple factors from

a) Macroeconomic Perspectives (the timing of when the worldwide economy will return to normal

b) Specific industries of impact (e.g.: tourism)

c) Inability to achieve expected asset recoveries in position

d) Long-term arrears positions on significant exposures

Refer to section 1.2.4 for further details.

1.5.7 Group Capital Adequacy

Group Capital Adequacy is based on the prudential requirements of respective central banks in Papua New Guinea, Fiji, Solomon Islands, and Vanuatu. The prudential standards in respective jurisdictions prescribe the capital adequacy ratios and leverage ratios to ensure that the Finance businesses are well capitalised.

Figures in PGK'000s	Full Year Ended		Half Year Ended	
	Dec-20	Dec-19	Dec-20	Dec-19
Total Risk Weighted Capital	205,004	222,560	205,004	222,560
Tier 1 Capital	187,080	176,368	187,080	176,368
Tier 2 Capital	17,925	46,192	17,925	46,192
Total RWC	32.6%	31.7%	32.6%	31.7%
Tier 1 RWC	29.7%	22.8%	29.7%	22.8%
Leverage Ratio	23.8%	20.0%	23.8%	20.0%

The Total Capital and Tier 1 Capital increased by 90bps and 790bps, respectively from FY 19 due to the decrease in risk-weighted assets by 10%, resulting in higher RWC. As at 31 December 2020, all finance subsidiaries were well capitalised and above regulatory limits, despite the IFRS 9 adjustments.

1.5.8 Lending

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
Gross balance	698,038	779,554	-10%	698,038	779,554	-10%
Unearned income	(74,434)	(101,951)	-27%	-74,434	-101,951	-27%
Provision	(119,154)	(64,492)	85%	-119,154	-64,492	85%
Net loans	504,450	613,111	-18%	504,450	613,111	-18%

The loan book reduced by 18% in FY20 compared to FY19.

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

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

1.5.9 Funding

Figures in PGK'000s	Full Year Ended			Half Year Ended		
	Dec-20	Dec-19	Change %	Dec-20	Dec-19	Change %
On Call	581	76	664%	581	76	664%
1 month	58,389	23,710	146%	58,389	23,710	146%
2 months	67,520	37,098	82%	67,520	37,098	82%
3 months	78,593	85,948	-9%	78,593	85,948	-9%
6 months	111,325	116,935	-5%	111,325	116,935	-5%
12 months	181,540	218,071	-17%	181,540	218,071	-17%
24 months	50,339	50,128	0%	50,339	50,128	0%
Total Deposits for Credit Corp	548,287	531,966	3%	548,286	531,966	3%

Funding grew by 3% in FY20 compared to FY19. The growth was attributed to the need to raise more funding to ensure the Group has sufficient liquidity to strengthen its financial position due to uncertainties posed by COVID-19. The Group worked within its funding plan in 1H20 and focused on diversification of its funding base, to bring more certainty around its funding profile.

