Credit Corporation (PNG) Limited

Interim Condensed Consolidated Financial Report

for the half year ended

30 June 2024

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Directors' report

The directors of Credit Corporation (PNG) Limited ("the Company") submit herewith the interim condensed consolidated financial report for the half year ended 30 June 2024. This directors' report was prepared for the Company and its subsidiaries (together "the Group").

Information about the directors

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

Name

Dr Albert Mellam (retired 19 August 2024)

Lady Winifred Kamit (appointed Chair 30 August 2024)

Richard Sinamoi

Faye-Zina Lalo

Abigail Chang

Sir Melchior Togolo

Stephen Humphries

Clare Mazzetti

Daryl Johnson

Principal activities

The Group's principal activities are as follows:

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

Review of operations

The total consolidated profit after tax for the half year ended 30 June 2024 amounted to K183.6 million (June 2023: K74.3 million). The net assets of the Group are K1,130.8 million (December 2023: K989.4 million).

Changes in state of affairs

There are no changes in the affairs of the company for the half year ended 30 June 2024.

Directors' report (continued)

Dividends

During the half year, Credit Corporation (PNG) Limited declared a final dividend for the year ended 31 December 2023 of K40.3 million or 13.1 toea per share on 15 March 2024. This was paid on 19 April 2024.

Subsequent events

Subsequent to the half year ended 30 June 2024, the Bank of Papua New Guinea granted Credit Corporation Finance (PNG) Limited, a fully owned subsidiary of Credit Corporation (PNG) Limited, a full banking license on 5 August 2024 thereby upgrading its status from a financial institution to a commercial bank. Going forward from date of issuance of the banking license, Credit Corporation Finance (PNG) Limited will apply the new income tax rate of 45% from that date.

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.

Credit Corporation (PNG) Limited has declared an interim dividend of K37.0 million or 12.0 toea per share on 13 September 2024. This will be paid on 24 October 2024.

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

On behalf of the Directors:

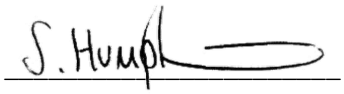


Lady Winifred Kamit

Director

Port Moresby

Date: 13 September 2024



Stephen Humphries

Director

Port Moresby

Date: 13 September 2024

Report on review of the interim condensed consolidated financial report

to the Directors of Credit Corporation (PNG) Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Credit Corporation (PNG) Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2024, the related condensed consolidated income statement, condensed consolidated statements of other comprehensive income, changes in equity and cash flows for the half year then ended and other explanatory notes. The Directors are responsible for the preparation and presentation of this interim condensed consolidated financial report in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial report of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

Restriction on distribution or use

This report is made solely to the Directors of the Company, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, for our review work, for this report or for the conclusions we have formed.

PricewaterhouseCoopers

Chris Wickenhauser
Partner
Registered under the Accountants Act 1996

Port Moresby
13 September 2024

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Condensed consolidated statement of financial position

as at 30 June 2024

	Notes	Consolidated As At 30 Jun 2024 K'000	31 Dec 2023 K'000
ASSETS			
Cash and cash equivalents		277,975	176,606
Finance receivables	10	527,493	492,674
Other receivables		39,971	11,109
Interest bearing securities		21,303	52,099
Assets classified as held for sale	16	28,759	-
Financial assets	17	554,460	502,553
Inventories		1,104	1,143
Income taxes receivable		5,274	3,219
Investment in associate	18	14,154	15,539
Property and equipment	14	70,111	64,547
Investment property	15	229,061	225,846
Other equity investments		34	34
Deferred tax assets		20,817	21,750
Total Assets		1,790,516	1,567,119
LIABILITIES			
Trade and other payables		10,695	13,963
Liabilities directly associated with assets classified as held for sale	16	21,733	-
Employee benefits		8,694	8,917
Deposits	19	576,195	511,052
Borrowings	19	35,724	39,028
Income taxes payable		1,158	608
Deferred tax liabilities		5,495	4,179
Total Liabilities		659,694	577,747
Net Assets		1,130,822	989,372
EQUITY			
Share capital	21	21,984	21,984
Reserves	11	613,504	494,872
Retained earnings		495,334	472,516
Total Equity		1,130,822	989,372

The above statement should be read in conjunction with the accompanying notes on pages 9 to 37.

