CREDIT CORPORATION

2022 Annual Report

A future to bank on

Banking on a bright future

Credit Corporation gets behind children's literacy with its support for Buk bilong Pikinini.


Friday
Saturday
Sunday
sit
me
Look at me
Tricky word Chart
April
May
June
Finger Phonics
Big Book
s a t i p n

Contents

About Credit Corporation

Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company and over the past 44 years has grown to become one of the South Pacific's most progressive financial institutions.

Our aim is not only to be the most progressive but the most trusted financial services company.

Our vision is to be recognised as one of the leading financial services groups in the South Pacific. Credit Corporation has a unique set of advantages:

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

Our deep knowledge and expertise operating finance businesses and our relationship-based model uniquely positions us against other financial services companies throughout the Pacific — particularly in the current environment, where our service proposition to our retail and business customers has never been more important. This puts us in a unique position to assist our retail and business customers with appealing financial solutions for any stage of their business or life journey.

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

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

Over the years, through its subsidiary companies, the Credit Corporation Group has acquired a significant investment portfolio incorporating:

- executive real estate assets including an office building and quality residential complexes
- listed and unlisted equities, predominantly Bank South Pacific shares.

Currently, the Group owns assets valued at K1.457 billion and operates from offices in Port Moresby, Kokopo, Mount Hagen and Lae in Papua New Guinea (PNG); Suva, Nadi, Lautoka and Nakasi in Fiji; Honiara in the Solomon Islands; and Santo and Port Vila in Vanuatu — and we are still growing.

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

Who we are

Built on a strong 44-year foundation, our team of well-credentialled and experienced financial services, property and investment professionals exist to provide simple and safe financial and property solutions for our customers.

What we do

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

Our model contrasts with many of our competitors who are focused on customer volume, one-size-fits-all risk assessments and a cost-driven approach.

Our approach requires a deep understanding of our customers' businesses — focused on understanding the detailed needs of our customers.

Credit Corporation (PNG) Limited is a company incorporated and domiciled in PNG, and is listed on the PNG National Stock Exchange. Our vision is to be recognised as one of the leading financial services groups in the South Pacific.

Core business areas

The Group has three core business areas:

Finance

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

- equipment finance for motor vehicles, heavy machinery, plant and equipment for commercial and business use
- insurance Premium Financing Solutions
- investment facilities.

We are a licensed and regulated nonbank financial institution in each of the countries we operate, i.e. PNG, Fiji, Vanuatu and the Solomon Islands.

Property

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

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

Investment

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

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

People

Credit Corporation has 290 talented and passionate employees working across multiple countries.

We are committed to attracting talented people, and fostering a collaborative and inclusive environment where employees feel a strong connection and commitment to our purpose. Professionalism and ongoing development are key attributes of our culture.

Country	TOTAL	Male	Female
CC PNG	**217**	150*	67
CC Fiji	**50**	27	23
CC Solomon Islands	**10**	8	2
CC Vanuatu	**13**	6	7
TOTAL	**290**	**191**	**99**

*Includes security guards
Workforce as at 31 December 2022.

2022 overview

2022 was an important year for Credit Corporation PNG as the Group put the lingering challenges of the COVID-19 pandemic behind it and progressed financially, operationally and strategically.

The Group is proud to have helped so many of its SME and individual finance customers through the COVID-19 pandemic so that they have been able to return to full repayments.

2022 has been a year where the Group has made progress in advancing our strategic priorities and transformation to become a niche commercial bank. The Group is committed to making life easier for its customers while boosting our performance and returns for shareholders, and making a positive contribution to the community.

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Key financial features

Financial highlights

Group Core Operating Profit
K98.8M
▲ up 25%

Net Profit After Tax (NPAT)
K86.0M
▲ up 12%

Earnings Per Share
27.9 TOEA
▲ up 12%

Net Asset Backing
K3.0
▲ up 1 TOEA

Total Risk Weighted Capital
45.0%

Dividend
22.5 TOEA
▲ up 25%

Deposits
K463.0M
▲ up 8%

Net Receivables Loans
K413.6M

Segment financial highlights

Finance Division Net Profit After Tax
K36.6M
▲ up 42%

Property Core Operating Profit
K13.4M
▲ up 31%

Investment Income
K61.5M
▲ up 16%

Our values

Operational highlights

Focus on refreshed strategy.

- 'Approval in Principle' from the Bank of PNG for a Niche Commercial Banking Licence
- Vendor selected for the new Core Banking System
- Strategic intent on track.

Building capability

- Enhanced Board skills and expertise with appointment of new Director Daryl Johnson
- 11 employees completed the second annual leadership program — Accelerate Performance Program.

Board and executive management diversity

- Increased bench strength while achieving gender diversity with over 50% of the executive team women
- Female directors representing 44% of Board composition.

Community contribution

Total community and corporate partnerships in FY22 — K314,868.

Major community initiatives include:

- Agmark Gurias Rugby League Club
- Project Yumi — Project Wok
- Port Moresby Basketball Association
- Buk bilong Pikinini
- Transparency International PNG
- Leadership Fiji.

Fellowship

I am genuine, inclusive and collegiate.

Integrity

I unfailingly act with integrity.

Growth

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

Impact

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

Customer obsessed

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

Chairman's address

It is a privilege to present Credit Corporation PNG's Annual Report for the year ending 31 December 2022 in my role as the Chair of the Board of Directors for the first time. I am proud to be elected to serve as the Chair of the Board of one of the leading financial services groups in the South Pacific.

The past year has been challenging with economic headwinds delivered by the lingering impacts of the global COVID-19 pandemic, inflation and economic uncertainty due to events such as the war in Ukraine.

Despite these factors, FY22 was also the year that we started to get back to 'normal'. People started to resume a more normal life and economic activity started to pick up with optimism that FY23 will be a better year.

I am quietly confident that will be the case. At Credit Corporation, there are many encouraging signs and the FY22 results highlight the ongoing strength of the Group.

Our profitability was notably higher, with a Core Operating Profit increase of 25% to K98.8m and a 12% increase in Net Profit After Tax to K86.0m, compared to FY21.

Accordingly, the Board was able to declare a total dividend of 22.5 toea per share, up from 18.0 toea in the previous corresponding period.

Despite the macro-economic challenges of the past year, the Board and management team have embraced the first year of a progressive five-year strategy aimed at becoming a simpler, more focused business, transitioning to becoming a bank and ultimately listing on the ASX.

We are enthusiastic about what this means for Credit Corporation's future, and we have great confidence in the abilities of Danny Robinson and his team to complete the transformation of the Group.

Development post financial year end

Following the close of books for FY22, the Bank of PNG granted Credit Corporation an 'Approval in Principle' for a banking licence.

The Group now has a period of 12 months to prepare for upgrading its current licence as a financial institution to that of a commercial bank.

We are working with the Bank of PNG on the necessary steps we will be taking in preparation for our launch as a new PNG bank next year.

The 'Approval in Principle' is a key milestone in the Group's new strategic direction, which includes becoming a fully-fledged commercial bank and ultimately aiming to list on the ASX.

We are well positioned to become a new bank for PNG given we have been lending for 44 years in PNG, and we have a Board and senior executive team built on strong financial services and banking experience. We have a strong understanding of the local market and what is required to be a successful financial services company.

We are proud of our heritage which will enable us to become a truly home-grown PNG bank. PNG needs more banking competition to help reduce costs and expand services such as e-banking for customers.

Board changes

During the year, there were a number of changes at a Board level.

As with any high-functioning Board, renewal remains an ongoing process for the Group.

I would like to thank our former Chairman, Mr Richard Sinamoi, for his outstanding contribution to the Board. Under Mr Sinamoi's leadership, the Board has set a new strategic direction, worked closely with management through a year impacted by COVID-19 and has been focused on delivering the outcomes promised to our shareholders.

Mr Sinamoi remains on the Board as a Director, and has assumed the role of Chairman of the Group's Strategy and Investment Committee. He will continue his important role in supporting management to drive the Group's strategic intent.

The Board also welcomed a new Non-Executive Director, Mr Daryl Johnson. Mr Johnson has extensive experience in banking, finance, payments and risk management, both in Australia and internationally.

His expertise and previous experience as a Chief Executive Officer for SME/Corporate & Business Banking will be an asset to the Group, to support our growth and strategic plan, including the expansion of our business in PNG and the Pacific.

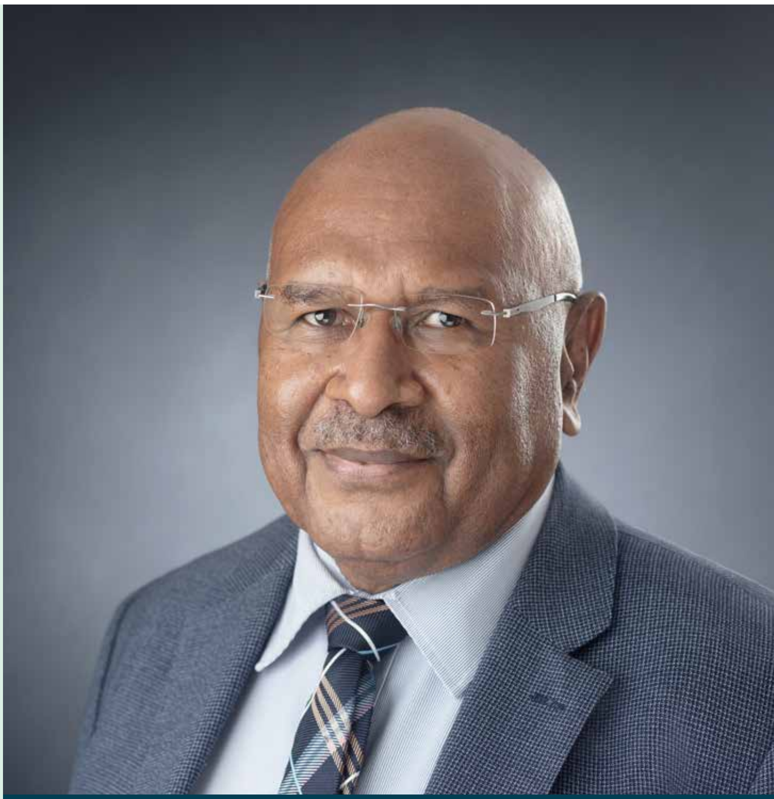
We continually look for opportunities to shape a diverse Board to ensure we have the full benefit of the varied talents, knowledge, and work and life experiences that only diversity can bring.

On behalf of the Board, I extend our thanks to all of Credit Corporation's employees who were behind our successful performance. We also extend our thanks to you, our shareholders, for the trust you continue to place in us to represent your interests. The year ahead promises to be one which is full of opportunity.

We will continue to focus our efforts on becoming a more modern and relevant financial services group, while strengthening our competitive position to generate long-term value for shareholders.

We are confident Credit Corporation has the right strategy and the right team in place to take full advantage of these opportunities as they present themselves.

Dr Albert Mellam
CHAIRMAN



We will continue to focus our efforts on becoming a more modern and relevant financial services group, while strengthening our competitive position to generate long-term value for shareholders.

CEO's message

The year ended 31 December 2022 marked a significant year of progress in our proud 44-year history. It was a year of strong financial recovery, pleasing growth and good strategic progress for the Group.

Whilst 2022 started off strong, the global outlook remained uncertain largely due to supply chain pressures, an escalation of international geopolitical tensions, soaring commodity prices with implications of high inflation and interest rates posing as major risks.

Our diversified business mix enables us to deliver resilient revenue performance through economic cycles. With operations across financial services, property management and investments, together with our geographic diversification, the Group delivered a solid financial performance again this year.

The positive results benefited from several factors, including disciplined control of net interest margins and operating costs, continued focus on collections and credit procedures resulting in lower impairment costs, higher dividend income from the Group's investment in BSP Financial Group Limited and improved occupancy of its property investments.

As global economic momentum shifts in the post-pandemic recovery, Credit Corporation has an important role to play in helping economies and communities to prosper, and our clients to become financially stronger.

Strategic direction

At the Annual General Meeting in June 2022, we announced our comprehensive strategic intent to focus on simplifying the business and positioning it for long-term growth by transforming into a niche commercial bank.

I am delighted to advise that we are making progress on our new strategy to enhance our position as a leading financial services company in the South Pacific and our transformation into a niche commercial bank. We have already made some significant investment decisions to set ourselves up for success, including upgrading our core banking system, introducing new products and enhancing our processes, while also recruiting new talent and upskilling our people.

We are strengthening our technological foundations by switching to a new core banking system, consequently enabling greater emphasis on digital, data and analytics. Core banking platforms sit at the heart of any bank and constitute the base on which the bank's technology platform is built. Our existing IT systems have served the business well to date, however they are not sufficient to support our future strategic direction. Ultimately, this investment will serve to enhance our risk management capabilities and strengthen our defences against the threat of financial and cyber-crime.

Our timeline for the implementation of this transition saw work commence in January 2023, with a scheduled completion date in the second half of 2024.

Developments post FY22 end

As you will note from Dr Mellam's address, the Bank of PNG has granted the Group an 'Approval in Principle' for a banking licence. Credit Corporation is committed to delivering a high level of service to the people of PNG and we believe that we can play a key role in increasing banking competition in PNG.

We know that there are clear future opportunities for Credit Corporation as a niche commercial bank, with increasing demand for innovative products and exceptional service, from SME, commercial and the emerging middle-market customer segments. We have been able to support these types of businesses and individuals with equipment finance, and as a bank, we will be able to extend our support for them along the entire customer journey as their businesses grow, evolve and succeed, and they require a broader mix of unique banking services and products.

We have introduced new products throughout the year. These products are designed to be convenient and affordable for our customers, and we want to deliver these types of products to banking customers in the future.

The 'Approval in Principle' comes at a time when Credit Corporation's financial and operational performance continues to strengthen following the impacts of COVID-19 on the economy and financial services sector.

Financial performance

We have navigated the complex, volatile and uncertain operating environment particularly well to produce a strong set of results for FY22. Our balance sheet remained strong, placing us in an excellent position to harness new opportunities, support our customers, generate good returns for our shareholders and drive growth in the markets we serve.

Our earnings per share was 27.9 toea per share, up from 25.0 toea per share in FY21. I am particularly pleased with FY22 Core Operating Profit increase of 25% to K98.8m and a 12% increase in Net Profit After Tax to K86.0m, compared to FY21.

Looking at our business divisions, the Group's finance business achieved a 42% increase in Net Profit After Tax of K36.6m, the property division achieved core operating profit of K13.4m up from K10.2m in FY21 and our investment income increased 16% to K61.5m over the year.

We delivered a strong set of results which reflects on the improved operating environment and our concerted efforts to ensure that the Group remains resilient and ready for growth. The Group's financial strength provides a strong foundation as the Group transitions to its next exciting chapter of becoming a fully-fledged niche commercial bank.

Operational developments

During the year, we launched a new Lae Branch at Morobe Haus, Morobe Province. This marks more than 19 years of growth for the business in Lae. We further launched a new branch in Kokopo, Rabaul. We have been serving customers in Kokopo for more than 44 years.

Additionally, there was an ongoing focus on operating efficiencies, technology improvements and enhancements to the Group's digital capabilities. We are also working on improving the way the Group engages with its customers, and continuing to invest in enhancing these capabilities.

We launched a new website for the Fiji finance business and released our online application MyeStatements which allows our customers to access their statements via an internet connection. The new Fiji website aligns with the Group's vision for growth and expansion, and highlights Credit Corporation's journey in Fiji since its establishment in 1992.

CEO's message (continued)

Risk management

Implementing significant positive change requires the right mix of expertise across the executive team, to ensure dynamic management of capital and resources to enable us to grow our business, while at the same time managing risk.

The initial Risk Management Framework and rollout of the strategy was developed in 2020/21 and endorsed by the Board, however the resignation of the former Group Chief Risk Officer and a significant number of vacancies in the Risk Department, has slowed its implementation. Despite this, there has been significant progress in terms of collecting data, monitoring and reviewing key risk areas of the business at an operational level. In addition, a comprehensive review of the initial Risk Management Framework in line with the new business strategic intent was initiated by the Risk team in Q2 2022, and an initial proposal outlining the key focus areas for risk and governance where further enhancement and resources are required was presented to the Board in June 2022.

Our people

Our people remain at the core of what we do. We strive to be an organisation that values all of its people for their contributions and celebrates an inclusive working environment. Credit Corporation is focused on ensuring diversity in the workforce and is committed to ensuring appropriate female representation in senior management roles.

Being one of the South Pacific's leading financial services companies provides us with access to the best people across diverse cultures and backgrounds. We are supporting the development of local people, and providing them with the necessary skills to ensure that we remain competitive and highly innovative.

Learning, development, career progression and succession planning are an integral part of how we support our employees in their professional growth. Eleven Credit Corporation employees from various departments across the business completed the Company's annual leadership program during the past year. Currently in its second year running, the Accelerate Performance Program is part of the Company's ongoing efforts to invest in Credit Corporation's human capital, and to enable its participants to lead and bring about change by enhancing their leadership skills.

Furthermore, we continue to embed our values and behaviours into all aspects of our business.

Outlook

During 2022, several South Pacific countries reopened their borders to international travellers, which has provided a much-needed boost for the travel and tourism industries, and economic stimulus for the region. In PNG, there have been some pronouncements that negotiations in relation to a number of key resources projects are progressing and, if agreements are reached, this will have a positive impact on the economy.

A thriving economy is resilient and helps drive equitable financial progress. Credit Corporation helps to facilitate this progress through lending, investing, giving and engagement with our local communities.

I am encouraged by the significant progress made in 2022 in delivering to all our stakeholders — working as one team across the four jurisdictions. This progress demonstrates our ability to remain focused on our strategic intent, achieving what we set out to do despite the uncertainty faced within the global and local context.

Our achievements in 2022 would not have been possible without the significant effort and steadfast determination of our people. I commend our people at the front line of our customer interactions, and express my gratitude for their unwavering dedication to meeting customers' needs during volatile, complex and uncertain times. I am proud of how our people have demonstrated resilience in bringing our values and purpose to life for our customers, and the communities we serve.

I am privileged to have led the Group over the last 12 months and extend my thanks to my colleagues on the executive, senior leadership and the Board for their support during the year. My sincere appreciation to our customers for their continued trust which is a critical prerequisite to our future success. In closing, I would like to thank the Credit Corporation Board of Directors for its prudent counsel over the past 12 months.

Danny Robinson
GROUP CHIEF EXECUTIVE OFFICER

We have navigated the complex, volatile and uncertain operating environment particularly well to produce a strong set of results for FY22.

Five-year performance snapshot

	2018	2019	2020	2021	2022
Profit and Loss (K'000)					
Core Operating Profit	86,273	105,018	25,663	79,088	98,846
Property Revaluations	(8,952)	(22,221)	(16,777)	(5,001)	(1,372)
Investment Revaluations	27,395	55,480	6,926	10,336	5,539
Operating Profit before Tax & after Revaluations	104,716	138,277	15,812	84,423	97,378
Income Tax Expense (Benefit)	6,793	6,292	(6,184)	7,551	11,340
Operating Profit after Tax attributable to the Group	97,923	131,985	21,996	76,872	86,038
Retained Earnings	426,065	456,616	446,477	446,922	455,710
Dividends (K'000)					
Final Dividend Paid	52,313	61,509	36,952	69,592	72,672
Dividend per share (Toea)	17.0	20.0	18.00	18.00	22.5
Balance Sheet (K'000)					
Finance Receivables	581,939	613,111	504,450	409,544	413,618
Total Assets	1,431,080	1,541,258	1,532,646	1,416,246	1,457,007
Deposits	483,431	531,966	548,287	428,376	462,964
Shareholders' Funds	851,210	921,232	915,719	920,312	922,763
Performance Ratios					
Return on Assets*	6.00%	6.80%	1.70%	5.40%	6.90%
Return on Equity**	10.10%	11.40%	2.80%	8.60%	10.70%
Expense/Income***	37.70%	38.00%	50.20%	51.30%	52.40%
Net Asset Backing Per Share	2.76	2.99	2.97	2.99	3.00
EPS (Basic and Diluted)	31.8	42.9	7.1	24.9	27.9
No. of o/s ordinary shares	307,936,332	307,936,332	307,936,332	307,931,332	307,931,332
Weighted ave. no. of ordinary shares	308,990,373	307,936,332	307,936,332	307,931,332	307,931,332
Exchange Rates (One (1) PNG Kina buys):					
Fiji Dollar	0.6373	0.6299	0.5817	0.6034	0.6294
Solomon Islands Dollar	2.4208	2.4119	2.3028	2.3177	2.361
Vanuatu Vatu	33.9200	33.9300	30.6700	32.0200	33.3500

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

External environment

Since the COVID-19 pandemic and throughout 2022, South Pacific economies, in which Credit Corporation operates, have seen heightened economic activity.