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

2. Consolidated profit and loss account

		Current period – K''000	Previous corresponding period - K''000
2.1	Sales (or equivalent operating) revenue	125,812	141,230
2.2	Share of +associates' "net profit (loss) attributable to shareholders" (equal to item 23.7)	-	(4,179)
2.3	Other revenue	43,175	95,571
2.4	**+Operating profit (loss) before abnormal items and tax**	15,812	138,278
2.5	Abnormal items before tax (detail in item 3.4)		-
2.6	+Operating profit (loss) before tax (items 2.4 + 2.5)	15,812	138,278
2.7	Add (Less) tax	6,184	(6,292)
2.8	+Operating profit (loss) after tax but before outside +equity interests	21,996	131,985
2.9	Less outside +equity interests	-	-
2.10	**+Operating profit (loss) after tax attributable to shareholders**	21,996	131,985
2.11	Extraordinary items after tax (detail in item 3.6)	-	-
2.12	Less outside +equity interests	-	-
2.13	Extraordinary items after tax attributable to **shareholder**s	-	-
2.14	**Total +operating profit (loss) and extraordinary items after tax** (items 2.8 + 2.11)	**21,996**	**131,985**
2.15	+Operating profit (loss) and extraordinary items after tax attributable to outside +equity interests (items 2.8 + 2.12)	-	-
2.16	**+Operating profit (loss) and extraordinary items after tax attributable to shareholders** (items 2.10 + 2.13)	**21,996**	**131,985**
2.17	Retained profits (accumulated losses) at beginning of financial period	456,616	426,065
2.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description) Adjustment from implementation of IFRS 9	-	-
2.19	Aggregate of amounts transferred from reserves	4,817	(39,925)
2.20	Total available for appropriation *(carried forward)*	483,429	518,125
2.21	Dividends provided for or paid Final Dividend: 12 toea per share (2019: 13 toea per share) Interim Dividend: n/a (2019: 7 toea per share)	(36,952) -	(39,981) (21,528)
2.22	Aggregate of amounts transferred to reserves	-	-
2.23	**Retained profits (accumulated losses) at end of financial period**	**446,477**	**456,616**
2.24	+Operating profit (loss) after tax before outside +equity interests (items 2.8) and amortisation of goodwill	**21,996**	**131,985**
2.25	Less (plus) outside +equity interests	-	-
2.26	+Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	**21,996**	**131,985**

3. Intangible, abnormal and extraordinary items

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

4. Comparison of half year profits

(Preliminary final report only)

		Current year – K''000	Previous year - K''000
4.1	Consolidated +operating profit (loss) after tax attributable to **shareholders** reported for the *1st* half year (item 1.10 in the half yearly report)	23,865	78,413
4.2	Consolidated +operating profit (loss) after tax attributable to **shareholders** for the *2nd* half year	(1,869)	53,572

5. Consolidated balance sheet

(See note 5)

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
Current assets				
5.1	Cash	234,358	140,138	234,086
5.2	Receivables – net of portfolio & specific provisions	289,110	121,882	301,771
5.3	Investments	20,033	1,269	-
5.4	Inventories	1,582	953	1,851
5.5	Other – (Other Debtors & Income & Dividend WTax)	7,200	10,998	6.,782
5.6	**Total current assets**	**552,283**	**275,240**	**544,490**
5.7	Receivables – net of portfolio & specific provisions	215,340	491,229	270,909

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
5.8	Investments in +associates	8,283	8,283	8,283
5.9	Other investments	699,336	709,143	703,081
5.10	Inventories	-	-	-
5.11	Exploration and evaluation expenditure capitalised (see para .71 of *AASB 1022*)	-	-	-
5.12	Development properties (+mining entities)	-	-	-
5.13	Other property, plant and equipment (net)	28,535	27,265	27,458
5.14	Intangibles (net)	9	32	20
5.15	Other (provide details if material)	43,150	30,066	37,042
5.16	**Total non-current assets**	**994,653**	**1,266,018**	**1,043,730**
5.17	**Total assets**	**1,546,936**	**1,541,258**	**1,588,220**
Current liabilities				
5.18	Accounts payable	13,272	10,323	8,612
5.19	Borrowings	49,988	54,435	52,195
5.20	Provisions	3,204	3,157	40,607
5.21	Other (provide details if material)-Deposits	498,550	482,224	526,825
5.22	**Total current liabilities**	**565,014**	**550,139**	**628,239**
Non-current liabilities				
5.23	Accounts payable	-	-	-
5.24	Borrowings	-	-	-
5.25	Provisions (Deferred tax liability)	14,290	18,560	14,090
5.26	Other (provide details if material)-Deposits	51,913	51,328	37,247
5.27	**Total non-current liabilities**	**66,203**	**69,887**	**51,337**
5.28	**Total liabilities**	**631,217**	**620,026**	**679,576**
5.29	**Net assets**	**915,719**	**921,232**	**908,644**
Equity				
5.30	Capital	21,984	21,983	21,984
5.31	Reserves	447,258	442,632	438,953
5.32	Retained profits (accumulated losses)	446,477	456,616	447,707
5.33	Equity attributable to **shareholder**s of the parent entity	915,719	921,232	908,644
5.34	Outside +equity interests in controlled entities	-		-
5.35	**Total equity**	**915,719**	**921,232**	**908,644**
5.36	Preference capital included as part of 4.33	-	**-**	