Condensed consolidated income statement

for the half year ended 30 June 2024

	Notes	Consolidated Half year ended 30 Jun 2024 K'000	Represented[1] 30 Jun 2023 K'000
Finance income	8	36,200	31,928
Finance cost		(6,644)	(7,189)
Net finance income		29,556	24,739
Other income	8	78,283	71,786
Fair value gain on financial assets	17	120,407	15,349
Net operating income		228,246	111,874
Impairment reversal on finance receivables		2,199	5,658
Personnel expenses		(19,652)	(13,880)
Depreciation expenses		(3,018)	(2,836)
Other operating expenses		(25,863)	(21,353)
Results from operating activities		181,912	79,463
Share of (loss) profit of equity accounted investee		(371)	4,455
Profit before tax		181,541	83,918
Income tax expense	9	(4,312)	(10,110)
Profit for the period from continuing operations		177,229	73,808
Profit for the period from discontinued operation	16 (b)	6,335	454
Total consolidated profit after tax		183,564	74,262
Earnings per share based on profit for the half year for continuing operations			
Basic and diluted	12	0.58	0.24
Earnings per share based on profit for the half year for discontinued operation			
Basic and diluted	12	0.02	0.00

The above statement should be read in conjunction with the accompanying notes on pages 9 to 37.

[1]Prior period re-presented due to discontinued operation. Refer to note 16 (b) for additional information.

Condensed consolidated statement of other comprehensive income

for the half year ended 30 June 2024

	Notes	Consolidated Half year ended 30 Jun 2024 K'000	Represented[1] 30 Jun 2023 K'000
Total consolidated profit after tax		**183,564**	74,262
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences for foreign operations – continuing operations		**(1,570)**	(705)
Foreign currency translation differences for foreign operations - discontinued operation	16 (b)	**(205)**	392
Other comprehensive income for the half year (net of income tax)	11(c)	**(1,775)**	(313)
Total comprehensive income for the half year		**181,789**	**73,949**
Total comprehensive income for the half year attributable to equity holders of the Company for:			
Continuing operations		**175,659**	**73,103**
Discontinued operation		**6,130**	**846**

The above statement should be read in conjunction with the accompanying notes on pages 9 to 37.

[1]Prior period re-presented due to discontinued operation. Refer to note 16 (b) for additional information.

Condensed consolidated statement of changes in equity

for the half year ended 30 June 2024

	Issued Capital K'000	Reserves K'000	Retained Earnings K'000	Total Equity K'000
Balance at 1 January 2023	21,984	445,069	455,710	922,763
Total comprehensive income for the period	-	3,460	134,897	138,357
Transfers to reserves	-	46,343	(46,343)	-
	21,984	494,872	544,264	1,061,120
Transactions with owners				
Dividends paid	-	-	(71,748)	(71,748)
	-	-	(71,748)	(71,748)
Balance as at 31 December 2023	**21,984**	**494,872**	**472,516**	**989,372**
Balance at 1 January 2024	21,984	494,872	472,516	989,372
Total comprehensive income for the period	-	(1,775)	183,564	181,789
Transfer to reserves	-	120,407	(120,407)	-
	21,984	613,504	535,673	1,171,161
Transactions with owners				
Dividends paid	-	-	(40,339)	(40,339)
	-	-	(40,339)	(40,339)
Balance at 30 June 2024	**21,984**	**613,504**	**495,334**	**1,130,822**

The above statement should be read in conjunction with the accompanying notes on pages 9 to 37.