For PNG to make the most of the improved economic momentum, it will be important to see tangible key resource project agreements in place to encourage greater investment in adjacent industries.

With Porgera Mine remaining closed in 2022, the government's challenge has been to reach an agreement on a new Special Mining Lease, so that the mine can recommence under a new operator — the New Porgera Limited joint venture.

This has been achieved in 2023 with Barrick Gold and the PNG Government signing an agreement to resume operations at the Porgera Mine 'as soon as possible' after almost three years of suspension.

PNG's second gas project — TotalEnergies' US$10 billion Papua LNG project — launched the first phase of front-end engineering and design (FEED) studies for the upstream production facilities in mid-2022 with a final investment decision expected at the end of 2023.

In early 2023, project proponents achieved a further milestone for the project, signing a deal with the PNG Government to continue major FEED work for the Papua LNG project.

PNG's growth will also be underpinned by budgeted capital expenditure from the government of K9.796 billion.

The PNG National Budget, delivered in December 2022, has forecast the economy is expected to grow by 4% in 2023, with non-resources and resources growing at 4.6% and 2% respectively.

The Asian Development Bank's latest Pacific Economic Monitor has projected 4.9% growth for the Pacific region in 2023.

Foreign exchange shortages are expected to be an ongoing issue facing the businesses in 2023.

Of all the South Pacific economies impacted by the COVID-19 pandemic, Fiji was among the hardest hit.

The tourism market, which accounts for about 40% of Fiji's economy, was severely impacted due to the loss of international travellers.

As the economy reopened in 2022, international visitors started to return and Fijians impacted by COVID-19 closures were employed again or had their hours increased. But while the economy is no longer stalled, the recovery remains uneven and partial.

The International Monetary Fund (IMF) stated GDP growth rebounded by an estimated 16% in 2022, driven by a strong revival in tourist inflows.

The IMF believes Fiji's economy will grow at about 7.5% in 2023. It expects output to rebound to around pre-pandemic levels in 2023 and into 2024. With continuing reforms, growth could remain strong and above 3% for the next few years as the recovery completes and growing confidence helps to maintain momentum.

In the Solomon Islands, logging remains the lifeblood of the economy. The industry accounts for more than half of the nation's total export earnings. Similar to the tourism sector, the logging industry was severely affected by the COVID-19 pandemic.

The World Bank expects the Solomon Islands to return to economic growth in 2023, buoyed by a normalisation of borders and the resumption of major infrastructure projects with the country hosting the Pacific Games in 2023.

Vanuatu was another tourism-dependent country which reopened its borders to travellers in mid-2022 following the easing of COVID-19 restrictions. Before the pandemic, tourism made up around 40% of the nation's GDP.

The reopening of borders and increased public infrastructure investment were expected to pave the way for economic recovery.

However, the Pacific Islands remain exposed and vulnerable to natural disasters such as tropical cyclones and earthquakes.

Our strategy

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

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

Our key strategic planks

Enhancing our core business in key markets

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

Divest non-core assets

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

Become a niche commercial bank in PNG

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

Secondary listing on the ASX

- Focusing on improving liquidity and reducing shareholder concentration.

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

Our vision

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

Our mission

Building on our heritage of more than 44 years, we break down barriers to provide friendly, easy-to-understand, convenient, value-for-money financial services and products for people, families and businesses throughout the Pacific.

Our businesses

Finance segment

Lending across the finance segment continued to face challenges due to subdued activity, as economies emerged from restrictions placed by the governments and health authorities in different operating jurisdictions.

Delays in key economic projects in PNG and longer lead times for supply of equipment have also impacted lending activities, particularly demand for equipment financing.

In the offshore jurisdictions, equipment supply also remained a challenge with average 'wait periods' of four to six months.

Despite this, the finance segment remained well capitalised, with a solid liquidity position providing some insulation against the economic headwinds.

The finance segment made a Net Profit After Tax of K36.6m, up 42% against the previous corresponding period (pcp).

The loan book increased slightly to K413.6m compared with FY21 due to a mix of the impacts of operating difficulties faced by customers, a higher run-off rate and lower sales volume growth.

To preserve net interest income, the Group also reduced its exposure to high-cost funds, resulting in a 21% reduction in finance costs against the pcp to K15.9m.

The Group continues to focus on managing its costs and improving the credit quality of its loan portfolio, including collections and increasing its sales volumes.

Credit Corporation Finance Limited (CCFL)

Relatively subdued economic activity continued throughout 2022 in PNG.

The resultant impact of the pandemic, including supply chain disruptions and a slow start to activity commencement in the mining sector — including delays in implementation of major LNG projects — have contributed to the slower economic growth.

In FY22, CCFL made a Net Profit After Tax of K8.1m compared to K12.2m in FY21.

The results were impacted by the reducing loan book against pcp.

From a growth perspective, the loan portfolio started to pick up momentum in 1H22 with a strong pipeline to support further growth.

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

PNG Head of Lending Don Hallam fields media questions at the launch of Credit Corporation's new executive car loan product.

Credit Corporation launches new car loan product in 2022

Credit Corporation launched a new zero-equity executive car loan product during 2022. Key features of the new product include a fixed interest rate and flexible repayment terms.

The Group found an opportunity in the market for those who were challenged to meet the 20% equity required for a traditional car loan product. There are many individuals in well-paid positions often with car allowances and they are good clients who can afford to borrow 100% of the car price.

Customers can secure the executive car loan with monthly repayment terms and features tailored to fit their budget. The product is designed for people looking to upgrade their family car or even buy a new car.

Credit Corporation launched an exciting new executive car loan product in FY22.

Our businesses (continued)

Credit Corporation (Fiji) Pte Ltd (CCFJ)

Despite the re-emergence of COVID-19, economic activity started to pick up in 2022 with the opening of the borders seeing a surge in tourist numbers. This has resulted in a more positive economic outlook with recovery across most industry sectors underway.

2022 was a year of recovery for the Fiji business with a focus on rehabilitation of the loan book and a significant write-back of provisioning underpinned by an increased focus on collections. This, coupled with a tight control of expenses, led to much improved profitability for the business.

CCFJ made a Net Profit After Tax of K24.7m in FY22 compared to K10.5m in FY21.

Global conditions remain a threat to supply chain and strong competition remains a key feature of the Fiji market.

The Fiji business remains in a strong position to weather the impacts of this situation given it is well capitalised with a comfortable liquidity position.

Credit Corporation Solomon Islands (CCSI)

The Solomon Island's economy remained subdued in FY22, due to the impact of COVID-19 and the after-effects of the political riots in FY21.

The loan book remains under stress due to the slow economic growth and the business continues to face challenges in recovery of delinquent exposures.

As a result, CCSI made further losses in FY22 due to the continued poor trading conditions.

Despite the challenges, the business remains in a strong liquidity position.

Credit Corporation Vanuatu (CCVL)

The prolonged closure of the border due to the COVID-19 threat has severely impacted the Vanuatu economy.

Key challenges have included supply chain disruptions, a fall in foreign investment, a significant reduction in tourism earnings and lower employment.

The opening of borders in the second half of 2022 increased economic activity, albeit at a slow rate.

CCVL experienced strong run-off in the loan portfolio contributing to lower interest income. CCVL recorded a Net Profit After Tax of K3.6m in FY22 compared to K4.7m in the previous corresponding period.

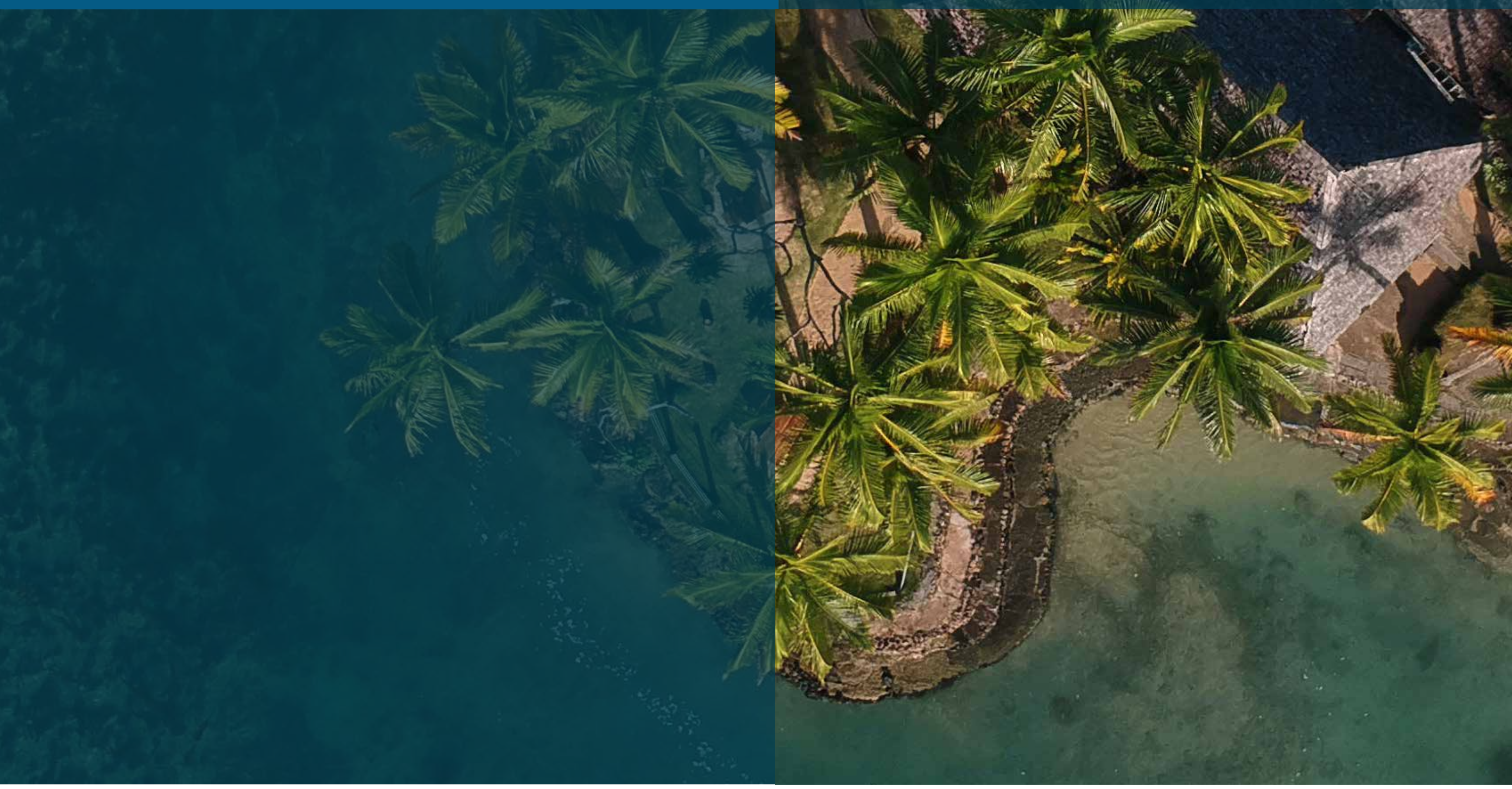
CCVL maintains a strong liquidity position despite the current economic challenges.

Credit Corporation celebrates 30th year of giving in Fiji

CCFJ has celebrated its 30th year as a corporate citizen in Fiji.

Through the CCFJ staff Corporate and Social Responsibility initiative, donations for the year included equipment for the Nuffield Health Centre and the Fiji Cancer Society Toiletry Drive for cancer patients.

During the year, other contributions were made to the Fiji Red Cross Society, The Frank Hilton Organisation and the Fiji Cancer Society.



Our businesses (continued)

Property segment

The Property Division's residential properties have started to see solid growth in occupancy rates as the economy eases out of the pandemic and its associated restrictions.

As border restrictions imposed to address risks associated with the spread of COVID-19 have been relaxed, there has been an increase in economic activity across all industries.

Credit Corporation's residential properties have seen an increase in new tenant enquiries, with increased conversions compared to the prior year driving occupancy rates above that reported for FY21.

Overall occupancy of 84.3% was achieved compared to 75% in the pcp.

Occupancy by property during FY22 was as follows:

- Era Dorina Estate — occupancy increased to 69% (46% as at December 2021, 46% as at June 2021)
- Era Matana Estate — occupancy increased to 89% (77% as at December 2021, 77% as at June 2021)
- Credit House — occupancy maintained at 100% from June 2021.

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

Increased occupancies in the residential estates were further enhanced through tailored marketing campaigns and preferred accommodation supplier agreements to high-volume unit tenant companies towards the end of FY21, to entice new tenants.

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

Furthermore, Credit Corporation introduced a new product offering with Serviced Units in FY21, aimed at both long term (more than 12 months) and short term (1 to 12 months). This new, flexible inventory offering gained traction into FY22, contributing to the increase in occupancy.

The growing market, fuelled by an influx of aid agencies and commencement of preparations for mineral and gas project expansions, is expected to further increase occupancy and profitability of the Property Division as PNG transitions following the pandemic and national general election in 2022.

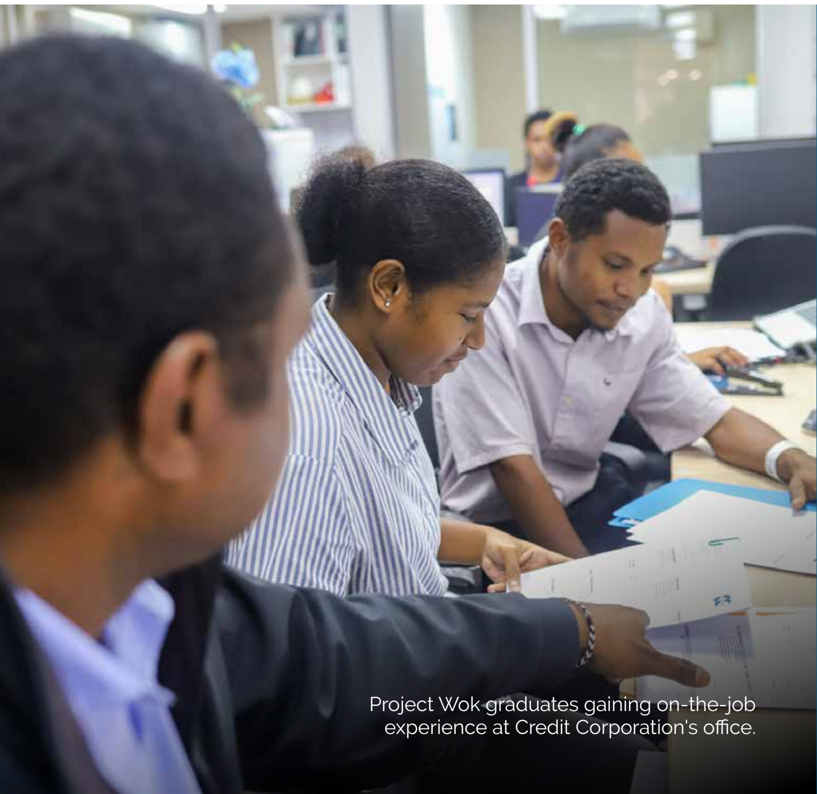
The focus remains on building capacity in available inventory through soft refurbishment and in staff resources, as well as bench strength through additional staff training (external and internal) to continue positive response times in tenant customer services and reduce turnaround time on maintenance issues.

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

During FY22, the Property Division has contributed a consolidated core operating profit of K13.4m, representing an increase from K10.2m in the pcp.

Investment segment

Yields on the Group's investments improved during FY22 and were predominantly driven by its BSP shares. The dividend payout ratio from BSP also increased, resulting in improved dividend flow from BSP. Dividend income increased 16% to K61.5m over the year.



Project Wok graduates gaining on-the-job experience at Credit Corporation's office.

Credit Corporation offered work experience to the graduates of a new job readiness training program it supported during 2022.

Youth development

Project Yumi and outcomes

In 2022, Credit Corporation partnered with Project Yumi Inc, an Australian and PNG not-for-profit, on its youth empowerment initiative 'Project Wok'. This is a job readiness training program and Credit Corporation's sponsorship of the program is aimed at overcoming the youth unemployment challenge.

'Project Wok' involved 29 current and past Grade 10, 11 and 12 students, many of whom had family links with Credit Corporation staff, along with students from Kopkop College and POM National SOE.

It included a two-day, facilitator-led and experiential job readiness skills training program designed to empower participants with sustainable skills to support them in building a successful future.

Following the pilot, Credit Corporation offered project graduates a two-week paid work experience opportunity. The graduates were hosted by Credit Corporation's Corporate Office, PNG Sales and Service Division, and the Property Division.

The work experience program included a mix of on-the-job training and experience in areas such as computer software training and a range of business compliance training activities.

Following this work experience opportunity, Credit Corporation offered permanent full-time jobs to seven graduates.

The key benefits of the program included:

- providing an opportunity to help resolve a challenging social issue in PNG
- providing our people with an opportunity to be Volunteer Mentors, giving back to the community and developing mentoring skills
- developing professional relationships with the IEA College of TAFE and the Young POM Chamber of Commerce, which are Project Wok supporters.

Our people

Our culture journey is focused on our values of: Fellowship, Integrity, Growth, Impact and Customer Obsessed.

Credit Corporation comprises a team of 290 talented and passionate employees working across multiple countries. We are committed to attracting talented people, and fostering a collaborative and inclusive environment where employees feel a strong connection to our purpose.

In 2022, we created a collaborative and inclusive environment for our employees by:

- supporting the safety and job security of our people
- employing people throughout the Pacific
- accelerating performance development and leadership programs — 11 new leaders graduated in 2022
- advancing gender balance — more than 50% of our key executives are female and four of our nine Board members are female.

We focused on employee engagement and experience by aligning performance and rewards, strengthening our performance management, leadership and succession planning, learning and development.

Our key measure of employee engagement is the Staff Satisfaction Survey. We measure the score annually across our four jurisdictions and allow our staff to have their voices heard. We were delighted to achieve a Staff Engagement Score of 81% across the Group, surpassing the 2021 score of 75.4%.

Whilst we are still at a nascent stage of our culture maturity, it is important to acknowledge that we have come a long way and continue to make significant progress.

Across the Group, we increased focus on alignment between performance objectives and the respective business unit scorecards to enable execution of our strategy. In addition, performance management is positioned as a daily discipline of ensuring our employees are focused on the relevant business priorities, engaging in regular performance check-in conversations and sharing feedback that creates a conducive environment for employees to deliver on the plan.

To improve our leadership and succession, we have taken a deliberate approach to develop our senior leadership individually, starting with a benchmarked executive talent assessment.

Professionalism and ongoing development are key attributes of our culture, and our Accelerate Performance Program (APP) forms part of Credit Corporation's ongoing efforts to invest in our human capital, and shape employees who will lead and bring about change for the Group.

The APP is Credit Corporation's annual leadership program. The program allows participating employees to advance their leadership skills and empowers them to achieve their full potential as leaders in their respective departments. It is delivered through a series of workshops and practical sessions over two months.

At the heart of our strategy is the ability to create an environment that brings out the best in our people to better serve our customers and contribute to long-term growth.

Graduates of the program speak highly of the opportunity to participate in the leadership program:

"Leadership programs are important to any organisation's success and I'm very happy to be part of a company that is taking a proactive approach in developing a program tailored to meet its employees' needs."

— Jonathan Bundu, APP Graduate and Credit Corporation Group IT Manager.

"I used to try to do everything myself but was always too busy. Now I've learned how to delegate effectively, and I find I have much more time...I definitely see myself in a leadership role in the future. Credit Corporation is a very people-focused company."

— Agnes Yokondo, APP Graduate and Manager Financial Reporting.