6. Exploration and evaluation expenditure capitalised

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

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

7. Development properties

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

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

8. Consolidated statement of cash flows

(See note 6)

		Current period - K'000	Previous corresponding period - K'000
Cash flows related to operating activities			
8.1	Receipts from customers	133,097	147,746
8.2	Payments to suppliers and employees	(54,354)	(42,861)
8.3	Dividends received from +associates	-	-
8.4	Other dividends received	43,962	50,583
8.5	Interest and other items of similar nature received	-	-

		Current period - K'000	Previous corresponding period - K'000
8.6	Interest and other costs of finance paid	(26,696)	(24,731)
8.7	Income taxes paid	(9,352)	(18,046)
8.8	Other (provide details if material) – Movements in loans advanced and deposits by finance entities	61,608	(2,019)
8.9	**Net operating cash flows**	**148,265**	**110,672**
Cash flows related to investing activities			
8.10	Payment for purchases of property, plant and equipment	(3,620)	(4,486)
8.11	Proceeds from sale of property, plant and equipment	350	832
8.12	Payment for purchases of equity investments	-	-
8.13	Proceeds from sale of equity investments	-	-
8.14	Loans to other entities	-	
8.15	Loans repaid by other entities	-	
8.16	Other (provide details if material)- (Short term investments & interest income from funds deposited, including acquisition of investment property, interest income from other investments)	(15,327)	8,229
8.17	**Net investing cash flows**	**(18,597)**	**4,575**
Cash flows related to financing activities			
8.18	Proceeds from issues of +securities (shares, options, etc.)	-	-
8.19	Proceeds from borrowings	-	-
8.20	Repayment of borrowings	(4,600)	(4,577)
8.21	Dividends paid	(36,952)	(61,509)
8.22	Other (provide details if material)	(2,915)	(3,582)
8.23	**Net financing cash flows**	**(44,467)**	**(69,668)**
8.24	**Net increase (decrease) in cash held**	**85,201**	**45,579**
8.25	Cash at beginning of period *(see Reconciliation of cash)*	140,138	93,887
8.26	Exchange rate adjustments to item 8.25.	9,019	672
8.27	**Cash at end of period** *(see Reconciliation of cash)*	**234,358**	**140,138**

9. Non-cash financing and investing activities

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

10. Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period - K'000	Previous corresponding period - K'000
10.1	Cash on hand and at bank	201,852	116,223
10.2	Deposits at call	32,506	23,915
10.3	Bank overdraft	-	
10.4	Other (provide details)	-	
10.5	**Total cash at end of period** (item 8.27)	**234,358**	**140,138**

11. Ratios

		Current period - K'000	Previous corresponding period - K'000
11.1	**Profit before abnormals and tax / sales** Consolidated +operating profit (loss) before abnormal items and tax (item 2.4) as a percentage of sales revenue (item 2.1)	13%	99%
11.2	**Profit after tax / +equity interests** Consolidated +operating profit (loss) after tax attributable to **shareholder**s (item 2.10) as a percentage of equity (similarly attributable) at the end of the period (item 5.33)	2%	14%

12. Earnings per security (EPS)

		Current period	Previous corresponding period
12.1	Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
	(a) Basic EPS (Toea per share)	0.07	0.43
	(b) Diluted EPS (if materially different from (a)	Same as above	Same as above
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	307,936,332	307,936,332

13. NTA backing

(See note 7)

		Current period - K'000	Previous corresponding period - K'000
13.1	+Net tangible asset backing per +ordinary security	K2.97	K2.99

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

		Current period - K'000	Previous corresponding period - K'000
14.1	Interest revenue included in determining item 2.4	98,684	109,677
14.2	Interest revenue included in item 14.1 but not yet received (if material)	-	-
14.3	Interest expense included in item 2.4 (include all forms of interest, lease finance charges, etc.)	(26,696)	(24,731)
14.4	Interest costs excluded from item 14.3 and capitalised in asset values (if material)	-	-
14.5	Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	-	-
14.6	Depreciation and amortisation (excluding amortisation of intangibles)	(5,502)	(4,638)