Communities

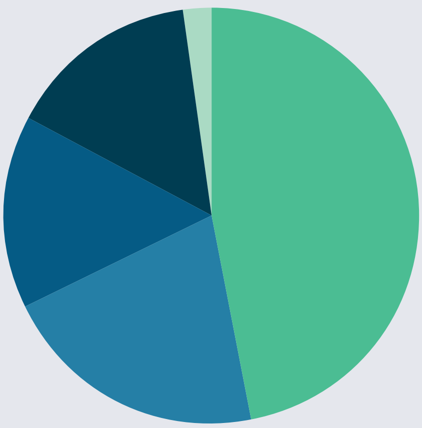
The Group has a proud 44-year history of supporting local communities, partnering with not-for-profits and community organisations, and investing in the development of our people. The Group also promotes inclusion and supports diversity in our communities.

Our aim is to foster long-term relationships, and to support important community and corporate projects.

In 2022, the Group supported numerous community and corporate initiatives, and made a total contribution of K314,868 to the community and business life of PNG.

Contributing to community life

Major community initiatives include:



- **47%** Sports
- **21%** Youth development
- **15%** Government/Ethical practices
- **15%** Education
- **2%** Others

Community support snapshots

Support for children's literacy program

Buk bilong Pikinini (BbP) received a K20,000 donation from CCP Limited to support its literacy program and annual activities.

The donation is part of the Group's three-year sponsorship commitment with a similar donation presented to BbP in 2021.

BbP is a not-for-profit organisation which aims to increase literacy rates in PNG through the establishment of children's libraries, and the provision of high-quality education programs and books.

BbP's early learning program helps children to build a solid foundation for future education.

For the past five years, Credit Corporation has been supporting BbP with storage facilities which have helped the organisation not only store and manage its books, but also support its early childhood education program and to restore hundreds of school libraries around the country.

With the support of corporate sponsors such as Credit Corporation, BbP has been able to establish a total of 15 library learning centres throughout the country.

Apart from the library learning centres, BbP runs programs that include an early childhood literacy, numeracy and awareness program, a special needs program and a teacher training program — all aimed at improving literacy and access to education.

The Group is proud to be part of the BbP club and will continue to support the excellent work that it is doing in the country.

Credit Corporation PNG is passionate about serving the communities in which we live and operate.

Credit Corporation employees donate to children's ward

Our employees from our Property Division visited Port Moresby General Hospital in 2022 to donate gift packs to the hospital's paediatric ward.

The gift packs, which included pre-loved toys, clothing and personal hygiene items, were delivered in response to an appeal made by the hospital's charity arm, Friends of POMGen (FOPG), for businesses and individuals to donate basic essential items to the hospital's children's ward.

The Group is proud of our team members and their ability to fully endorse our call for support in the local community.

Mangrove planting initiative

The Group participated in our very first mangrove planting initiative in the Gaire Village in Central Province as part of the Gaire Mangrove Conservation and Rehabilitation program. The program is run by community-based organisation, Assess, Reduce and Offset (ARO), which assisted us with planting the mangroves.

The aim of the program is to restore degraded mangrove areas along the local village's coastline and river system, and educate communities on the important role mangroves play in preventing sea level rises and preserving coastal ecosystems. The initiative was a great way for our employees to promote sustainable development and connect with our local communities.

A donation of K2,000 was also presented to ARO in support of the organisation's conservation efforts within the community. At Credit Corporation, we recognise the role we all can play when it comes to conserving our natural environment and are thankful of this opportunity to support further investment in our communities.

Credit Corporation gets behind children's literacy with its support for Buk bilong Pikinini.

With the help of corporate sponsors such as Credit Corporation, Buk bilong Pikinini has been able to establish 15 library centres throughout PNG.

Communities (continued)

Contribution to community sport

Over the years, Credit Corporation has supported several sporting clubs and associations, and is currently sponsoring local teams in various sporting codes such as rugby league, rugby union and netball.

We are extremely proud to play a role in the communities in which we operate and create a positive impact on the community.

Port Moresby Basketball Association

The Group continued its support of the Port Moresby Basketball Association (POMBA), donating K20,000 to the 2022 season.

Credit Corporation is proud to have supported the POMBA through the 2021 and 2022 basketball seasons, and looks forward to continuing this relationship in the coming years.

The Group continued its long association with the Agmark Gurias Rugby League Club and the Credit Corporation Sparrows Netball Club.

Ongoing commitment to ethical business practices

The Group renewed its commitment to fight against corruption with a K20,000 donation to Transparency International PNG (TIPNG).

The Group believes all companies within the private sector have a clear responsibility to ensure business is conducted in an ethical manner.

Anti-corruption organisations such as TIPNG play an important role our society. We would like to commend the TIPNG team, and commend their work on promoting transparency and integrity both within the private and public sector.

Credit Corporation has been a corporate member of TIPNG since 2006, supporting the anti-corruption agency with financial assistance to facilitate several of its core projects including policy and advocacy activities conducted throughout the country.

Throughout the South Pacific, Credit Corporation has always valued the opportunity to make a positive contribution to the communities it serves including Fiji, Vanuatu and the Solomon Islands.

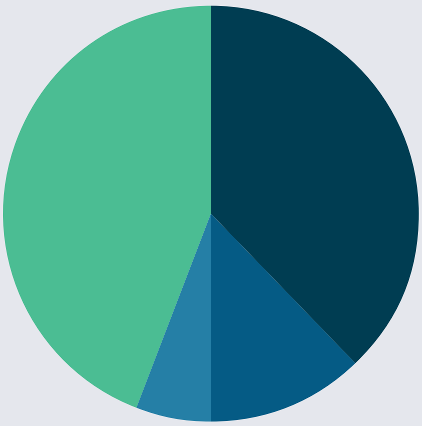
CCFJ contributed to several humanitarian and charitable organisations, including:

- Frank Hilton Organisation Fiji
- Fiji Red Cross Society
- FRIEND Fiji
- Fiji Society for the Blind
- Koroipita Model Towns Charitable Trust.

CCFJ also supported Leadership Fiji, an organisation dedicated to enhancing leadership and developing future leaders in Fiji.

Contributing to the business life of PNG

Corporate sponsorship



- **44%** PNG Mining Conference
- **38%** Others
- **12%** APNGBC Expo
- **6%** Business Advantage International Conference

Major corporate sponsorship partnerships in 2022 included the 16th PNG Mining and Petroleum Investment Conference and Exhibition held in Sydney. The event showcased local, national and international manufacturers and suppliers with the latest innovations in the supply of services and equipment for the industrial, mining and oil and gas sectors.

The Group sponsored the 37th Australia Papua New Guinea Business Forum which had the theme for 2022 of 'Papua New Guinea: Back To Its Future — A Climate For Change'.

Other conferences and events

- Business Council of PNG — PM's Back to Business Breakfast
- Carbine Club
- Cheshire Homes — Silver Feather
- Port Moresby Arts Theatre
- PNG India Association Night
- PNG LNG Kumuls Gala Dinner
- City Mission Golf Day
- Returned Services League of Australia Golf Day
- BPW Cancer Foundation — Pink Ribbon Lunch
- Rita Aitsi Medical Fundraiser Dinner
- StratCom — PNG SME Awards.

Credit Corporation continued its long association with the Agmark Gurias Rugby League Club in 2022.

The Group welcomed the opportunity to show support for the Port Morseby Basketball Association.

Risk management

The Group continued to strengthen its Governance framework in 2022 through recruitment at Board and executive level.

During 2022, the Group undertook a comprehensive review of the initial Risk Management Framework (introduced in 2020) and key underlying policies and tools.

At Board level, the Group appointed Daryl Johnson, a highly credentialled banking executive, to the Board in July 2022. Mr Johnson brings experience in the areas of banking, finance, payments and risk management, both in Australia and internationally, as well as extensive expertise in strategy development and change management.

At executive level, Credit Corporation appointed Mr Andre De Bakhapouve to the role of Group Chief Risk Officer in April 2022. Mr Bakhapouve has significant global banking and risk management expertise.

The Group developed its initial Risk Management Framework and plan for rollout of the strategy which was endorsed by the Board in 2020/21. However, the resignation of the then Group Chief Risk Officer in 2021 and some vacancies in the Risk Department, slowed the implementation plans.

Despite these challenges, there has been significant progress in terms of data collection, monitoring and reviewing key risk areas of the business at operational level. In addition, the Group's Risk team initiated a comprehensive review of the initial Risk Management Framework in line with the new business strategic intent in Q2 2022. An initial proposal, outlining key focus areas for Risk and Governance, and highlighting the opportunities for further enhancement and resources, was presented to the Board in June 2022.

The Internal Audit function was outsourced in 2021 to PricewaterhouseCoopers, which is now operating in conjunction with the Group's in-house risk management function, while it gradually builds the capacity and expertise for an in-house Internal Audit function.

Our first Group internal auditor was hired in early 2022 (based in Fiji) with recruitment for a Head of Internal Audit currently underway.

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

The Group identified the management of non-financial risks (including Operational Risk and Compliance) as one of the new Group CRO's key focus areas for 2022. This area within the Risk Management department has been strengthened with the recruitment of additional senior resources.

Some of the key projects in 2022 included:

- the development of a new comprehensive Risk Register
- substantial reduction in the number of outstanding (legacy) regulatory issues.

The Group identified embedding a risk culture throughout the entire operations of the business as the other strategic priority for risk management for 2022.

To drive a holistic risk culture, the Risk team, along with the People and Culture team, are working jointly to introduce consistent, role type and seniority specific risk-related KPIs for all staff for the first time.

Importantly, we continued to work on the ongoing enhancement of our Business Continuity and Resilience Strategy.


CREDIT CORPORATION

Board of Directors

Dr Albert Mellam

CHAIRMAN

Dr Albert Mellam holds directorships on a number of company boards in PNG and the region. He is the Executive Director of the PNG Chamber of Mines and Petroleum.

Dr Mellam was appointed to the Credit Corporation Board in August 2013 and was appointed Chairman in September 2022.

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

Dr Mellam is the immediate past Vice Chancellor of the University of PNG and is currently an Adjunct Professor of Management at The Cairns Institute, James Cook University, Australia, and Visiting Academic with the School of Business Administration at the University of PNG. He holds a doctoral degree in psychology from the Australian National University.

Richard Sinamoi

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

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

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

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

Abigail Chang

Abigail Chang has served in executive management roles in the private and development sectors in the Pacific and has close to 10 years of central banking experience in the areas of financial system supervision, regulation, policy development and licensing for the banking, insurance, foreign exchange and superannuation industries in Fiji. She has extensive experience working across 8 Pacific countries in financial inclusion, financial capability development and digitising Government-to-Person (G2P) payments.

She was appointed to the Credit Corporation Board in December 2016. She served on the Credit Corporation Fiji Pte Ltd Board from 2014-2022, during which time, she served for over 3.5 years as Chairperson.

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

Clare Mazzetti

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

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

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

Her board experience includes the Australian Medical Association of Queensland, Australian Shareholders' Association and Police Bank. She is currently a Director of Qudos Bank and the Uniting Church of Australia (Synod of NSW & ACT), providing strategic, financial and transformation skills to her roles.

Ms Mazzetti is currently undertaking a PhD in digital exchange and exploring the role digital currency, crypto, blockchain, digital wallets and fintech plays in the transformation of the global financial system.

She is a Fellow of FINSIA and a Graduate Member of the Australian Institute of Company Directors.

Faye-Zina Lalo

Faye-Zina Lalo is a corporate and commercial litigation lawyer, and serves as a Director on the boards of various corporate institutions, as well as non-governmental organisations in Papua New Guinea.

Ms Lalo was appointed to the Credit Corporation Board in March 2017.

Before joining Credit Corporation PNG, Ms Lalo practised corporate and commercial law for more than 13 years in PNG in both private legal firms and corporate institutions.

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

Stephen Humphries

Stephen Humphries brings significant leadership experience across a wide range of businesses and jurisdictions including UK, Australia, New Zealand, PNG, Indonesia and South East Asia. He is the Group Executive, Cosec and Group Affairs of Healius Ltd, one of Australia's leading ASX-listed healthcare companies.

He was appointed to the Credit Corporation Board on 15 April 2021.

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

Mr Humphries is a Fellow of both the Institute of Chartered Accountants in Australia, and the Institute of Chartered Accountants in England and Wales.

He is a member of the Independent Directors Association of PNG (IDAPNG).

Sir Melchior Togolo CBE

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

He was appointed to the Credit Corporation Board on 29 October 2021.

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

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

Daryl Johnson

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

Mr Johnson brings a wealth of experience in the areas of banking, finance, payments and risk management, both in Australia and internationally. He has a proven ability to lead innovatively, challenge the status quo, develop strategy, drive constructive change and deliver results.

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

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

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

Lady Winifred Kamit

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

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

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

Lady Kamit is a Senior Partner at Dentons PNG.

She currently sits on the Boards of Steamships Trading Co. Limited (publicly listed in PNG and overseas) as a Member of the Board Audit and Risk Committee; Post Courier Limited; and Brian Bell Company Limited as a Member of the Audit and Risk Committee.

Lady Kamit previously sat on the Boards of New Britain Palm Oil Limited (publicly listed in PNG and overseas); and Lihir Gold Limited/ Newcrest Mining (publicly listed in PNG and overseas).

In September 2022, she retired as Chair of the ANZ Bank in PNG.

Senior Executive Team

Danny Robinson

GROUP CHIEF EXECUTIVE OFFICER

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

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

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

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

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

Rei Vagi

GROUP CHIEF FINANCIAL OFFICER

Rei Vagi has more than 15 years' experience as a financial controller, and extensive knowledge in financial reporting with adherence to accounting and auditing standards, cash flow management and financial planning, taxation, regulatory compliance, as well as analysing financial strengths and weaknesses and proposing corrective actions.

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

Ms Vagi is passionate about the training and development of people, and building and strengthening the capability of the finance team within the Company. She has held various senior management roles for prominent organisations such as Kraft-Heinz PNG and PricewaterhouseCoopers, and held the role of Financial Controller with Kina Securities Limited prior to joining Credit Corporation.

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

Senior Executive Team (continued)

Andre De Bakhapouve

GROUP CHIEF RISK OFFICER

Andre De Bakhapouve is a risk management professional with an extensive track record of over 20 years' experience at top-tier global and local banks in the Asia-Pacific region. His expertise in risk covers credit, market, operational risk, AML/FCC, technology risk and compliance.

Mr De Bakhapouve was appointed Credit Corporation's Group Chief Risk Officer on 15 June 2022.

Prior to his appointment with Credit Corporation, he was Chief Risk Officer, APAC, Wells Fargo Bank (Hong Kong), where he managed risk and compliance affairs across all business lines in the Asia-Pacific region. For 10 out of his 20 years of experience, Mr De Bakhapouve was as an executive risk manager in various banks including Standard Chartered Bank (Singapore), ANZ Bank (Melbourne), Baycorp (Sydney) and Promina Group (now Suncorp Sydney).

Mr De Bakhapouve has a BSc (Hons) in Mathematical Statistics and a BSc in Computer Science/AI from Monash University (Melbourne), and extensive experience in analytics and automation. He is an accredited member of the Professional Risk Managers' International Association (PRMIA) and a member of the Australian Institute of Company Directors.

Anneka Linge

COMPANY SECRETARY & GENERAL COUNSEL

Anneka Linge is an experienced company secretary with over 20 years of robust legal experience with prominent organisations such as Paradise Foods Limited, Comrade Trustee Services Limited and National Superannuation Fund Limited.

As the General Counsel and Company Secretary of Credit Corporation, Ms Linge has responsibility over the Group's legal team and advises the CEO and the Board on legal matters and corporate governance.

Her invaluable experience makes her a dynamic team player as she prioritises and ensures the fair and efficient resolution of the Company's legal matters and supports the effectiveness of the Board.

Prior to joining Credit Corporation, Ms Linge had a demonstrated history in the legal services industry and is skilled in risk assessment, occupational health, safety management systems in the mining industry and sporting organisations, as well as with statutory bodies such as the IRC.

Ms Linge holds a Bachelor of Law (LLB) from the University of Papua New Guinea.

Loka Niumatairua

HEAD OF PEOPLE & CULTURE

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

She joined Credit Corporation on 27 July 2020 as the Head of People & Culture.

Ms Niumatairua is focused on driving high performance through a transformed culture by installing the People & Culture function, and anchoring people-focused strategic objectives. Her journey with Credit Corporation continues to evolve, and she is committed to promoting employee wellbeing and supporting an inclusive and diverse workforce by ensuring our people and communities are skilled for the future.

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

Lynda Kahari

ACTING CHIEF OPERATING OFFICER AND HEAD OF CUSTOMER STRATEGY

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

She joined Credit Corporation in December 2020 as Head of Customer Strategy and was later appointed as Acting COO. She currently holds both positions.

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

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

Brent St. Hill

GENERAL MANAGER PROPERTIES

Brent St. Hill has more than 16 years' experience in the property industry with extensive knowledge in multiple facets of property, asset and hotel management, gained by working both nationally and internationally.

He was appointed as General Manager Properties in August 2019.

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

Country Heads

Peter Dixon

COUNTRY HEAD (FIJI)

Peter Dixon has more than 40 years' management experience in Papua New Guinea and Fiji, specialising in finance and management, business and strategic planning, and staff training and development.

During this time, he has developed an intimate understanding of local commercial conditions and has established an extensive network of contacts in the local business community.

He was appointed Country Head of Credit Corporation Fiji in March 2012.

Mr Dixon previously held the position of General Manager at Bank South Pacific, where he oversaw the operation and performance of the Corporate, Commercial and Business Lending units. Prior to this, he established a management consultancy company, Dedicated Management Ltd, which provided specialised services to the banking and finance sector in PNG, as well as providing corporate governance training.

Mr Dixon is Chairman of the Finance Companies Association in Fiji, a Senior Association Member of FINSIA, and a Graduate Member of the Australian Institute of Company Directors. He holds a Master of Business Administration from Charles Sturt University.

Mohammed Nakeem Nawaz

COUNTRY HEAD (VANUATU)

Mohammed Nawaz has 16 years of progressive finance and operational experience at major multinational companies. In his immediately preceding role, Mr Nawaz was the Financial Controller of Credit Corporation Fiji for five years.

He was appointed Country Head of Credit Corporation Vanuatu in March 2021.

Prior to joining Credit Corporation Fiji, Mr Nawaz commenced his career at PricewaterhouseCoopers Fiji and progressed with the Reserve Bank of Fiji before moving into a senior finance role at QBE Insurance (Fiji) Pte Limited.

Mr Nawaz is a Certified Practising Accountant with CPA Australia and a Chartered Accountant with Fiji Institute of Accountants (FIA). He is a member of the FIA Professional Development Committee and is a Fellow of Leadership Fiji.

Ronald Vikash Prasad

COUNTRY HEAD (SOLOMON ISLANDS)

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

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

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

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

Corporate governance statement

I. Overview

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

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

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

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

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

Legal and Regulatory Framework

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

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

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

As CCP is listed on PNGX, it must comply with the PNGX Listing Rules.

Risk Management Structure

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

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

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

Corporate governance statement (continued)

II. The Board of Directors

1. The Board Structure and Role

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

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

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

The Board comprises nine Directors (six independent and three non-independent Directors).

Table One: Board Role

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

II. The Board of Directors (continued)

1. The Board Structure and Role (continued)

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

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

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

There are five (5) Board committees. The Board decided to divide the previous Audit & Risk Committee into two completely separate committees, reflecting a sharper focus on risk management and driving the *three lines of defence* model.

Corporate governance statement (continued)

II. The Board of Directors (continued)

1. The Board Structure and Role (continued)

Table Two: Board Committee Members As At 31 December 2022

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

Key: M-Member, C-Chairman

Table Three: Directors Attendance At Board & Committee Meetings

	Board meeting	Audit Committee meeting	Risk & Compliance Committee meeting	Nomination & Remuneration Committee meeting	Disclosure Committee meeting	Strategic & Investment Committee meeting
Number of meetings *including special meetings	12*	4	4	5*	3	4
Dr Albert Mellam[1]	12	–	–	2	–	2
Richard Sinamoi[2]	12	–	–	1	3	2
Abigail Chang	11	4	4	–	3	–
Clare Mazzetti	11	–	4	–	–	4
Faye-Zina Lalo	12	4	4	5	–	–
Stephen Humphries	9	4	4	–	–	4
Sir Melchior Togolo	10	–	–	4	–	3
Daryl Johnson[3]	8	1	–	1		

1 Dr Albert Mellam was appointed Chairman in September 2022 and relinquished all Committee positions.
2 Richard Sinamoi was appointed a member of the N&R Committee and S&I Committee in September 2022.
3 Daryl Johnson was appointed to the Board in June 2022 and subsequently appointed a member of the Audit Committee and N&R Committee.

II. The Board of Directors (continued)

2. Board's Relationship with the Chief Executive Officer

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

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

3. Chairman

Dr Albert Mellam was appointed as Chairman of the Board in September 2022.

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

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

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

4. Board Skills and Composition

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

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

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

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

Corporate governance statement (continued)

II. The Board of Directors (continued)

4. Board Skills and Composition (continued)

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

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

5. Board Performance Evaluation

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

The Board assesses its performance each year and is required to have an independent assessment every three years as part of compliance with the BPNG Prudential Standards. The last independent Board assessment was conducted in 2021.

6. Director Appointment And Election

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

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

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

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

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

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

II. The Board of Directors (continued)

6. Director Appointment And Election (continued)

Table Four: Directors' Tenure as at 31 December 2022

Director	Board appointment date	Current tenure on Board	Shareholder ratification date (initial appointment)	Rotation and re-election at AGM
Dr Albert Mellam	19.08.2013	9 years 4 months	25.06.2021	Last rotation was in 2021
Richard Sinamoi	21.05.2018	4 years 7 months	25.06.2020	Due for re-election in 2023
Abigail Chang	07.09.2016	6 years 3 months	24.06.2022	Last rotation was in 2022
Clare Mazzetti	24.12.2021	1 year 3 months	24.06.2022	Elected at 2022 AGM
Faye-Zina Lalo	02.12.2016	6 years	24.06.2022	Last rotation was in 2022
Stephen Humphries	22.04.2021	1 year 8 months	25.06.2021	Elected at 2021 AGM
Sir Melchior Togolo	29.10.2021	1 year 6 months	25.06.2021	Elected at 2021 AGM
Daryl Johnson	24.06.2022	6 months		Due for election at 2023 AGM

7. Director Development

In 2022, there were a number of external workshops and courses that Directors participated in to improve the Board's performance, oversight capability and insight into the business. Most Directors completed the required 20 hours of training in the year.

8. Director Independence

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

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

Corporate governance statement (continued)

II. The Board of Directors (continued)

9. CEO And Senior Executive Performance and Remuneration

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

10. Conflicts Of Interest

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

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

11. Independent Advice

Directors are entitled to seek independent advice on their duties at the Group's expense, provided that they receive the prior approval of the Chairman. The advice is normally made available to all Directors. No Director sought independent advice during the 2022 year.

12. Company Secretary

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

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

The Company Secretary in the year 2022 was appointed in September 2021. She is a lawyer by profession with more than 20 years experience in the legal profession and industry. Prior to her appointment with Credit Corporation, she was the Company Secretary for Paradise Foods Limited.

III. Risk Management and Assurance

1. Risk Management Framework

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

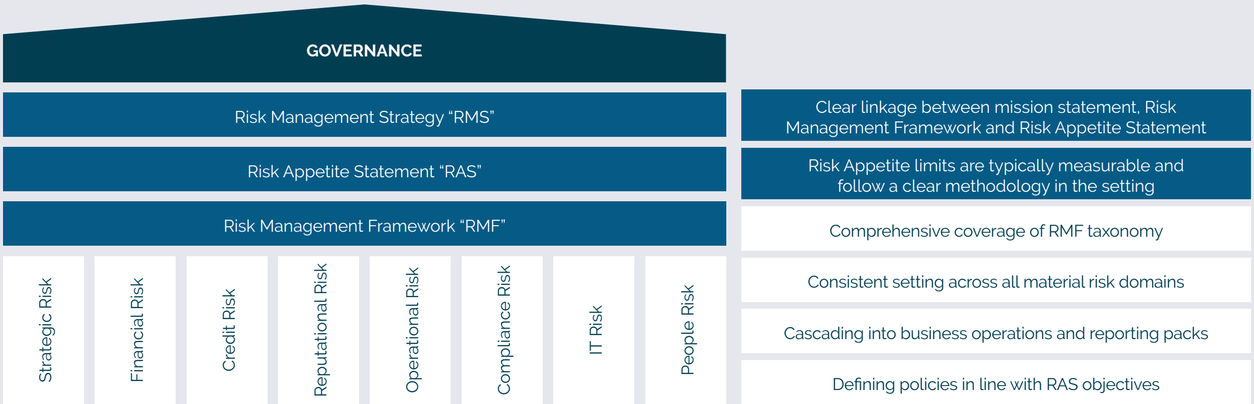
The risk strategy continues to operate a *three lines of defence* model, but has been enhanced to link risk methodology into its material risk management processes explained in the following diagram.

The Board implemented its annual risk review process resulting in ongoing enhancements in 2021 including the functional shift of key business areas into separate first and second line teams within the Risk Management Framework.

III. Risk Management and Assurance (continued)

1. Risk Management Framework (continued)

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



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

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

BOARD OF DIRECTORS

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

EXECUTIVE MANAGEMENT

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

MANAGEMENT COMMITTEE

- Asset Liability Committee
- Risk Management Committee
- Credit Committee

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

Corporate governance statement (continued)

III. Risk Management and Assurance (continued)

2. Material Business Risks

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

MATERIAL RISKS (KEY RISKS)

Financial Risk	HR Risk	IT Risk	Reputational Risk	Strategic Risk	Compliance Risk	Credit Risk	Operational Risk

3. External Auditor

KPMG has been the Group's external auditor for over 20 years. The external audit appointment and performance are reviewed annually. The Board re-appointed KPMG as external auditor in 2021. Every five years the lead audit partner responsible is rotated.

Mr Herbert Maguma was the lead audit partner for KPMG for financial year 2022.

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

KPMG has provided the required independence declaration to the Board for FY22. The independence declaration forms part of the Directors' Report in the Annual Report.

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

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

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

4. Internal Auditor

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

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

The Risk Committee has an Internal Audit Charter and is responsible for reviewing the performance of the Internal Audit Manager and the function each year.

IV. Communicating With Shareholders

1. Shareholder Engagement

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

Other shareholder engagement activities include:

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

V. Corporate Ethics

1. Core Values

The Group's core values are:

(i) fellowship;

(ii) integrity;

(iii) growth;

(iv) impact; and

(v) customer obsessed.

2. Codes Of Conduct

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

3. Other Policies

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

Corporate governance statement (continued)

VI. Diversity

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

We believe teams that are both diverse and inclusive attain higher levels of engagement, loyalty and growth, and through diversity of thought comes innovation and better decision-making. As a company that is founded on strong partnerships and relationships, we know that diversity and inclusion help us better reflect the different needs and perspectives of the communities we serve so we are better able to meet their needs. Our commitment to diversity and inclusion goes beyond the doors of our business. We support customers and communities through a range of initiatives, such as making financial services more accessible to customers with diverse needs and contributing to branch-level celebrations of cultural expression.

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

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

Table Five: Gender Breakdown

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

VII. Corporate Social Responsibility

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


Executive
Car Loan

Consolidated financial statements

Financial Statements for the year ended 31 December 2022

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Company information

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

Registered Office

Credit House, Cuthbertson Street
Port Moresby
Papua New Guinea

Principal Place of Business

Credit House, Cuthbertson Street
Port Moresby
Papua New Guinea

Directors (PNG)

Dr. Albert Mellam (Chairman)

Richard Sinamoi

Abigail Erica Wendy Chang

Faye-Zina Lalo

Stephen Humphries

Sir Melchior Togolo

Clare Mazzetti

Daryl Johnson

Lady Winifred Tare Kamit
(appointed March 2023)

Secretary

Anneka Linge

Auditors

KPMG
Chartered Accountants
Nambawan Plaza, Level B2
Mcgregor Street
Port Moresby
Papua New Guinea

Bankers

Bank of South Pacific Limited

Australia & New Zealand Banking Group (PNG) Limited

Australia & New Zealand Banking Group (Fiji) Limited

Australia & New Zealand Banking Group (Timor) Limited

National Bank of Vanuatu

Westpac Bank PNG Limited

Westpac Bank Sydney

Westpac Bank Fiji

Bred Bank Fiji

HFC Bank Fiji

Directors' report

Your directors present their annual report on the affairs of Credit Corporation (PNG) Limited (the "Company") and its controlled entities ("the Group") including the financial statements for the year ended 31 December 2022.

Activities

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

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

Results

The net profit after taxation for the Group attributable to the members of the Group for the year was K86.0 million (2021: K76.9 million) and for the Company was K56.9 million (2021: K55.8 million).

Dividends

The Company paid total dividends of K72.7 million (K0.236 per share) during the year (2021: K69.6 million or K0.226 per share paid during 2021).

Events subsequent to balance date

The Bank of PNG has granted Credit Corporation Finance (PNG) Limited, a subsidiary of Credit Corporation (PNG) Limited, an "Approval in Principle" for a banking licence. This licence is valid for a period of 12 months to prepare for upgrading Credit Corporation's current licence from a financial institution to a niche commercial bank.

This event, in the opinion of the Directors, will significantly affect the operations of the Group, the results of those operations, and the state of affairs of the Group in future financial years.

Directors

The directors at the date of the report of the Company are listed on page 55. No director was a substantial shareholder of the Company as at 31 December 2022 and none had any material interest in any contract or arrangement with the Company or any related entity during the year.

Remuneration of Directors and Employees

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

Interests Register

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

Auditors' remuneration

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

Donations

During the year, the Company made donations totalling K117,000 (2021: K88,000).

For and on behalf of the board of directors

Dr. Albert Mellam
Chairman

Date: 6 April 2023

Stephen Humphries
Director

Date: 6 April 2023

Independent Auditor's Report

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

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of the Company and the Group.

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

- giving a true and fair view of the Company and Group's financial position as at 31 December 2022 and of its financial performance for the year ended on that date; and
- complying with International Financial Reporting Standards.

The Financial Report comprises:

- statements of financial position as at 31 December 2022;
- income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended 31 December 2022; and
- Notes including a summary of significant accounting policies.

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

Basis for opinion

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

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

We are independent of the Company and Group in accordance with the *Companies Act 1997* and the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

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KPMG

Key Audit Matters

The Key Audit Matters we identified are:

- Valuation of investment property;
- Allowance for expected credit losses on finance receivables; and
- Valuation of investment in subsidiaries measured at fair value.

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

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

Valuation of investment property (K250,500,000) – Group

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

The key audit matter	How the matter was addressed in our audit
The investment property balance is a significant balance and represents 17.2% of the Group's total assets. The valuation of investment properties is dependent on a number of assumptions and inputs including tenant information, property age and location, expected future rental profiles, and prevailing market conditions. Amongst others, the following assumptions are key in establishing fair value: • The occupancy rates and vacancy allowances; • The capitalisation rate; • Capital expenditure allowances; • Letting allowances; • Market lease rates; and • The adopted discount rates. We considered the valuation of investment property to be a key audit matter due to the: • Financial significance of investment property in the statement of financial position. • The property market is largely illiquid and inactive with minimal comparable transactions. This increases the subjectivity as there are minimal comparable transactions and published data on capitalisation rates etc. • Inherently subjective nature of investment property valuations which increased as a result of the impacts of current and forecasts of future economic conditions; and its sensitivity to key input assumptions, including, vacancy allowance, capitalisation rates and discount rates.	Our procedures included the following: • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used for investment property in the industry, and with the Group's stated valuation policy; • We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to form independent expectations of likely movements in investment property values and underlying key assumptions such as capitalisation rates, discount rates and vacancy allowances; • For a sample of tenancy agreements, we compared the rental income used in the investment property valuations to the tenancy schedules; • We compared the capitalisation rates and discount rates used by the Group in their investment property valuations to rates used for other comparable properties determined reasonable based on their location and asset grade; • We considered and challenged the Group's assessment of the impact of current and forecasts of the future economic conditions on the key input assumptions; and • We assessed the appropriateness of the Group's accounting policies and disclosures in respect of investment property in accordance with IFRS 13 *Fair value measurement.*

KPMG

Allowance for expected credit losses on finance receivables (K66,913,000) – Group	
Refer to Note 3.2 *Finance receivables* to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Allowance for credit losses on finance receivables are considered to be a key audit matter due to the significance of finance receivables to the Group's financial position and the inherent complexity of the Group's Expected Credit Loss (ECL) models (ECL models) used to measure ECL allowances. The ECL models are reliant on data as well as a number of estimates and assumptions. The following assumptions are key in establishing the ECL allowances: • expected future cash receipts; • collateral valuation, and estimated sale proceeds of the assets held as collateral (haircuts); • time to realisation of collateral; • probability and timing of default; • cure rate; • determination of significant increases in credit risk; and • the impact of future changes in macroeconomic environment, Separate from the ECL calculation, allowances for individually assessed loans are specifically assessed by the Group. These specific allowances are established based on future expected repayments and estimated proceeds from the value of the collateral held by the Group in respect of these loans.	Our audit procedures for the allowance for ECL and disclosures included assessing the Group's significant accounting policies against the requirements of the accounting standard. Additionally, our procedures covered the following: We tested key controls in relation to: • Data entry of information from the signed loan agreements to the core banking system. This included the principal amount of the loan, the interest rate, and the loan tenure; and • Key Information Technology and credit risk monitoring controls relating to the accuracy of data, inputs in the provision models and controls in the arrears supervision process. In addition to controls testing, our procedures included the following: • Working with our financial risk management ('FRM') specialist, we obtained an understanding of the Group's processes to determine ECL allowances, evaluating the Group's ECL model methodologies against established market practices and criteria in accounting standards; • In collaboration with the FRM specialist, we also assessed the design of the expected credit loss model and re-performed model calculations to assess accuracy of ECL calculations; • We assessed the accuracy of the data used in the ECL models by confirming key data fields such as the account balance, days in arrears, collateral values to relevant source systems for a sample of loans; and • We challenged the reasonableness of the Group's key judgements and estimates made in complying with IFRS 9 *Financial Instruments* requirements, including selection of methods, models, key assumptions, and data sources.

KPMG

Allowance for expected credit losses on finance receivables (K66,913,000) – Group (continued)	
We exercise significant judgment in challenging the economic scenarios used by the Group in the ECL model. The finance receivables and ECL allowances are also significant to the Group due to the level of required disclosures set out by the requirements of IFRS 7 *Financial Instruments: Disclosures.*	***IFRS 7 Financial Instruments: Disclosures*** Assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing against the requirements of the accounting standard.

Valuation of investment in subsidiaries measured at fair value (K393,169,000) – Company stand-alone	
Refer to Note 3.4(d) *Investments in subsidiaries* to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The investment in subsidiary balance is a significant balance and represents 41.7% of total assets of the Company. Investments in subsidiaries are carried at fair value at the reporting date using the Group's policy as described in Note 3.4(d). The valuation of investment in subsidiaries is dependent on several assumptions and inputs including price-to-book ratios. We considered the valuation of investment in subsidiaries to be a key audit matter due to the: • Financial significance of investment in subsidiaries in the statement of financial position. • Inherently subjective nature of investment valuations arising from the use of assumptions in the valuation methodology. • Sensitivity of valuations to key input assumptions, including, earnings multiples, discount factors and forecast sustainable earnings and the impacts caused by the impacts of current and forecasts of the future economic conditions.	Our procedures included the following: • Working with our KPMG Corporate Finance specialists, we challenged the Company's price-to earnings and price-to-book ratios. We compared these ratios to published studies of industry trends and expectations and considered differences for the subsidiaries' operations. We used our knowledge of the subsidiaries, their past performance, business and our industry experience; • We performed a recalculation of management's valuations to assess the mathematical accuracy of these calculations; • We evaluated forecasted net maintainable earnings in light of current and expected market conditions and the historical performance of the companies. • We considered the sensitivity of the models by key assumptions, such as the price-to-earnings, price-to-book ratios and net maintainable earnings, within a reasonable possible range and included specific analysis of reasonable possible impacts of current and forecasts of the future economic conditions; and • We assessed the appropriateness of the Company's accounting policies and disclosures in respect of investment in subsidiaries against the requirements of the relevant accounting standards.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The remaining Other information, the annual report, is expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

Auditor’s responsibilities for the audit of the Financial Report (continued)

As part of the audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2022:

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

KPMG
Chartered Accountants

Herbert Maguma
Partner
Registered under the Accountants Act 1996

Port Moresby
06 April 2023

Statements of financial position

For the year ended 31 December 2022

	Note	Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
ASSETS					
Cash and cash equivalents	3.1	220,397	189,339	31,792	13,017
Other deposits	3.4(f)	–	–	1,485	12,302
Finance receivables	3.2	413,618	409,544	–	–
Other receivables	3.3	11,309	7,843	44,528	35,885
Interest bearing securities	3.4(a)	36,171	31,789	–	–
Other equity investments	3.4(b)	34	34	34	34
Investment in associate	3.4(c)	8,283	8,283	8,283	8,283
Other investments	3.4(d)(e)	456,210	450,671	849,379	818,637
Inventories		1,077	1,188	–	–
Income taxes receivable	2.6(b)	7,503	4,491	926	894
Property and equipment	3.5	29,153	29,383	3,834	2,808
Investment property	3.6	250,500	254,773	–	3,800
Deferred tax assets (net)	2.6(c)	22,752	28,908	2,024	1,373
TOTAL ASSETS		**1,457,007**	**1,416,246**	**942,285**	**897,034**
EQUITY					
Share capital	5.1	21,984	21,984	21,984	21,984
Reserves	5.2	445,069	451,406	729,839	699,097
Retained earnings		455,710	446,922	124,379	146,319
TOTAL EQUITY		**922,763**	**920,312**	**876,202**	**867,400**
LIABILITIES					
Trade and other payables	3.7	19,979	12,348	60,958	27,185
Deposits and borrowings	3.8	506,943	477,946	–	–
Employee benefits	3.9	7,322	5,640	5,125	2,449
TOTAL LIABILITIES		**534,244**	**495,934**	**66,083**	**29,634**
TOTAL EQUITY AND LIABILITIES		**1,457,007**	**1,416,246**	**942,285**	**897,034**

For and on behalf of the board of directors

Dr. Albert Mellam
Chairman
Date: 6 April 2023

Stephen Humphries
Director
Date: 6 April 2023

The statements of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Income statements

For the year ended 31 December 2022

		Consolidated		Company	
	Note	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Finance income	2.1	66,483	81,553	–	–
Finance costs	2.2	(15,894)	(20,110)	–	–
Net finance income		**50,589**	**61,443**	**–**	**–**
Other income	2.1	101,327	89,140	76,021	63,062
Fair value gain on financial asset	3.4(e)	5,539	10,336	5,539	10,336
Fair value loss on investment properties	3.6	(1,372)	(5,001)	–	–
Net operating income		**156,083**	**155,917**	**81,560**	**73,398**
Impairment reversal/(loss) on finance receivables	3.2(iii)	19,050	(4,079)	5,434	(545)
Personnel expenses	2.4	(29,042)	(23,516)	(12,293)	(6,617)
Depreciation expenses	3.5	(5,429)	(6,540)	(782)	(636)
Other operating expenses	2.3	(43,284)	(37,360)	(18,326)	(11,148)
Results from operating activities		**97,378**	**84,423**	**55,593**	**54,452**
Profit before tax		**97,378**	**84,423**	**55,593**	**54,452**
Income tax benefit/(expense)	2.6(a)	(11,340)	(7,551)	1,338	1,326
Profit attributable to equity holders of the company		**86,038**	**76,872**	**56,931**	**55,778**
Earnings per share based on profit for the year					
Basic and Diluted		0.28	0.25	0.18	0.18

The income statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Statements of comprehensive income

For the year ended 31 December 2022

	Note	Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
Profit for the period		**86,038**	**76,872**	**56,931**	**55,778**
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
Foreign currency translation differences for foreign operations	5.2(c)	(10,915)	(2,687)	–	–
Items that will not be reclassified subsequently to profit and loss					
Revaluation of subsidiaries	3.4(d)	–	–	25,203	32,236
Other comprehensive income for the year (net of income tax)		**(10,915)**	**(2,687)**	**25,203**	**32,236**
Total comprehensive income for the year attributable to equity holders of the company		**75,123**	**74,185**	**82,134**	**88,014**

The statements of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Consolidated statements of changes in equity