15. Control gained over entities having material effect

(See note 8)

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

16. Loss of control of entities having material effect

(See note 8)

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

17. Reports for industry and geographical segments

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

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

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

19. Amount per security

			Amount per +security	K'000s
	(Preliminary final report only)			
19.4	**Final dividend:**	Current year	Toea 12 per share	36,952
19.5		Previous year	Toea 13 per share	39,981
	(Half yearly and preliminary final reports)			
19.6	**Interim dividend:**	Current year	n/a	-
19.7		Previous year	Toea 7 per share	21,528

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

(Preliminary final report only)

		Current year	Previous year
20.8	+Ordinary securities	K0.12	K0.20
20.9	Preference +securities	-	-

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

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

		Current period - K'000	Previous corresponding period - K'000
22.10	+Ordinary securities	36,952	39,981
22.11	Preference +securities	-	-
22.12	**Total**	**36,952**	**39,981**

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

-

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

-

Any other disclosures in relation to dividends (distributions)

-

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

Entity's share of associates'		Current period - K'000	Previous corresponding period - K'000
23.1	+Operating profit (loss) before income tax	-	(5,970)
23.2	Income tax expense	-	1,791
23.3	+Operating profit (loss) after income tax	-	(4,179)
23.4	Extraordinary items net of tax	-	-
23.5	Net profit (loss)	-	(4,179)
23.6	Outside +equity interests	-	-
23.7	Net profit (loss) attributable to shareholders	-	(4,179)

24. Material interests in entities which are not controlled entities

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

Name of entity		Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 2.14)	
24.1	Equity accounted +associated entities	**Current period**	**Previous corresponding period**	**Current period – K'000**	**Previous corresponding period – K'000**
Capital Insurance Group		25%	25%	-	(4,179)
24.2	Total	25%	25%	-	(4,179)
24.3	Other material interests	-	-	-	-
24.4	Total	25%	25%	-	(4,179)

25. Issued and quoted securities at end of current period

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

Category of +securities		Number issued	Number quoted	Amount paid per share (toea)	
25.1	**Preference +securities** *(description)*	-	-		
25.2	Issued during current period	-	-		
25.3	**+Ordinary securities** **Shares**	307,936,332	307,936,332		
25.4	Issued during current period (dividend reinvestment)	-	-		
25.5	**+Convertible debt securities** (*description and conversion factor)*	-	-		
25.6	Issued during current period	-	-		
25.7	**Options** *(description and conversion factor)*	-	-	*Exercise price*	*Expiry date (if any)*
25.8	Issued during current period	-	-	-	-
25.9	Exercised during current period	-	-	-	-
25.10	Expired during current period	-	-	-	-
25.11	**Debentures** *(totals only)*	-	-		
25.12	**Unsecured notes** *(totals only)*	-	-		

26. Comments by directors

Comments on the following matters are required by PNGX or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report (as required by the Companies Act 1997) and may be incorporated into the directors' report. For both half yearly and

preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.

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

N/A

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

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

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

-

27. Additional disclosure for trusts

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

28. Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:	
Place	Grand Papua Hotel, Port Moresby
Date	25 June 2021
Time	10:00am
Approximate date the +annual report will be available	20 May 2021

Compliance statement

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

Identify other standards used	None

2. This report, and the financial statements prepared under the Companies Act 1997 (if separate), use the same accounting policies.

3. This report does give a true and fair view of the matters disclosed (see note 2).

4. This report is based on financial statements to which one of the following applies.
(Tick one)

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

5. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available*.

6. The entity has a formally constituted audit committee.

Sign here: ..... Date: 09/03/2021
(Chairman)

Print name: **SYDNEY YATES OBE**

Notes

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

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

3. **Consolidated profit and loss account**

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

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

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

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

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

5. **Consolidated balance sheet**

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

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

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

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

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

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

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

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

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

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