As at 31 December 2022

	Note	Share Capital K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Consolidated					
Balance at 1 January 2021		**21,984**	**447,258**	**446,477**	**915,719**
Total comprehensive income for the year		–	–	74,185	74,185
Transfer to reserves		–	4,148	(4,148)	–
		–	**4,148**	**70,037**	**74,185**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(69,592)	(69,592)
Total transactions with owners		**–**	**–**	**(69,592)**	**(69,592)**
Balance at 31 December 2021		**21,984**	**451,406**	**446,922**	**920,312**
Balance at 1 January 2022		**21,984**	**451,406**	**446,922**	**920,312**
Total comprehensive income for the year		–	–	75,123	75,123
Transfer to reserves		–	(6,337)	6,337	–
		–	**(6,337)**	**81,460**	**75,123**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(72,672)	(72,672)
Total transactions with owners		**–**	**–**	**(72,672)**	**(72,672)**
Balance at 31 December 2022		**21,984**	**445,069**	**455,710**	**922,763**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Company statements of changes in equity

As at 31 December 2022

	Note	Share Capital K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Company					
Balance at 1 January 2021		**21,984**	**663,268**	**163,726**	**848,978**
Total comprehensive income for the year		–	32,236	55,778	88,014
Transfer to reserves		–	3,593	(3,593)	–
		–	**35,829**	**52,185**	**88,014**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(69,592)	(69,592)
Total transactions with owners		**–**	**–**	**(69,592)**	**(69,592)**
Balance at 31 December 2021		**21,984**	**699,097**	**146,319**	**867,400**
Total comprehensive income for the year		–	25,203	56,931	82,134
Transfer to reserves		–	5,539	(6,199)	(660)
		–	**30,742**	**50,732**	**81,474**
Transactions with owners					
Dividends to equity holders	2.5	–	–	(72,672)	(72,672)
Total transactions with owners		**–**	**–**	**(72,672)**	**(72,672)**
Balance at 31 December 2022		**21,984**	**729,839**	**124,379**	**876,202**

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Statements of cash flows

For the year ended 31 December 2022

	Note	Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
OPERATING ACTIVITIES					
Charges earned on leases & loans		66,483	81,553	–	–
Commission, fees and rents		32,487	28,597	(395)	1,537
Dividends received		–	–	73,897	60,223
Interest payments		(15,894)	(20,110)	–	–
Payments to suppliers and employees		(66,023)	(57,157)	(27,493)	(18,109)
Operating cash flows before changes in operating assets		17,053	32,883	46,009	43,651
Net cash received in respect of finance receivables		14,976	90,826	–	–
Net cash received/(advanced) in respect of deposits		34,726	(119,739)	–	–
Net cash from subsidiaries		–	–	31,992	18,405
Net cash from operating activities before income tax		66,755	3,970	78,002	62,056
Income taxes paid		(8,521)	(9,025)	636	(51)
Cash flows from operating activities		**58,234**	**(5,055)**	**78,637**	**62,005**
INVESTING ACTIVITIES					
Purchase of property & equipment		(5,893)	(5,089)	(1,807)	(993)
Acquisition of investment property		(899)	443	–	–
Proceeds from sale of property		4,066	(806)	3,800	–
Dividend received		61,536	52,937	–	–
Interest from funds deposited		3,873	2,691	–	–
Net cash flow from short term investments and investment securities		(4,395)	(9,010)	10,817	2,628
Cash flows from investing activities		**58,288**	**41,166**	**12,810**	**1,635**
FINANCING ACTIVITIES					
Repayment of borrowings		(5,560)	(4,783)	–	–
Repayment of interest		(2,436)	(2,485)	–	–
Dividends paid		(72,672)	(69,592)	(72,672)	(69,592)
Cash flows used in financing activities		**(80,668)**	**(76,860)**	**(72,672)**	**(69,592)**
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		(4,796)	(4,270)	–	–
Net increase/(decrease) in cash and cash equivalents		**31,058**	**(45,019)**	**18,775**	**(5,952)**
Cash and cash equivalents at 1 January		189,339	234,358	13,017	18,970
Cash and cash equivalents at 31 December	3.1	**220,397**	**189,339**	**31,792**	**13,017**

The statements of cash flows are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 70 to 147.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

These are the consolidated financial statements for Credit Corporation (PNG) Limited ("the Company") and its controlled entities (together "the Group") for the year ended 31 December 2022.

1.2 REPORTING ENTITY

Credit Corporation (PNG) Limited (the "Company") is a company domiciled in Papua New Guinea. The address of the Company's registered office is Credit House, Cuthbertson Street, Port Moresby, Papua New Guinea. The consolidated financial statements as at and for the year ended 31 December 2022, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

1.3 BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial statements have been authorised for issue by the Board of Directors on 6 April 2023.

(b) Basis of measurement

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

(c) Functional currency

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

(d) Use of estimates and judgements

The preparation of a financial report in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected.

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

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

The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, the actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.3 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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

Coronavirus (COVID-19) pandemic

While the impact of the Covid-19 pandemic eases, global economic activity continues to be impacted by the Ukrainian war, disruptions to the supply chain around the world and increases in commodity prices driving inflation higher globally, the impact on input based economies like PNG continue to be evident albeit not as heightened during the pandemic. The impacts on estimation uncertainty in preparation of these financial statements continue to be assessed, due to remnants of the pandemic. The estimation uncertainty is associated with:

- the extent and duration of the disruption of business arising from the actions of government, and central bank to support businesses and consumers throughout this disruption and economic downturn post pandemic recovery;
- the extent of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes cascading impacts of Covid-19's disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities.

The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2022 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts.

Expected credit loss ("ECL") allowances

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

The following table summarises the key judgements and assumptions in relation to the model inputs and the interdependencies between those inputs, and highlights significant changes during the year ended 31 December 2022.

Judgement/assumptions *(Descriptions discussed in Note 1.6)*	Descriptions of methodologies used in the ECL Model
1 Measuring both 12-month and lifetime credit losses	The probability of default (PD), exposure at default (EAD), and loss given default (LGD) model risk policy stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. Below are the key calculation methodologies used in the ECL model: • PD – segmentation by product grouping to calculate historical observed default; • LGD – uses EAD rather than net balance in denominator, Loss Given Write-off (LGW) at customer level, backfill collateral data, cure rate calculation based on duration of 'cured' and 'default' period, and uses a 3 LGD floor to serve as conservatory backstop and to capture collateral uncertainty; and • EAD – calculation logic for EAD reflected a more aligned approach.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.3 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

	Judgement/assumptions *(Descriptions discussed in Note 1.6)*	Descriptions of methodologies used in the ECL Model
2	Forward-looking information	The measurement and assessment of expected credit loss considers information about past events and current conditions, as well as forecasts of future economic conditions. In determining the provision for ECL, the forward-looking inputs and scenarios are subject to review and approval by the Audit Committee.
3	Macroeconomic factors	As at 31 December 2022, the base case assumptions have not changed. This included the assessment of the impact of central bank (monetary policy), governments (wage subsidies) and institution specific responses (such as payment holidays). These are readily available information considered in determining the length and severity of the forecast economic downturn. The principal macroeconomic indicators are discussed below.
4	Multiple forward-looking scenarios	In addition to the base case forecast which reflects largely the current macro-economy, the ECL weightings have been applied to the downside scenarios given the Company's assessment of downside risks. The assigned ECL weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considered these weighting to provide the best estimate of the possible loss outcome and has analysed inter-relationships and correlations within the Company's portfolios in determining them.
5	Assessment of significant increase in credit risk (SICR)	Various initiatives, deferrals and special agreements have been offered to customers in this year, recognising the potential detrimental impact of the local and global economy impact to businesses and individuals. Such offers, if accepted, are not automatically considered to indicate SICR but are used as necessary within the broader set of indicators used to assess and grade customer facilities.
6	Collateral	Haircut on collateral has been maintained in the current year in light of a general upturn in economic activities across key markets. The business has conservative approach by maintaining hair-cut on collateral.

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.3 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

Base case economic forecast assumptions

The table below summarises the principal macroeconomic indicators included in the economic scenarios used for finance receivables at December 31, 2022 and the forecast for the year 2023.

	Revised Base case economic forecast as at 31 December 2022	Revised Base case economic forecast as at 31 December 2021
Papua New Guinea		
Gross Domestic Products (GDP)	PNG's GDP increased by 2.6% in 2022 and expected to increase to 5.1% in 2023.	PNG's GDP increased by 5% in 2021 and expected to grow to 5.4% in 2022.
Consumer Price Index (CPI)	Average CPI for 2022 was at 6.6% and this is expected to decrease to 5.4% in 2023.	Average CPI for 2021 was at 5% and this is expected to be maintained around 5.6% in 2022.
Fiji		
Gross Domestic Products (GDP)	Fiji's GDP increased by 16.5% in 2022 but is expected to decrease to 6.9% in 2023.	Fiji's GDP increased by 11.7% in 2021 but is expected to grow by 10.2% in 2022.
Consumer Price Index (CPI)	Average CPI for Fiji in 2022 was 4.7% but is expected to decrease to 3.5% in 2023.	Average CPI for Fiji in 2021 was 1.1% but is expected to increase to 2.1% in 2022.
Vanuatu		
Gross Domestic Products (GDP)	Vanuatu's GDP increased by 0.5% in 2022 and is expected to grow by 1.4% in 2023.	Vanuatu's GDP decreased by 8% in 2021 but is expected to grow by 1.8% in 2022.
Consumer Price Index (CPI)	Average CPI for Vanuatu in 2022 was 4.6% but is expected to decrease to 3.4% in 2023.	Average CPI for Vanuatu in 2020 was 5.4% but is expected to decrease to 2.6% in 2022.
Solomon Islands		
Gross Domestic Products (GDP)	Solomon Island's GDP is decreased by 5.7% in 2022 and is expected to grow by 7.1% in 2023.	GDP is expected to increase by 5.5% in 2021 and grow by 3.2% in 2022.
Consumer Price Index (CPI)	Average CPI for Solomon Islands in 2022 was 3.7% but is expected to decrease to 3.6% in 2023.	Average CPI for Solomon Islands in 2021 was 2.4% but is expected to increase to 3.5% in 2022.

*Source: International Monetary Fund

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.3 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

Fair value of investment properties
Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea.

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

Judgment/assumptions		Changes and considerations during the year ended 31 December 2022
1	Market capitalisation rate	The Group has taken into consideration the current situation and continuous recovery to the impact of COVID-19 pandemic and thus, expects market capitalisation rate to decrease in the calendar year, increasing fair values of majority of the properties.
2	Market lease rentals	The Group expects an increase in demand in leasing properties, gradual increase in investments, and resumption in major projects, contributing to the increase in occupancy rates and lease prices.

(e) Comparatives

Comparative financial information has been reclassified to confirm to current presentation where necessary.

1.4 BASIS OF CONSOLIDATION

(a) Subsidiaries

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

(b) Investments in associates

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

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

(c) Transactions eliminated on consolidation

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.4 BASIS OF CONSOLIDATION (CONTINUED)

(d) Basis of consolidation

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

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

1.5 FOREIGN CURRENCY

(a) Foreign currency transactions

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

(b) Foreign operations

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

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

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

1.6 FINANCIAL ASSETS AND LIABILITIES

(a) Classification and measurement of financial instruments

(i) Recognition and initial measurement

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(i) Recognition and initial measurement (continued)

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

(ii) Classification and subsequent measurement of financial assets

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

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

Financial assets include both debt and equity instruments.

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

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

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

i) are held for trading purposes;

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

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

The Group did not have any debts instruments that are measured at FVTPL in 2022 (2021: None).

The classification of debt instruments is determined based on:

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

b) the contractual cash flow characteristics of the instrument.

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

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

b. Equity instruments

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

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

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

(iii) Classification and subsequent measurement of financial liabilities

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

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

(iv) Determination of fair value

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Group has access at the measurement date.

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

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. During the year, there were no transfers between levels of the fair value hierarchy (2021: None).

(v) Modification of financial assets

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(v) Modification of financial assets (continued)

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

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

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

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(vi) Derecognition of financial assets and liabilities

Derecognition of financial assets

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

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset.

If the Group retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

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

Derecognition of financial liabilities

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

(b) Impairment of financial assets carried at amortised cost

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

(i) Expected credit loss impairment model

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(i) Expected credit loss impairment model (continued)

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

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

The following diagram shows the impairment approach under IFRS 9.

CHANGE IN CREDIT QUALITY SINCE INITIAL RECOGNITION

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

Measurement of expected credit loss

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

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(i) Expected credit loss impairment model (continued)

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Qualitative information assumptions on ECL changes

Assumptions	Scenario	2022	2021	Increase/decrease
Haircut on Collateral	Base	42%	44%	Decreased
	Upturn	16%	16%	Stable
	Downturn	70%	71%	Decreased
Time to realisation	Base	12 months	12 months	Stable
	Upturn	6 months	6 months	Stable
	Downturn	30 months	30 months	Stable
Costs to recover		0%	0%	Stable
Cure rate	Base	20%	18%	Increased
	Upturn	31%	26%	Increased
	Downturn	0%	0%	Stable
ECL Weighting	Base	73%	70%	Increased
	Upturn	5%	5%	Stable
	Downturn	22%	25%	Decreased

(ii) Forward-looking information

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

(iii) Macroeconomic factors

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(iii) Macroeconomic factors (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at December 31, 2022 for the years 2022 to 2025, for finance receivables.

Country – GDP Growth		2022	2023	2024	2025
Papua New Guinea	Base scenario	3.80%	5.10%	3.00%	3.00%
Fiji	Base scenario	13%	6.90%	5.70%	5.30%
Solomon Islands	Base scenario	-4.50%	2.60%	2.40%	3.00%
Vanuatu	Base scenario	1.70%	3.10%	3.50%	3.90%
Group Total GDP Growth					
	Base scenario	15.30%	21.50%	16.60%	18.00%
	Upside scenario 10%	16.83%	23.65%	18.26%	19.80%
	Downside scenario 10%	13.77%	19.35%	14.94%	16.20%

Source: International Monetary Fund.

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

At 31 December 2022

Scenario	Base	Upturn	Downturn
Weighting	73%	5%	22%

At 31 December 2021

Scenario	Base	Upturn	Downturn
Weighting	70%	5%	25%

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

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- applied a credit provision overlay that is supported by the uncertainty of the environment and a balanced risk appetite. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(v) Expected life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For revolving credit facilities, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(vii) Restructured financial assets

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

(viii) Definition of default

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

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

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

Financial assets in default are also considered credit impaired.

(ix) Write-off policy

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

(x) Sensitivity analysis

The key assumptions affecting the ECL allowances are:

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(x) Sensitivity analysis (continued)

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

	31 December 2022	
Increase/(decrease) by	Increase by 10%	Decrease by 10%
	K'000	K'000
Change in collateral values	2,576	(2,438)
Changes in probability weighted scenarios	(6,136)	6,136
Time to realisation	615	(619)
	31 December 2021	
Increase/(decrease) by	Increase by 10%	Decrease by 10%
	K'000	K'000
Change in collateral values	12,105	(18,630)
Changes in probability weighted scenarios	(7,299)	7,299
Time to realisation	923	(922)

(xi) Collateral

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

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(xi) Collateral (continued)

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

	Gross exposure (Net of unearned income)	Impairment allowance	Carrying amount	Fair value of collateral held
	K'000	K'000	K'000	K'000
2022				
Credit impaired assets				
Stage 1	308,718	(10,518)	298,200	664,484
Stage 2	45,468	(11,328)	34,140	91,853
Stage 3	126,345	(45,067)	81,278	216,670
	480,531	**(66,913)**	**413,618**	**973,007**
2021				
Credit impaired assets				
Stage 1	260,073	(11,129)	248,944	769,428
Stage 2	55,396	(14,236)	41,160	111,137
Stage 3	209,062	(89,622)	119,440	349,077
	524,532	**(114,988)**	**409,544**	**1,229,642**

(xii) Changes in loss allowance

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.6 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(xiii) Credit Risk Exposure

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

	2022 K'000	2021 K'000
Stage 1 – 12-month ECL	308,718	260,073
Stage 2 – Lifetime ECL	45,468	55,396
Stage 3 – Lifetime ECL	126,345	209,062
Gross carrying amount	**480,531**	**524,532**
Allowance for credit loss	(66,913)	(114,988)
Net carrying amount	**413,618**	**409,544**

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES

(a) The Group as lessee

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

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

Lease payments included in the measurement of the lease liability comprise:

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lea5e payments using a revised discount rate at the effective date of the modification.

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES (CONTINUED)

(a) The Group as lessee (continued)

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

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

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

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

i) Amounts recognised in the statements of financial position

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

	Consolidated	
Right-of-use assets	**2022 K'000**	**2021 K'000**
Building		
At 1 January	3,888	2,100
Additions/Disposals/transfers	800	3,314
Depreciation for the year	(1,481)	(1,413)
Effect of fx	83	(113)
At 31 December	**3,290**	**3,888**
Lease liabilities		
Current	1,141	1,167
Non current	2,469	3,018
	3,610	**4,185**

See note 3.8(d) for maturity analysis of lease liabilities as at 31 December 2022.

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.8 LEASES (CONTINUED)

(a) The Group as lessee (continued)

ii) Amounts recognised in the statement of profit or loss

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

Right-of-use assets	Consolidated 2022 K'000	2021 K'000
Depreciation charge of right-of-use assets:		
Buildings	(1,481)	(1,413)
Interest expense (included in finance cost)	253	–
Expense relating to short-term leases (included in other operating expenses)	–	–
Expenses relating to variable lease payments not included in lease liabilities (included in other operating expenses)	–	50

Total cash outflow for leases (including both principal & interest payment) in 2022 was K1.5 million (2021: K1.9million).

(b) The Group as lessor

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

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

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

1. ABOUT OUR FINANCIAL STATEMENTS (CONTINUED)

1.9 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

The application of new & amended accounting standards and interpretations has no material impact on the amounts recognised in the financial statements. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022; however, the Group did not apply the following or amend standards in preparing these financial statements:

Effective date	New Standard or amendments
1-Jan-23	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
	Definition of Accounting Estimates (Amendments to IAS 8)
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments IAS 12)
	Intangible Assets – Software-as-a-Service arrangement (IAS 38)
Available for optional adoption/effective date deferred indefinitely	Sales of Contribution of Assets between in Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group completed it's assessment on the impact on its financial statements resulting from the application of these standards and amendments and expected to have no material impact.

1.10 CHANGES IN ACCOUNTING POLICIES

The following new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) that are revelant to the Group were adopted by the Group effective 1 January 2022;

Effective date	New Standard or amendments
1-Jan-22	Onerous contracts – cost of fulfilling a contract amendments to IAS 37
	Annual improvements to IFRS Standards 2018-2020
	Property, plant and equipment: Proceeds before intended use – Amendments to IAS 16
	Reference to the Conceptual Framework – Amendments to IFRS 3

Notes to and forming part of the financial statements

For the year ended 31 December 2022

2. FINANCIAL PERFORMANCE

2.1. FINANCE AND OTHER INCOME

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Finance income	66,483	81,553	–	–
Other income				
Profit on sale of property and equipment	130	160	(64)	–
Dividend income				
- from subsidiaries (note 3.4(d))	–	–	13,227	8,587
- from investments in listed companies (note 3.4(e))	61,536	52,937	61,536	52,937
Rental income from property (note 3.6)	28,781	24,987	52	88
Rental outgoings	4,718	5,412	35	60
Interest on term deposit, treasury bills and semi-government bonds	3,830	5,437	216	339
Other operating income	2,332	207	1,020	1,051
Total other income	**101,327**	**89,140**	**76,021**	**63,062**

Recognition and measurement

Revenue

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

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

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

2.2. FINANCE COSTS

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Interest on customer deposits	(15,894)	(20,110)	–	–

Recognition and measurement

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

2.3. OPERATING EXPENSES

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
General administrative expenses	20,915	19,304	4,605	3,688
Software licensing and other IT costs	2,695	1,394	1,871	–
Legal Fees	84	91	–	–
Auditors remuneration				
– audit fees	1,114	1,126	220	258
Professional advisory fees	13,283	10,349	11,598	7,105
Donations	117	88	–	–
Direct operating expenses for investment property that generated rental income	5,076	5,008	32	97
	43,284	**37,360**	**18,326**	**11,148**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.4. PERSONNEL EXPENSES

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Wages and salaries	26,709	21,555	10,421	5,921
Contributions to defined contribution plans	412	462	–	–
Long service leave and annual leave	812	123	–	–
Other staff costs	1,109	1,376	1,872	696
	29,042	**23,516**	**12,293**	**6,617**

The number of employees at 31 December 2022 employed in the Group was 281 (2021: 285).

2.5 DIVIDENDS

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Final dividend of K0.134 per share (2021: Final of K0.058 per share & Special dividend of K0.122 per share)	41,263	55,428	41,263	55,428
Interim dividend of K0.102 per share (2021: K0.046 per share)	31,409	14,164	31,409	14,164
	72,672	**69,592**	**72,672**	**69,592**

Final dividend for the year ended 31 December 2021 was declared on 10 June 2022 and paid on 28 July 2022. In addition, an interim dividend for the year ended December 2022 was declared on 14 September 2022 and paid on 18 November 2022.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6. TAXATION

(a) Income tax expense/(benefit)

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Current tax expense	6,148	6,117	–	–
Under/(over) provisions in tax expense / (benefit)	(461)	1,482	–	(9)
Deferred tax (benefit)/expense	5,653	(48)	(1,338)	(1,317)
Income tax expense/(benefit)	**11,340**	**7,551**	**(1,338)**	**(1,326)**
Profit before tax	97,378	84,422	55,593	54,452
Computed tax using the applicable PNG corporate income tax rate (30%)	29,213	25,327	16,678	16,336
Effect of tax rates in foreign jurisdictions	(4,183)	(2,489)	–	–
Tax effect of:				
Current year unrealised gains for which no deferred tax is recognised	(1,662)	(3,101)	(1,662)	(3,101)
Dividend income exempt from tax asset	(16,216)	(13,901)	(16,216)	(13,901)
Exempt interest income - GIS	–	(737)	–	–
Non-deductible expenses	4,649	3,459	1,492	(24)
Change in fair value of investment	–	–	–	(9)
Under provisions in prior years	(461)	(1,070)	–	–
Derecognition of previously recognised DTA	–	691	(1,630)	–
Recognition of previously unrecognised deferred taxes	–	(627)	–	(627)
Tax expense/(benefit) in the income statement	**11,340**	**7,551**	**(1,338)**	**(1,326)**

(b) Income taxes (receivable)/payable

At 1 January	(4,491)	(1,599)	(894)	(843)
Income tax expense for the year	6,148	6,117	–	–
Under/over provision in prior years	(461)	1,482	–	–
Income taxes paid during the year	(8,521)	(9,025)	–	(51)
Interest withholding tax credit	(178)	(16)	(32)	–
Other	–	(1,450)	–	–
At 31 December	**(7,503)**	**(4,491)**	**(926)**	**(894)**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6. TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2022 and 2021 are attributable to the items detailed in the table below:

	2022			2021		
	Asset K'000	Liability K'000	Net K'000	Asset K'000	Liability K'000	Net K'000
Consolidated						
Property, equipment and investment properties	13,000	(16,489)	(3,489)	20	(1,801)	(1,781)
Employee benefits	2,074	–	2,074	1,350	–	1,350
Provision for impairment – finance receivables	16,973	–	16,973	24,584	–	24,584
Other items	1,766	(1,698)	68	165	(250)	(85)
Tax Losses	7,126	–	7,126	4,840	–	4,840
Net tax assets/(liabilities)	**40,939**	**(18,187)**	**22,752**	**30,959**	**(2,051)**	**28,908**
Company						
Property, equipment and investment properties	8	–	8	493	–	493
Employee benefits	1,537	–	1,537	735	–	735
Other items	480	(1)	479	145	–	145
Net tax assets/(liabilities)	**2,025**	**(1)**	**2,024**	**1,373**	–	**1,373**

Recognition and measurement

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

2. FINANCIAL PERFORMANCE (CONTINUED)

2.6. TAXATION (CONTINUED)

(c) Deferred tax assets and liabilities (continued)

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

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

2.7. OPERATING SEGMENTS

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

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

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

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

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7. OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

At 31 December 2022	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	72,970	33,349	61,491	167,810
Inter-segment revenue	2,458	5,240	14,530	22,228
Finance costs	(15,894)	–	–	(15,894)
Fair value (loss)/gain	–	(1,372)	5,539	4,167
Depreciation	(3,259)	(1,388)	(782)	(5,429)
Reportable segment profit before income tax	47,198	12,031	38,149	97,378
Reportable segment assets	673,207	274,113	509,687	1,457,007
Investment in associate	–	–	8,283	8,283
Reportable segment liabilities	480,000	46,783	7,461	534,244

At 31 December 2021	General finance, leasing and hire purchase K'000	Property investment K'000	Investment company K'000	Total K'000
Revenue	88,550	29,205	52,937	170,692
Inter-segment revenue	2,463	4,495	10,124	17,082
Finance costs	(20,110)	–	–	(20,110)
Fair value (loss)/gain	–	(5,001)	10,336	5,335
Depreciation	(3,254)	(2,650)	(636)	(6,540)
Reportable segment profit before income tax	32,735	5,228	46,460	84,423
Reportable segment assets	661,983	268,832	485,431	1,416,246
Investment in associate	–	–	8,283	8,283
Reportable segment liabilities	440,867	51,751	3,317	495,935

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7. OPERATING SEGMENTS (CONTINUED)

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

	2022 K'000	2021 K'000
Revenues		
Total revenue for reportable segments	190,038	187,774
Fair value (loss)/gain	4,167	5,335
Finance costs	(15,894)	(20,110)
Elimination of inter-segment revenue	(22,228)	(17,081)
Net operating income	**156,083**	**155,918**
Profit or loss		
Total profit or loss for reportable segments	116,429	92,466
Elimination of inter-segment profit	(19,051)	(8,043)
Consolidated profit before tax	**97,378**	**84,423**
Assets		
Total assets for reportable segments	1,977,436	1,884,222
Investment in equity-accounted investee	8,283	8,283
Elimination of intercompany balance	(135,543)	(108,294)
Elimination of investment in subsidiaries	(393,169)	(367,965)
Consolidated total assets	**1,457,007**	**1,416,246**
Liabilities		
Total liabilities for reportable segments	662,612	616,222
Elimination of intercompany balances	(128,368)	(120,288)
Consolidated total liabilities	**534,244**	**495,934**

2. FINANCIAL PERFORMANCE (CONTINUED)

2.7. OPERATING SEGMENTS (CONTINUED)

	Net operating income (K'000)		Net assets (K'000)	
Geographical segments	2022	2021	2022	2021
Papua New Guinea	124,237	118,990	789,195	793,648
Fiji	25,484	28,397	94,378	85,817
Solomon Islands	2,502	2,637	15,702	14,249
Vanuatu	3,860	5,894	23,488	26,599
Total	**156,083**	**155,918**	**922,763**	**920,312**

Recognition and measurement

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

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

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

2.8. EARNINGS PER SHARE

The calculation of basic earnings per share (consolidated) at 31 December 2022 was based on profit attributable to ordinary shareholders of K86.0 million (2021: K76.9 million) and a weighted average number of ordinary shares outstanding of 307,931,332 (2021: 307,931,332). There is no difference between basic and diluted earnings per share.

Recognition and measurement

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION

3.1. RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Cash at bank and on hand	180,495	158,808	31,497	12,722
Short term deposits	39,902	30,531	295	295
Cash and cash equivalents	**220,397**	**189,339**	**31,792**	**13,017**

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

3.2. FINANCE RECEIVABLES

(i) Analysis of net finance receivables

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Gross finance receivables	542,134	582,035	–	–
Less: Unearned charges	(57,438)	(53,683)	–	–
Less: Deferred establishment fees	(4,165)	(3,820)	–	–
Less: Provision for impairment	(66,913)	(114,988)	–	–
Net finance receivables	**413,618**	**409,544**	**–**	**–**
Gross finance receivables less finance charges and deferred establishment fees were split as follows:				
Current	113,416	131,763	–	–
Non-current	367,115	392,769	–	–
	480,531	**524,532**	**–**	**–**

3 FINANCIAL POSITION (CONTINUED)

3.2. FINANCE RECEIVABLES (CONTINUED)

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Not later than one year	16,177	4,232	–	–
Later than one year and not later than five years	10,775	19,544	–	–
	26,952	23,776	–	–
Less: Unearned charges	(652)	(2,060)	–	–
Present value of lease payments receivable	26,300	21,716	–	–
Impairment loss allowance	(6,966)	(7,560)	–	–
Net finance leases	**19,334**	**14,156**	**–**	**–**

(iii) Analysis of provisions

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
ECL allowance	66,913	114,987	–	–
	66,913	**114,987**	**–**	**–**
Impairment allowance				
Balance at 1 January	**114,987**	**119,154**	**–**	**–**
(Decrease)/increase in provisions	(19,050)	4,079	–	–
Recoveries on overdue accounts	(12,452)	(794)		
Effect of fx	(2,259)	3,876	–	–
Bad debts written off	(14,313)	(11,328)	–	–
Closing balance	**66,913**	**114,987**	**–**	**–**

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.2. FINANCE RECEIVABLES (CONTINUED)

(iv) Analysis of finance receivables by industry

	Consolidated – 2022		Consolidated – 2021	
	K'000	%	K'000	%
Agriculture	5,820	1%	8,435	1%
Mining	12,639	2%	7,884	1%
Manufacturing	11,389	2%	13,037	2%
Forestry and saw-milling	2,821	1%	3,699	1%
Civil contracting	34,646	6%	105,799	18%
Building and construction	62,972	12%	9,203	2%
Real Estate	33,587	6%	32,410	6%
Wholesale / Retail	64,673	12%	61,740	11%
Transport and storage	173,717	32%	188,124	32%
Professional and business services	41,219	8%	43,219	7%
Private and self employed	85,569	16%	91,985	16%
Other	13,080	2%	16,500	3%
	542,134	**100%**	**582,035**	**100%**

Recognition and measurement

Lease payments

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

Lease income

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

Determining whether an arrangement contains a lease

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

3 FINANCIAL POSITION (CONTINUED)

3.2. FINANCE RECEIVABLES (CONTINUED)

Recognition and measurement (continued)

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

Key judgements and estimates

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

For further details refer to note 1.6(a).

3.3. OTHER RECEIVABLES

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Current				
Amounts owed by related corporations	–	–	37,186	29,716
Dividend withholding tax receivable	940	940	940	940
Dividend receivable	–	–	866	1,302
Other debtors and prepayments	10,369	6,903	5,536	3,928
	11,309	**7,843**	**44,528**	**35,886**

The amounts owed from related corporations relate to intercompany receivable from various subsidiaries. Refer Note 6.3(c). These intercompany balances are interest free and repayable on demand.

The amount stated is net of impairment provision of K6.2 million (2021: K12.0 million).

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.4. INVESTMENTS

(a) Interest bearing securities

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
	36,171	31,789	–	–

Interest bearing deposits as at 31 December 2022 relates to Government Inscribed Stock (GIS) which matures February 2024, August 2026, May 2026 and May 2027 with interest rates of 9%, 10%, 5.35%. and 5.60% respectively. Interest is paid semi-annually until maturity.

(b) Other equity investments

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
	34	34	34	34

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

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

(c) Investments in associate (non-current)

Equity-accounted investee

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
	8,283	8,283	8,283	8,283

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

The Group owns 25% (2021: 25%) of the issued shares of Capital Insurance Group (its principal place of business is Papua New Guinea) and has determined that it has significant influence because it has representation on the board of the investee but does not have a controlling vote. At 31 December 2022, the investment was valued at K8.3 million (2021:K8.3 million).

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

The Group and Company's share of losses after tax including impairment losses in Capital Insurance Group for the year was nil (2021: Nil). During the year, the Group and Company received no dividend (2021: nil) from the Capital Insurance Group.

3 FINANCIAL POSITION (CONTINUED)

3.4. INVESTMENTS (CONTINUED)

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

Financial Position

Year	Current assets K'000	Non-current assets K'000	Total assets K'000	Current liabilities K'000	Non-current liabilities K'000	Total liabilities K'000	Net assets K'000
2022	211,032	11,629	222,661	152,631	1,084	153,715	68,946
2021	204,945	21,360	226,305	156,788	5,176	161,964	64,341

Financial Performance

Year	Income K'000	Expenses K'000	Profit/(Loss) K'000
2022	88,054	78,482	**9,573**
2021	91,665	82,486	**9,179**

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Opening balance at 1 January	8,283	8,283	8,283	8,283
Net share of operating and impairment losses	–	–	–	–
Closing balance 31 December	**8,283**	**8,283**	**8,283**	**8,283**

The data about financial position and financial performance are based on financial information provided by the Capital Insurance Group and adjusted by the Group's management for the purposes of equity accounting.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.4. INVESTMENTS (CONTINUED)

(d) Investments in subsidiaries

	Country	Ownership	2022 K'000	2021 K'000
Credit Corporation Finance Limited	PNG	100%	78,700	80,944
Credit House Limited	PNG	100%	89,533	75,414
Era Dorina Limited	PNG	100%	109,936	91,113
Era Matana Limited	PNG	100%	–	–
Credit Corporation Industrial Limited	PNG	100%	–	–
Credit Corporation (Fiji) Limited	Fiji	100%	80,900	79,321
Credit Corporation (Vanuatu) Limited	Vanuatu	100%	11,900	22,872
Credit Corporation (Solomon Islands) Limited	Solomon Islands	100%	22,200	18,302
			393,169	**367,966**

Fair value analysis

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

Valuation techniques used to derive level 3 fair values

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

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.4. INVESTMENTS (CONTINUED)

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

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

Listed shares

		2022			2021		
	% Held	No. of shares	Fair value K'000	Fair value gain/ (loss) K'000	No. of shares	Fair value K'000	Fair value gain/ (loss) K'000
Bank South Pacific	7.77%	36,294,081	450,410	5,808	36,294,081	444,602	9,074
Airlines PNG Limited	0.65%	2,000,000	–	–	2,000,000	–	–
City Pharmacy Limited	0.94%	1,953,544	1,758	(99)	1,953,544	1,856	879
Kina Asset Management Ltd	8.84%	4,255,463	4,043	(170)	4,255,463	4,213	383
			456,210	**5,539**		**450,671**	**10,336**

The increase in market value of K5.5 million (2021: increase of K10.3 million) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

Sensitivity analysis

	Effect on profit or loss and equity increase/(decrease)	
	2022 K'000	2021 K'000
Increase of 10% in share prices	45,621	45,067

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

(f) Other deposits (current)

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
	–	–	1,485	12,302

Credit Corporation (PNG) Limited has investments in short-term deposits with Credit Corporation Finance Limited, which earn interest of 2.1% and 2.5%. The balance including accrued interest as at 31 December 2022 is K1.5 million (2021: K12.3 million). In 2022, the balance was reduced by K11 million to cover the interim dividend payout.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.5. PROPERTY AND EQUIPMENT

Consolidated	Building, capital WIP & ROUA* K'000	Furniture & Fittings K'000	Motor Vehicles K'000	Office Equipment K'000	Total K'000
Cost					
At 1 January 2021	18,231	14,535	6,695	14,545	54,006
Additions	327	1,595	1,484	1,532	4,938
Disposals/transfers	(266)	(1,206)	(1,066)	252	(2,286)
IFRS 16 right of use asset	3,315	–	–	–	3,315
Effect of fx	(491)	(19)	(93)	(34)	(637)
At 31 December 2021	21,116	14,905	7,020	16,295	59,336
At 1 January 2022	21,116	14,905	7,020	16,295	59,336
Additions	–	1,569	1,334	2,399	5,302
Disposals/transfers	(266)	(4,228)	(670)	(922)	(6,086)
IFRS 16 right of use asset	800	–	–	–	800
Effect of fx	(597)	(28)	(102)	(117)	(844)
At 31 December 2022	21,052	12,219	7,582	17,654	58,508
Depreciation					
At 1 January 2021	3,371	10,103	3,844	8,153	25,471
Charge for the year	167	2,059	1,076	1,825	5,127
IFRS 16 depreciation - ROUA	1,413	–	–	–	1,413
Disposals/transfers	–	(913)	(904)	(5)	(1,822)
Effect of fx	(95)	(17)	(59)	(65)	(236)
At 31 December 2021	4,856	11,232	3,957	9,908	29,953
At 1 January 2022	4,856	11,232	3,957	9,908	29,953
Charge for the year	135	1,112	1,092	1,609	3,948
IFRS 16 depreciation - ROUA	1,481	–	–	–	1,481
Disposals/transfers	(4)	(4,161)	(670)	(894)	(5,729)
Effect of fx	(123)	(22)	(67)	(86)	(297)
At 31 December 2022	6,345	8,161	4,313	10,536	29,355
Carrying amounts					
At 1 January 2021	14,860	4,432	2,851	6,392	28,535
At 31 December 2021	16,260	3,673	3,063	6,387	29,383
At 31 December 2022	14,707	4,058	3,269	7,119	29,153

*Right-of-use assets

3 FINANCIAL POSITION (CONTINUED)

3.5. PROPERTY AND EQUIPMENT (CONTINUED)

Company	Building & Capital WIP K'000	Motor Vehicles K'000	Office Equipment K'000	Total K'000
Cost				
At 1 January 2021	266	611	3,157	4,034
Additions	–	–	1,260	1,260
Disposals/transfers	–	–	(266)	(266)
At 31 December 2021	266	611	4,151	5,028
At 1 January 2022	266	611	4,151	5,028
Additions	–	565	1,508	2,073
Disposals/transfers	(266)	–	–	(266)
At 31 December 2022	–	1,176	5,659	6,836
Depreciation				
At 1 January 2021	–	189	1,394	1,583
Charge for the year	–	122	515	636
Disposals/transfers	–	–	–	–
At 31 December 2021	–	311	1,909	2,219
At 1 January 2022	–	311	1,909	2,219
Charge for the year	–	154	628	782
Disposals/transfers	–	–	–	–
At 31 December 2022	–	465	2,537	3,002
Carrying amounts				
At 1 January 2021	266	422	1,763	2,451
At 31 December 2021	266	300	2,242	2,809
At 31 December 2022	–	711	3,122	3,834

3 FINANCIAL POSITION (CONTINUED)

3.5. PROPERTY AND EQUIPMENT (CONTINUED)

Recognition and measurement

Items of Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of Property and equipment have different useful lives, they are accounted for as separate items (major components) of Property and equipment.

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

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

Subsequent costs

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

Depreciation

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

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

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

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

3 FINANCIAL POSITION (CONTINUED)

3.6. INVESTMENT PROPERTY

	Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
Balance as at 1 January	254,773	258,968	3,800	3,800
Fair value gain/(loss) recognised in profit or loss	(1,372)	(5,001)	–	–
Sale of property	(3,800)	–	(3,800)	–
Acquisitions	899	806	–	–
Balance as at 31 December	250,500	254,773	–	3,800

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 with a total carrying amount of K250.5 million (2021: K254.8 million) was encumbered at 31 December 2022.

Investment Property	Valuation Basis	Independent Valuer	Valuation Date	Value as at 31 December 2022 K'000	Value as at 31 December 2021 K'000
Commerical	Direct capilalisation	Directors' valuation	31 December 2022	90,000	85,234
Residential	Direct capilalisation	Directors' valuation	31 December 2022	156,000	165,539
Undeveloped property	Replacement cost	Directors' valuation	31 December 2022	4,500	4,000
				250,500	**254,773**

Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. In the current year, the directors assessed that the carrying value of the investment 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 valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates and market lease rates.

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

3 FINANCIAL POSITION (CONTINUED)

3.6. INVESTMENT PROPERTY (CONTINUED)

Fair value hierarchy

The fair value measurement for investment properties of K250.5 million have been categorised at Level 3 fair value, as the inputs to the valuation techniques used made reference to significant observable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalization rates of between 10% and 10.5% (2021: 10% to 11.5%). Accordingly, an increase in market lease rental rates and/or a decrease in the discount rate and/or decrease capitalisation rate would increase the fair value of the properties. A decrease in market lease rates and/or an increase in discount rate and/or increase capitalisation rate would decrease the fair value of the properties. A sensitivity analysis is provided below.

Sensitivity Analysis

	Effect on profit or loss increase/(decrease)	
	2022 K'000	2021 K'000
Increase of 1% in market capitalisation rate	(23,421)	(20,850)
10% increase in market lease rentals	26,192	25,151

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 and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Key judgments and estimates

Judgement is required in determining the following key assumptions:

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

3 FINANCIAL POSITION (CONTINUED)

3.6. INVESTMENT PROPERTY (CONTINUED)

Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between 1 to 3 years, usually with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Year 1	34,267	20,973	–	–
Year 2	50,066	3,001	–	–
Year 3	3,774	406	–	–
Year 4 onwards	–	2,884	–	–
Total	**88,107**	**27,264**	**–**	**–**
Amounts reported in profit or loss				
Lease income on operating leases	28,781	24,987	52	88

3.7. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Rental bonds payable / (receivable)	1,553	1,499	–	(24)
Rental income in advance	90	224	–	–
Other creditors and accrued expenses	18,336	10,626	2,847	1,090
Intercompany	–	–	58,111	26,119
	19,979	**12,349**	**60,958**	**27,185**

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

3 FINANCIAL POSITION (CONTINUED)

3.8. DEPOSITS AND BORROWINGS

	Note	Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
Current					
Interest bearing deposits	(a)	385,157	373,032	–	–
IFRS 16 Lease Liability	(d)	1,141	1,167	–	–
Secured bank loans	(b) and (c)	40,369	45,385	–	–
		426,667	**419,584**	**–**	**–**
Non-current					
Interest bearing deposits	(a)	77,807	55,344	–	–
IFRS 16 Lease Liability	(d)	2,469	3,018	–	–
		80,276	58,362	–	–
		506,943	**477,946**	**–**	**–**

(a) Interest bearing deposits

Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K77.8 million (2021:K55.3 million) is repayable within 5 years (2021: 5 years).

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

The loan granted to Era Matana with value of K33.4 million as at 31 December 2022 is scheduled to be repaid in monthly instalments of K478,661 (including interest) to February 2030. The loan granted to Era Dorina of K6.9 million as at 31 December 2022 is scheduled to be repaid in monthly instalments of K132,146 (2021: K131,276) to January 2028. Interest on these loans of K2.5m (2021: K2.5 million) is included in other operating expenses.

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

3 FINANCIAL POSITION (CONTINUED)

3.8. DEPOSITS AND BORROWINGS (CONTINUED)

(c) Bank facilities and security

Borrowings include:

(i) Credit Corporation (Fiji) Limited has a bank overdraft facility of K4.8 million (FJD$3m) (2021: K9.9 million (FJD$6m)) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 31 December 2022, this facility has not been used.

(ii) Credit Corporation (Vanuatu) Limited has a bank overdraft facility of K3.0 million (VT100m) (2021: K3.1 million (VT100m) with National Bank of Vanuatu. The facility is secured by first registered mortgage over all assets and undertakings of Credit Corporation (Vanuatu) Limited including uncalled and unpaid capital and with limited guarantee and indemnity from Credit Corporation (PNG) Limited for K3.3 million. As at 31 December 2022, this facility has not beed used.

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

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

(v) Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited of K10 million at 31 December 2022 (2021: K10 million). This facility is secured by a guarantee with (joint & several) by Credit House Limited and Credit Corporation (PNG) Limited. First registered Mortgage over Lots 2,4 and 8 Section 45, Granville, Port Moresby known as "Credit House".

Notes to and forming part of the financial statements

For the year ended 31 December 2022

3 FINANCIAL POSITION (CONTINUED)

3.8. DEPOSITS AND BORROWINGS (CONTINUED)

(d) Lease liabilities

Maturity analysis of IFRS 16 lease liabilities – See note 1.8(a).

	Consolidated	
	2022 K'000	2021 K'000
Maturity analysis:		
Year 1	1,141	1,167
Year 2	1,002	912
Year 3	762	675
Year 4	252	713
Year 5	223	256
Onwards	231	462
	3,610	4,185
Less unearned interest	-	-
	3,610	4,185

3.9 EMPLOYEE BENEFITS

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Long service leave	716	643	113	85
Annual leave	1,492	1,078	328	192
Others	5,115	3,919	4,684	2,172
	7,322	**5,640**	**5,125**	**2,449**

Recognition and measurement

Long-term employee benefits

A liability is recognised for the amount to be paid as at 31 December 2022 in respect of long-term employee benefits (long service leave) other than pension plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

Short-term employment benefits and others

A liability is recognised for the amount expected to be paid under short-term cash bonus and annual leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee. The Group recognised short term incentives in the amount of K 4.2 million as accruals for bonus and other incentives for the period. The payout of bonuses and incentives was partially made in 2022 and another payment will be made in the following year.

4 FINANCIAL INSTRUMENT DISCLOSURES

4.1 FINANCIAL MANAGEMENT

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

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

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

(a) Risk management framework

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

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

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

(b) Credit risk

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

(i) Finance and other receivables

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

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

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

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

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Finance and other receivables (continued)

The Group establishes an allowance for impairment that reflects the present value of all cash shortfalls related to default events either over the 12 months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

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

The Group limits its exposure to credit risk by investing only in liquid securities (government securities and interest bearing deposits with banks). For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and short term deposits with a maturity not more than three months. Cash at bank and on hand and short-term deposits interest rates range between 0.25% to 2.5%. Government Inscribed Stock held have interest rates ranging between 5% to 10%.

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 December 2022, K69.5 million (2021: K69.5 million) was guaranteed to wholly owned subsidiaries.

(c) Liquidity risk

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

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

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

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

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

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

	2022 K'000	2021 K'000
Current assets	343,184	334,624
Current liabilities	(452,024)	(436,929)
Net	(108,840)	(102,305)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rate and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Senior management regularly monitors movements in interest rates and equity prices.

(i) Equity price risk

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

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

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

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

(ii) Foreign currency risk

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

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

Notes to and forming part of the financial statements

For the year ended 31 December 2022

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	Fijian Dollar	Solomon Islands Dollar	Vanuatu vatu	Timor Leste US Dollar
	FJ$000	SBD$000	VuV000	USD000
As at 31 December 2022				
Assets				
Finance receivables	95,743	44,540	225,743	–
Cash and cash equivalents	45,202	30,544	1,102,990	1,343
Other receivables	193	246	4,004	1,493
Income tax receivable	327	1,232	–	–
Net deferred tax assets	2,605	14,808	–	–
	144,070	91,370	1,332,737	2,836
Liabilities				
Trade and other payables	1,061	718	56,448	4
Deposits and borrowings	89,353	61,758	518,558	–
Income tax payable	–	–	–	–
Employee benefits	731	–	–	5
	91,145	62,476	575,006	9
Net foreign currency exposure	52,925	28,894	757,731	2,827
As at 31 December 2021				
Assets				
Finance receivables	103,180	41,610	415,240	344
Cash and cash equivalents	44,675	32,405	1,242,019	2,675
Other receivables	258	182	3,249	2
Income tax receivable	–	6,872	–	–
Net deferred tax assets	5,909	5,562	–	158
	154,022	86,631	1,660,508	3,179

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

	Fijian Dollar	Solomon Islands Dollar	Vanuatu vatu	Timor Leste US Dollar
	FJ$000	SBD$000	VuV000	USD000
Liabilities				
Trade and other payables	661	3,501	23,933	64
Deposits and borrowings	104,828	62,169	808,284	–
Income tax payable	2,156	–	–	–
Employee benefits	1,214	–	–	3
	108,859	65,670	832,217	67
Net foreign currency exposure	45,163	20,961	828,291	3,112

Foreign exchange risk sensitivity analysis

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

Effect on profit/(loss) before income tax	Change	Fiji K'000	Solomon Islands K'000	Vanuatu K'000	Timor Leste K'000
31 December 2022	10%	(2,246)	24	(332)	101
31 December 2022	-10%	2,246	(24)	332	(101)
31 December 2021	10%	(1,193)	(189)	(427)	105
31 December 2021	-10%	1,193	189	427	(105)
Effect on equity					
31 December 2022	10%	(8,580)	(1,409)	(2,076)	249
31 December 2022	-10%	8,580	1,409	2,076	(249)
31 December 2021	10%	(7,802)	(946)	2,418	1,717
31 December 2021	-10%	7,802	946	(2,418)	(1,717)

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

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

Exchange rates used by the Group in preparing financial statements

PGK 1 is equivalent to the rates below

	2022		2021	
	Average	At year-end	Average	At year-end
Fijian dollar	0.6260	0.6294	0.5926	0.6034
Solomon Islands dollar	2.3298	2.3610	2.3003	2.3177
Vanuatu vatu	33.1133	33.3500	31.3708	32.0200
US Dollar	0.2916	0.2915	0.2925	0.2925

Amounts recognised in profit or loss and other comprehensive income

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

	2022 K'000	2021 K'000
Amounts recognised in profit or loss	–	–
Net foreign exchange gain included in other operating expenses	220	269
Net losses recognised in other comprehensive income	–	–
Foreign currency translation differences on foreign operations	(10,915)	(2,687)

(e) Operational risk

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.1 FINANCIAL MANAGEMENT (CONTINUED)

(e) Operational risk (continued)

- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

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

(f) Capital management

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

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

The Group's target in 2022 was to achieve a return on capital of between 5 and 15 percent; in 2022, the actual return was 10.7 percent (2021: 8.6 percent). The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2022 K'000	2021 K'000
Total liabilities	534,244	495,934
Less: cash and cash equivalents	(220,397)	(189,339)
Net debt	313,847	306,595
Adjusted capital	922,763	920,312
Debt to adjusted capital ratio at 31 December	0.34	0.33

There were no changes in the Group's approach to capital management during the year. Various finance subsidiaries are subject to respective Central Banks restrictions imposed on capital requirements. These subsidiaries have been in compliance with respective capital requirements imposed by their Central Banks as at and during the year ended 31 December 2022.

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS

(a) Credit risk

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Interest bearing securities	36,171	31,789	–	–
Other equity investments	34	34	34	34
Finance receivables (net)	413,618	409,544	–	–
Other deposits	–	–	1,485	12,302
Other receivables	11,309	7,843	44,528	35,886
Cash and cash equivalents	220,397	189,339	31,792	13,017
Total	**681,529**	**638,549**	**77,839**	**61,239**

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Papua New Guinea	235,866	207,624	–	–
Fiji	152,118	170,998	–	–
Solomon Islands	18,865	17,954	–	–
Vanuatu	6,769	12,968	–	–
Total	**413,618**	**409,544**	**–**	**–**

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

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Transport & Storage	173,718	188,124	–	–
Civil Contracting, Building & Construction and Real Estate	131,206	147,412	–	–
Wholesale/Retail	64,673	61,740	–	–
Others	172,537	184,759	–	–
Total Gross	**542,134**	**582,035**	**–**	**–**

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Not past due	220,886	228,995	–	–
Past due 1-30 days	98,328	57,295	–	–
Past due 31-180 days	41,732	74,041	–	–
Past due 181-360 days	9,565	25,075	–	–
Past due more than 1 year	43,107	24,137	–	–
Total	**413,618**	**409,544**	**–**	**–**

Management believes that the unimpaired amounts are collectible, based on historical payment behaviour and analysis of borrowers' credit risk, as well as analysis of collateral values.

Credit quality analysis

Asset quality impairment

	2022		
Figures in PGK'000	Carrying Amount	Provisions	Net Carrying Amount
Loan Balance (net of unearned income)			
Stage 1 – 12 month ECL	308,718	(10,518)	298,200
Stage 2 – Life time ECL	45,468	(11,328)	34,140
Stage 3 – Life time ECL	126,345	(45,067)	81,278
Total	**480,531**	**(66,913)**	**413,618**

	2021		
Figures in PGK'000	Carrying Amount	Provisions	Net Carrying Amount
Loan Balance (net of unearned income)			
Stage 1 – 12 month ECL	260,073	(11,129)	248,944
Stage 2 – Life time ECL	55,396	(14,236)	41,160
Stage 3 – Life time ECL	209,062	(89,622)	119,440
Total	**524,532**	**(114,988)**	**409,544**

Notes to and forming part of the financial statements

For the year ended 31 December 2022

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Reconciliation of opening and closing balance of loss allowance for each stage.

	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
As at 31 December 2022				
Balance at 1 January 2022	(11,104)	(14,232)	(89,651)	**(114,987)**
Transfer to Stage 1	(29,950)	4,380	25,571	**–**
Transfer to Stage 2	1,586	(4,228)	2,642	**–**
Transfer to Stage 3	927	3,221	(4,148)	**–**
Net remeasurement of loss allowance	33,931	698	4,149	**38,778**
New financial assets originated	(8,090)	(4,276)	(937)	**(13,302)**
Financial assets that have been derecognised	1,996	2,596	1,436	**6,028**
Write-offs	(11)	109	14,214	**14,313**
Foreign exchange and other movement	221	409	1,629	**2,259**
Balance at 31 December 2022	**(10,493)**	**(11,323)**	**(45,096)**	**(66,913)**
As at 31 December 2021				
Balance at 1 January 2021	(7,904)	(21,747)	(89,503)	**(119,154)**
Transfer to Stage 1	(7,390)	3,277	4,113	**–**
Transfer to Stage 2	1,314	(3,149)	1,835	**–**
Transfer to Stage 3	1,577	10,188	(11,765)	**–**
Net remeasurement of loss allowance	5,110	(2,727)	(1,936)	**447**
New financial assets originated	(4,747)	(2,956)	(11,946)	**(19,649)**
Financial assets that have been derecognised	617	1,947	11,005	**13,569**
Write-offs	44	–	7,534	**7,578**
Foreign exchange and other movement	275	935	1,012	**2,222**
Balance at 31 December 2021	**(11,104)**	**(14,232)**	**(89,651)**	**(114,987)**

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

(i) Consolidated

Amounts at 31 December 2022 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1-2 years K'000	3-5 years K'000	More than 5 years K'000
Secured borrowings	40,369	42,376	42,376	–	–	–
Interest bearing deposits	462,963	490,254	408,142	65,940	16,172	–
Lease liabilities	3,610	3,610	3,610	–	–	–
Trade and other payables	19,979	19,979	19,979	–	–	–
Total	**526,921**	**556,219**	**474,107**	**65,940**	**16,172**	**–**

Amounts at 31 December 2021 Non-derivative financial liabilities	Carrying amount K'000	Contracted cash flows K'000	Less than one year K'000	1-2 years K'000	3-5 years K'000	More than 5 years K'000
Secured borrowings	45,385	47,788	47,788	–	–	–
Interest bearing deposits	428,375	455,784	400,440	55,344	–	–
Lease liabilities	4,185	4,185	1,167	1,587	969	462
Trade and other payables	12,348	12,348	12,348	–	–	–
Total	**490,293**	**520,104**	**461,742**	**56,931**	**969**	**462**

(ii) Company

At 31 December 2022, non-derivative financial liabilities, all of which are due within the year were K60,958,213. (2021: K26,637,851).

Notes to and forming part of the financial statements

For the year ended 31 December 2022

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Fixed rate instruments				
Financial assets	76,073	62,320	295	295
Finance receivables	310,720	267,920	–	–
Financial liabilities	(446,675)	(408,760)	–	–
Total net	**(59,882)**	**(78,520)**	**295**	**295**
Variable rate instruments				
Finance receivables	102,898	141,624	–	–
Financial liabilities	(16,394)	(19,616)	–	–
Total net	**86,504**	**122,008**	**–**	**–**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

Consolidated	100bps increase		100bps decrease	
	Profit/(loss) K'000	Equity K'000	Profit/(loss) K'000	Equity K'000
Variable rate instruments				
As at 31 December 2022	(865)	(865)	865	865
As at 31 December 2021	(1,220)	(1,220)	1,220	1,220

Company (not applicable)

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value versus carrying values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated		Fair values		Carrying amounts	
	Level of FV hierarchy	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Assets					
Interest bearing securities	1	36,171	31,789	36,171	31,789
Financial assets designated at fair value through profit and loss	1	456,210	450,671	456,210	450,671
Other equity investments	3	34	34	34	34
Finance receivables	2	413,618	409,544	413,618	409,544
Other receivables	2	11,309	7,843	11,309	7,843
Cash and cash equivalents	1	220,397	189,339	220,397	189,339
		1,137,739	**1,089,220**	**1,137,739**	**1,089,220**
Liabilities					
Trade and other payables	2	(19,979)	(12,348)	(19,979)	(12,348)
Secured bank loans	2	(40,369)	(45,385)	(40,369)	(45,385)
Interest bearing deposits	2	(462,964)	(428,376)	(462,964)	(428,376)
Lease liabilities	2	(3,610)	(4,185)	(3,610)	(4,185)
		(526,922)	**(490,294)**	**(526,922)**	**(490,294)**
Company					
Assets					
Financial assets designated at fair value through profit and loss	1	456,210	450,671	456,210	450,671
Investments in subsidiaries	3	393,169	367,966	393,169	367,966
Other equity investments	3	34	34	34	34
Other deposits	2	1,485	12,302	1,485	12,302
Other receivables	2	44,528	35,885	44,528	35,885
Cash and cash equivalents	1	31,792	13,017	31,792	13,017
		927,218	**879,875**	**927,218**	**879,875**
Liabilities					
Trade and other payables	2	**(60,958)**	**(27,185)**	**(60,958)**	**(27,185)**

Notes to and forming part of the financial statements

For the year ended 31 December 2022

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value versus carrying values (continued)

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.

(e) Fair value hierarchy

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Consolidated 31 December 2022				
Interest bearing securities	36,171	–	–	36,171
Other investments (Financial assets designated at fair value through profit and loss account)	456,210	–	–	456,210
Other equity investments	–	–	34	34
Finance receivables	–	413,618	–	413,618
Other receivables	–	11,309	–	11,309
Cash and cash equivalents	220,397	–	–	220,397
Total Assets	**712,778**	**424,927**	**34**	**1,137,739**
Liabilities				
Trade and other payables	–	(19,979)	–	(19,979)
Secured bank loans	–	(40,369)	–	(40,369)
Interest bearing deposits	–	(462,964)	–	(462,964)
Lease liabilities	–	(3,610)	–	(3,610)
	–	**(526,922)**	**–**	**(526,922)**
Consolidated 31 December 2021				
Interest bearing securities	31,789	–	–	31,789
Other investments (Financial assets designated at fair value through profit and loss account)	450,671	–	–	450,671
Other equity investments	–	–	34	34
Finance receivables	–	409,544	–	409,544
Other receivables	–	7,843	–	7,843
Cash and cash equivalents	189,339	–	–	189,339
Total Assets	**671,799**	**417,387**	**34**	**1,089,220**

Notes to and forming part of the financial statements

For the year ended 31 December 2022

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy (continued)

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Liabilities				
Trade and other payables	–	(12,348)	–	(12,348)
Secured bank loans	–	(45,385)	–	(45,385)
Interest bearing deposits	–	(428,376)	–	(428,376)
Lease liabilities	–	(4,185)	–	(4,185)
	–	**(490,293)**	**–**	**(490,293)**
Company **31 December 2022**				
Other investments (Financial assets designated at fair value through profit and loss account)	456,210	–	–	456,210
Investment in subsidiaries	–	–	393,169	393,169
Other equity investments	–	–	34	34
Other deposits	–	1,485	–	1,485
Other receivables	–	44,528	–	44,528
Cash and cash equivalents	31,792	–	–	31,792
Total Assets	**488,002**	**46,013**	**393,203**	**927,218**
Liabilities				
Trade and other payables		**(60,958)**		**(60,958)**
Company **31 December 2021**				
Other investments (Financial assets designated at fair value through profit and loss account)	440,336	–	–	440,336
Investment in subsidiaries	–	–	335,729	335,729
Other equity investments	–	–	34	34
Other deposits	–	14,930	–	14,930
Other receivables	–	32,604	–	32,604
Cash and cash equivalents	18,970	–	–	18,970
Total Assets	**459,306**	**47,534**	**335,763**	**842,603**
Liabilities				
Trade and other payables	–	**(27,185)**	**–**	**(27,185)**

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy (continued)

Level 1 investments consist mainly of investments in stock of public companies.

Level 2 investments consist mainly of investments in deposits, trade receivables and payables.

Level 3 investments consist primarily of investments in equity of subsidiaries. The investments in the subsidiaries were all valued as at 31 December 2022.

Recognition and measurement

Determination of fair values
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

(i) Investment property

Valuation of investment property is based either on external valuation or directors' valuation. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio as required. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time. Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin.

4 FINANCIAL INSTRUMENT DISCLOSURES (CONTINUED)

4.2. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value hierarchy (continued)

(ii) Equity and debt securities

The fair value of financial assets at fair value through profit or loss and at amortized cost is determined by reference to their quoted closing bid price at the reporting date. The fair value of financial assets at amortised cost is determined for disclosure purposes.

(iii) Finance and other receivables

The fair value of finance and other receivables is estimated as the present value of future cash flows. This fair value is determined for disclosure purposes.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows.

Key judgements and estimates

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgment and estimation in determining the carrying values of financial assets and liabilities at the balance sheet date.

The majority of valuation models the Group uses employ only observable market data as inputs. However, for certain financial instruments, we may use data that is not readily observable in current markets. If we use unobservable market data, then we need to exercise more judgment to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, we derive unobservable inputs from other relevant market data and compare them to observed transaction prices where available.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

5 EQUITY

5.1. SHARE CAPITAL

Issued ordinary share capital	Consolidated & company 2022 K'000	2021 K'000
307,936,332 shares in issue at 1 January	21,984	21,984
307,936,332 shares in issue at 31 December	**21,984**	**21,984**

In accordance with the provisions of the Companies Act 1997, the shares do not have a par value. All issued shares are fully paid.

In accordance with the provisions of the Constitution, the Board of Directors of the Company may issue shares as it thinks fit so long as it does not create a controlling interest in the Company and subject to complying with the requirements of Papua New Guinea's National Stock Exchange (PNGX) Listing Rules.

Measurement and recognition

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

5 EQUITY (CONTINUED)

5.2 RESERVES

		Consolidated 2022 K'000	Consolidated 2021 K'000	Company 2022 K'000	Company 2021 K'000
Asset revaluation reserve	**(a)**				
Balance at 1 January		20,731	24,232	280,940	255,447
Surplus/(deficit) on revaluation of properties		(1,372)	(5,001)	–	–
Tax effect on revaluation of properties		412	1,500	–	–
Surplus/(deficit) on revaluation of investments		–	–	25,203	25,493
Balance at 31 December		**19,771**	**20,731**	**306,143**	**280,940**
Asset realisation reserve	**(b)**				
Balance at 1 January		149	149	149	149
Transfer from retained earnings		–	–	–	–
Balance at 31 December		**149**	**149**	**149**	**149**
Exchange fluctuation reserve	**(c)**				
Balance at 1 January		12,518	15,205	–	–
Translation adjustment		(10,915)	(2,687)	–	–
Balance at 31 December		**1,603**	**12,518**	**–**	**–**
General reserve	**(d)**				
Balance at 1 January		418,008	407,672	418,008	407,672
Transfer (to)/from retained earnings		5,539	10,336	5,539	10,336
Balance at 31 December		423,547	418,008	423,547	418,008
Total Reserves		**445,070**	**451,406**	**729,839**	**699,097**

(a) Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of Property and equipment prior to its reclassification as investment property and revaluation of investments in subsidiaries.

5 EQUITY (CONTINUED)

5.2 RESERVES (CONTINUED)

(b) Asset realisation reserve

The asset realisation reserve represents profits on sale of fixed assets over the cost.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

(d) General reserve

The general reserve represents amounts of net gains on long-term investments transferred from the profit and loss account

6 OTHER DISCLOSURES

6.1 EMPLOYEE BENEFIT PLAN

The Group contributed to superannuation funds which are defined contribution plans, whereby employees contribute certain legislated percentage of their salary to the fund and the Group contributes a certain percentage of each member's salary as allowed by law. During 2022, the Group expensed K1.4 million (2021: K1.6 million) in contributions payable.

Recognition and measurement

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

6.2 COMMITMENTS AND CONTINGENCIES

(i) Commitments

The Group expects a capital outlay of K29.1 million (2021: K18.5 million) for the acquisition of various property and equipment for its Property Division. There are no contractual capital commitments as at 31 December 2022.

(ii) Contingencies

There are no contingencies as at 31 December 2022 (2021: Nil).

Notes to and forming part of the financial statements

For the year ended 31 December 2022

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES

(a) Interest Register

The following are interests recorded in the Register for the year.

Name: Abigail Erica Wendy Chang **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited.
Name: Abigail Erica Wendy Chang **Nature of Interest**: Shareholder	**Companies** Credit Corporation (PNG) Limited – 21,000 ordinary shares.
Name: Abigail Erica Wendy Chang **Nature of Interest**: Term Deposit Holder	**Companies** Credit Corporation Fiji Limited for FJD 738,223, matures 24 September 2023.
Name: Abigail Erica Wendy Chang **Nature of Interest**: Social or Professional Membership	**Organisation** Australian Institute of Company Directors. Independent Directors Association in PNG.
Name: Abigail Erica Wendy Chang **Nature of Interest**: Member of Board of Governors	**Organisation** Don Bosco Techinical Institute.
Name: Dr. Albert Conrad Mellam **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, National Road Authority, National Skills Agency, Govt. of PNG, Kumul Consolidated Holdings Ltd.
Name: Dr. Albert Conrad Mellam **Nature of Interest**: Social or Professional Membership	**Organisation** Australian Institute of Company Directors. Association of Asia Pacific Business School, South Korea.
Name: Faye-Zina Lalo **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Amalpack Limited, AFL PNG Development Limited, PNG Olympic Committee.
Name: Faye-Zina Lalo **Nature of Interest**: Social or Professional membership	**Professional bodies** Australian Institute of Company Directors.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(a) Interest Register (continued)

Name: Stephen James Donald Humphries **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Idameneo 789 Limited, Murdoch Haematology & Oncology Clinic Pty Limited, Murdoch Private Hospital Pty Ltd, Agilex Biolabs Pty Ltd, Bendigo Day Hospital Pty Ltd, ACN 088 631 949 Pty Ltd, Amokka Java Ltd, Brystow Pty Ltd, Northcoast Nuclear Medicine (Qld) Pty Ltd, Good Environment Choice Australia (a registered not-for-profit entity).
Name: Stephen James Donald Humphries **Nature of Interest**: Social or Professional membership	**Professional bodies** Australian Institute of Chartered Accountants. Institute of Chartered Accountants of England and Wales. Independent Directors Association in PNG.
Name: Richard Sinamoi **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Paradise Foods Limited, Nambawan Super Limited, Paradise Company Ltd, Laga Industries Ltd, Western Trucks Ltd., Kama Kofi Limited, Iomanis Agi Import Export Pte Limited, PNGPC Limited, Trans Pacific Assurance Limited.
Name: Richard Sinamoi **Nature of Interest**: Shareholder	**Companies** Credit Corporation (PNG) Limited – 485,629 ordinary shares, Kama Kofi Limited, Iomanis Agri Import Export Pte Limited, PNGPC Limited Western Trucks Ltd.
Name: Richard Sinamoi **Nature of Interest**: Social or Professional membership	**Companies** Australian Institute of Company Directors. PNG Institure of Directors.
Name: Sir Melchoir Togolo **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Panamex Holding (Singapore) Pte Limited Heritage Park Hotel (Honiara SI), City Mission PNG, Loloata Island Resort Limited, Bougaiville Copper Limited.
Name: Sir Melchoir Togolo **Nature of Interest**: Professional membership	**Professional bodies** Australian Institute of Company Directors.
Name: Sir Melchoir Togolo **Nature of Interest**: Shareholder	**Professional bodies** BSP 14,086 shares jointly owned with spouse.

Notes to and forming part of the financial statements

For the year ended 31 December 2022

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(a) Interest Register (continued)

Name: Clare Mazzetti **Nature of Interest**: Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Qudos Bank Limited, Uniting Church of Australia, Synod of NSW & ACT, Uniting Financial Services, The Tax Institute (Chair).
Name: Clare Mazzetti **Nature of Interest**: Social or Professional Membership	**Professional bodies** Australian Institute of Company Directors. Fellow – FINISA.
Name: Clare Mazzetti **Nature of Interest**: Shareholding	**Companies** Hip Pocket Investments Pty Ltd.
Name: Daryl Craig Johnson **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Beyond Bank Australia Ltd, Cuscal Limited, Cadeau Pty Ltd (Self-Managed Superannuation Fund), CG Spectrum Institute Pty Ltd.
Name: Daryl Craig Johnson **Nature of Interest:** Associate	**Companies** Cognitive Leadership Advantage, a division of Fisher Leadership.
Name: Daryl Craig Johnson **Nature of Interest:** Social or Professional Membership	**Professional bodies** Australian Institute of Company Directors.
Name: Lady Winifred Tare Kamit **Nature of Interest:** Director	**Companies** Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Credit House Limited, Credit Corporation Industrial Limited, Era Matana Limited, Era Dorina Limited, Steamships Trading Company Limited, South Pacific Post limited, Post Courier Limited, Brian Bell Company Limited, Kamchild Limited, Bunowen Services Limited.
Name: Lady Winifred Tare Kamit **Nature of Interest:** Shareholder	**Companies** Kamchild Limited, Bunowen Services Limited.
Name: Lady Winifred Tare Kamit **Nature of Interest:** Social or Professional Membership	**Professional bodies** PNG Institute of Directors Inc. (Founding Member and Fellow), PNG Law Society.
Name: Lady Winifred Tare Kamit **Nature of Interest:** Director	**Professional bodies** Anglicare PNG Inc.
Name: Lady Winifred Tare Kamit **Nature of Interest:** Senior Partner (Corporate/ Commercial Advisory)	**Entity:** Dentons Lawyers

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel

(i) Shareholdings of Directors and interested parties in Credit Corporation (PNG) Limited

	2022	2021
Sydney Yates, ex-Chairman of the Company, sole owner of Columbus Investments Ltd. that holds shares as follows: (retired 25 June 2021)	–	143,580
Sydney Yates, ex-Chairman of the Company, sole owner of Columbus Investments Ltd. that holds shares in Kina Asset Management Limited that holds shares as follows:	–	1,899,960
Dr. Albert Mellam and Richard Sinaomi, are Directors of the Company and are Directors of Nambawan Superannuation Limited and they each hold shares as follows:	62,947,271	62,947,271
James Kruse, an ex-Director of the Company holds shares as follows: (resigned 05 March 2021)	–	75,000
Michael Varapik, an ex-Director of the Company, is a Director of Comrade Trustee Services Ltd. that holds shares as follows: (resigned 04 February 2021)	–	5,000
Richard Sinamoi, a Director of the Company holds shares as follows:	485,629	485,629
Abigail Chang, a Director of the Company holds shares as follows:	21,000	21,000

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel (continued)

(ii) Remuneration of Directors

	2022 K'000	2021 K'000
Sydney George Yates (retired 25 June 2021)	-	117
Richard Sinamoi	217	202
Michael James Varapik (resigned 4 February 2021)	-	16
Abigail Chang	196	192
Faye-Zina Lalo	196	186
James Byron Kruse (resigned 5 March 2021)	-	30
Dr. Albert Mellam (appointed Chairman, 20 September 2022)	197	178
Clare Mazzetti	183	88
Sir Melchior Togolo	183	88
Stephen Humphries	196	142
Daryl Johnson (appointed 24 June 2022)	111	-
David Foster (resigned 31 January 2022)	15	-
	1,494	1,240

Notes to and forming part of the financial statements

For the year ended 31 December 2022

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel (continued)

(iii) Remuneration of key management personnel

The number of management staff whose remuneration, including salaries and benefits (superannuation, accommodation, leave fares, insurance, school fees, club subscriptions and related entitlements), was within the specified bands as follows:

All amounts in Kina	2022	2021
320,000 – 379,999	1	1
440,000 – 499,999	1	1
560,000 – 669,999	–	1
670,000 – 779,999	1	1
780,000 – 889,999	1	1
890,000 – 999,999	2	1
1,110,000 – 1,219,999	1	2
1,220,000 – 1,439,999	1	–
1,440,000 – 1,549,999	–	1
1,550,000 – 2,300,000	2	1
Total	10	10

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(b) Transactions with Directors and key management personnel (continued)

(iv) Key management personnel compensation

	Note	Transaction value for the year end 31 December 2022 K'000	2021 K'000	Balance outstanding as at 31 December 2022 K'000	2021 K'000
Short term benefits	(i)	13,450	10,031	615	547
Long term benefits	(ii)	8	47	55	47
		13,458	10,078	670	594

A related party is a person or an entity that is related to the reporting entity and has significant influence over the reporting entity in making financial or operational decisions.

The transactions were processed at arms length by the related parties concerned.

(i) Short-term employee benefits include wages, salaries, paid annual leave, superannuation, bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(ii) Other long-term employee benefits include only long-service leave.

(v) Other transactions with Directors and key management personnel

The aggregate value of transactions and outstanding balances related to Directors and key management personnel were as follows:

Related Party	Transaction	Note	Transaction value for the year end 31 December 2022 K'000	2021 K'000	Balance outstanding as at 31 December 2022 K'000	2021 K'000
Management personnel	Personal Loan	(i)	(139)	7	8	147
Management & Director	Deposit	(ii)	(1,293)	–	(1,293)	–
Total			(1,432)	7	(1,285)	147

Note: Balances with brackets indicate a payable balance.

(i) Staff are entitled to personal loans from Credit Corporation Finance Limited up to a maximum of 25% of the gross annual salary at an interest rate of 8% to 10% per annum.

(ii) A non-interest bearing deposit with Credit Corporation Finance Limited.

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(c) Transactions with subsidiaries – the Company

All the transactions are in the normal course of business and on normal commercial terms and conditions and repayable on demand. Except for the finance loans from Credit Corporation Finance Limited, all the other transactions are unsecured

		Transaction value for the year end 31 December		Balance outstanding as at 31 December	
Transaction	Note	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Management fee	(i)	1,000	1,050	–	–
Interest bearing deposit	(ii)	216	339	1,713	12,589
Dividends	(iii)	13,227	8,587	866	1,302
Other	(iv)	34,425	27,558	15,595	67,894
		48,868	37,534	18,174	81,785

(i) Management fees paid by Credit Corporation Finance Limited (K1,000,000) to Credit Corporation (PNG) Limited annually.

(ii) Credit Corporation (PNG) Limited has at call deposits with Credit Corporation Finance Limited totaling to K228,062. Surplus funds have also been deposited in 1 year deposits with Credit Corporation Finance Limited at 2.1% and 2.5% interest rates per annum. The interest earned during 2022 was K215,782 (2021: K388,811).

(iii) Dividends were only received from CHL, CCFJ and CCSI amounted to K13.2m.

(iv) Other transaction with subsidiaries including receivable from the subsidiary compaies Era Matana Limited, Credit Corporation Industrial Limited, Credit House Limited and payables to Credit Corporation Finance Limited.

6 OTHER DISCLOSURES (CONTINUED)

6.3 RELATED PARTIES (CONTINUED)

(d) Other related party transactions

(i) The associate company of Credit Corporation (PNG) Limited, Capital General Insurance, has interest bearing deposit accounts amounting to K1,920,698 as at 31 December 2022 (2021: K1,845,702) at 4.6% per annum with Credit Corporation Finance Limited.

(ii) Directors and entities have interest bearing deposits with the Group at commercial rates prevailing at the time of the deposit.

6.4 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Bank of PNG has granted Credit Corporation Finance (PNG) Limited, a subsidiary of Credit Corporation (PNG) Limited, an "Approval in Principle" for a banking licence. This licence is valid for a period of 12 months to prepare for upgrading Credit Corporation's current licence from a financial institution to a niche commercial bank.

This event, in the opinion of the Directors, will significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Top 20 shareholders

		Shares Held	%
1	NAMBAWAN SUPER LIMITED	62,947,271	20.44%
2	NATIONAL SUPERANNUATION FUND LIMITED	62,099,367	20.17%
3	TEACHERS SAVINGS & LOAN SOCIETY LTD	57,925,483	18.81%
4	LAMIN TRUST FUND	19,158,710	6.22%
5	MOTOR VEHICLES INSURANCE LIMITED	17,100,000	5.55%
6	FEDERATION OF SAVINGS & LOAN SOCIETIES LIMITED	16,621,878	5.40%
7	GLEN PANIPAS MCILWAIN	5,229,066	1.70%
8	BSP LIFE (FIJI) LIMITED	4,091,838	1.33%
9	FINANCE CORPORATION LIMITED	3,190,647	1.04%
10	PATRONELLA IA BILUR HARRISON	3,000,000	0.97%
11	CAPUCHIN FRIARS MINOR OF PNG	2,452,214	0.80%
12	KINA ASSET MANAGEMENT NO. 1	2,146,337	0.70%
13	COMRADE TRUSTEE SERVICES	2,082,333	0.68%
14	KINA NOMINEES LIMITED	2,010,000	0.65%
15	WEST NEW BRITAIN PROVINCIAL GOVERNMENT TRUST DEED NO 2 A/C	2,000,000	0.65%
16	PACIFIC MMI INSURANCE LIMITED	1,872,406	0.61%
17	DAUGHTERS OF OUR LADY OF SACRED HEART OLSH PROVINCIALATE	1,800,000	0.58%
18	NASFUND CONTRIBUTORS SAVINGS & LOAN SOCIETY LIMITED	1,550,000	0.50%
19	WARWICK POMAT COSTIGAN	1,500,000	0.49%
20	MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED	1,361,316	0.44%
		270,138,866	**87.73%**

Shareholding range	Shares Held
1 – 1,000	332,492
1,001 – 5,000	1,034,775
5,001 – 10,000	2,626,548
10,001 – 100,000	8,057,174
100,001 and above	295,880,343
	307,931,332

Shares trade	No	Volume
2022	92	2,622,913

Corporate directory

Registered Office

Ground Floor, Credit House,
Cuthbertson Street, Port Moresby,
Papua New Guinea

Principal Place of Business

Ground & 1st Floor, Credit House,
Cuthbertson Street, Port Moresby,
Papua New Guinea

Directors

Dr Albert Conrad Mellam

Richard Sinamoi

Abigail Erica Wendy Chang

Faye-Zina Lalo

Stephen Humphries

Sir Melchior Togolo

Clare Mazzetti

Daryl Johnson

Lady Winifred Tare Kamit
(appointed March 2023)

Group Chief Executive Officer

Danny Robinson

Company Secretary

Anneka Linge

Auditors

KPMG Chartered Accountants
PO Box 507, Port Moresby,
Papua New Guinea

Fiji — KPMG

Solomon Islands — KPMG (Fiji)

Vanuatu — Law Partners

Tax Advisors

PricewaterhouseCoopers
PwC Haus, Level 6
Harbour City, Konedobu
Port Moresby, NCD 125
Papua New Guinea

Share Registry

PNG Registries Limited
Level 4, Cuthbertson House
PO Box 1265
Port Moresby, Papua New Guinea
Telephone: +675 321 6377
Email: brenda@online.net.pg

Bankers

Australia and New Zealand Banking
Group (PNG) Limited

Australia and New Zealand Banking
Group (Fiji) Limited

Bank South Pacific Limited

National Bank of Vanuatu

Westpac Bank PNG Limited

Westpac Bank Sydney

Papua New Guinea

Credit Corporation (PNG) Limited

Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea
PO Box 1787, Port Moresby
Papua New Guinea
Telephone: +675 321 7066
Email: info@creditcorporation.com.pg

Branch Offices

Office No. 2 Level 1
Kokopo Commercial Centre
Corner William and Pockley Streets
East New Britain Province
Papua New Guinea
Telephone: +675 982 8555

Morobe Haus
4th Street
Lae, Top Town
Papua New Guinea
Telephone: +675 472 5855

Kintip Surgery Building
Unit 1, Section 22, Allotment 51,
Mount Hagen, Papua New Guinea
Telephone: +675 542 3585

Fiji

Credit Corporation (Fiji) Limited

Credit House
10 Gorrie Street, Suva, Fiji Islands
PO Box 14070, Suva, Fiji Islands
Telephone: +679 330 5744
Email: info@creditcorp.com.fj

Branch Offices

Nadi
1st Floor Credit House,
Lot 15 Bountiful Subdivision
Queens Road, Namaka
PO Box 10107 Nadi Airport
Telephone: +679 672 4766

Lautoka
Naviti Street, Lautoka
PO Box 427, Lautoka
Telephone: +679 665 2025

Nakasi
Shop 14 Tebara Meat Complex
Kings Road, Nakasi
Telephone: +679 341 0029

Solomon Islands

Credit Corporation (SI) Limited

Heritage Park Commercial Building,
Ground Floor, Mendana Avenue,
Honiara, Solomon Islands
PO Box 1235, Honiara, Solomon Islands
Telephone: +677 22114
Email: info@creditcorp.com.sb

Vanuatu

Credit Corporation (Vanuatu) Limited

Law Partners House,
Rue Lini Highway
PO Box 3494, Port Vila, Vanuatu
Telephone: +678 23822
Email: info@creditcorp.com.vu

Branch Office

Santo
CNS Building, USP Sub Street,
Luganville, Santo
Telephone: +678 36823/36826

CREDIT CORPORATION

www.creditcorporation.com.pg