Condensed consolidated statement of cash flows

for the half year ended 30 June 2024

		Consolidated Half year ended	
			Represented[1]
		30 Jun 2024 K'000	30 Jun 2023 K'000
OPERATING ACTIVITIES			
Charges earned on leases & loans		**37,893**	33,811
Commission, fees and rents		**13,342**	19,167
Interest payments		**(7,317)**	(7,268)
Interest from funds deposited		**1,838**	2,078
Payments to suppliers and employees		**(53,132)**	(66,270)
Operating cash flows before changes in operating assets		**(7,376)**	(18,482)
Net cash advanced in respect of finance receivables		**(29,002)**	(9,918)
Net cash received/(repaid) in respect of deposits		**65,143**	(14,012)
Net cash from operating activities before income tax		**28,765**	(42,412)
Income taxes paid		**(3,568)**	(1,963)
Cash flows from operating activities		**25,197**	(44,375)
INVESTING ACTIVITIES			
Purchase of property, & equipment		**(8,689)**	(6,536)
Proceeds from sale of property		**-**	115
Acquisition of investment property and transfers		**(3,215)**	(1,273)
Sales of shares		**62,573**	-
Dividend received		**38,467**	51,296
Net cashflow from other investments		**30,796**	(26,078)
Cash flows from investing activities		**119,932**	17,524
FINANCING ACTIVITIES			
Repayment of borrowings		**(3,203)**	(2,432)
Repayment of interest		**(829)**	(1,061)
Dividends paid		**(40,339)**	(37,876)
Cash flows used in financing activities		**(44,371)**	(41,369)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents		**611**	(342)
Net increase/(decrease) in cash and cash equivalents		**101,369**	(68,562)
Cash and cash equivalents at 1 January		**176,606**	220,397
Cash and cash equivalents at period ended		**277,975**	151,835
Net cash generated during the six months ended 31 December 2023		**-**	24,771
Cash and cash equivalents at the end of the period 30 June 2024 (31 December 2023)		**277,975**	**176,606**
Cash flows of discontinued operation	16 (c)	**1,505**	**(3,634)**

The above statement should be read in conjunction with the accompanying notes on pages 9 to 37.

[1]Prior period re-presented due to discontinued operation. Refer to note 16 (c) for additional information.

Notes to the interim condensed consolidated financial statements

for the half year ended 30 June 2024

Note 1: Reporting Entity

Credit Corporation (PNG) Limited (the “Company”) is a company domiciled in Papua New Guinea. These interim condensed consolidated financial statements as at and for the six months ended 30 June 2024, comprise the Company and its subsidiaries (together "the Group”) and the Group’s interest in associates. The Group is primarily involved in providing general finance, leasing and hire purchase financing, property and equity investment.

Note 2: Statement of Compliance

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the requirements of the Papua New Guinea Companies Act 1997. The interim condensed consolidated financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the Group's annual financial report as at and for the year ended 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

Note 3: Basis of preparation

The interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with historical cost concepts, except for financial instruments designated at fair value through profit and loss and investment property which is measured at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea Kina and are rounded off to the nearest thousand Kina, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted and disclosed in the Group’s annual financial report for the financial year ended 31 December 2023. These accounting policies are consistent with International Financial Reporting Standards.

These interim consolidated financial statements were authorised for issue by the Company’s board of directors on 13 September 2024.

Note 4: Use of estimates and judgements

The preparation of a financial report in conformity with IFRS 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.

Note 4: Use of estimates and judgements (continued)

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

- Note 10- Finance receivables
- Note 15- Investment property
- Note 18- Investments in associates
- Note 20- Financial Instruments - Fair value versus carrying values

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

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

A brief explanation of the key estimates, assumptions and judgements that have changed during the half year ended 30 June 2024 are as follows:

Expected credit loss ("ECL") allowances

The modelling methodology applied in estimating ECL in these financial statements has been reviewed and updated from that applied in the Group's Financial Statements for the year ended 31 December 2023 and is briefly described in note 6 in these interim condensed 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 six months ended 30 June 2024.

Judgment / assumptions (Descriptions discussed in Note 6)		Changes and/or considerations during the six months ended 30 June 2024
1	Measuring both 12-month and lifetime credit losses	The probability of default (PD), exposure at default (EAD), and loss given default (LGD) model risk policy stipulates periodic model monitoring, periodic re-validation and defines approval procedures and authorities according to model materiality. There were no material changes to the policies during the half year ended 30 June 2024.
2	Forward-looking information	There have been no changes to the types of forward-looking variables (key economic drivers) used in the model inputs in the current half year. While the Group notes improved economic conditions, the Group has considered that it is prudent to maintain similar forward-looking variables until full recovery.

Note 4: Use of estimates and judgements (continued)

Judgment / assumptions (Descriptions discussed in Note 6)		Changes and/or considerations during the six months ended 30 June 2024
3	Macroeconomic factors	As at 30 June 2024, the base case assumptions had been reviewed and updated where appropriate. 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 Group'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 Group considered these weightings to provide the best estimate of the possible loss outcome and has analysed inter-relationships and correlations within the Group's portfolios in determining them.
5	Assessment of significant increase in credit risk (SICR)	Various initiatives, 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 despite a general upturn in economic activities across key markets. The business has used a conservative approach by maintaining haircut on collateral.

Base case economic forecast assumptions

The recovery actions have reduced the risk to potential misstatement of the ECL balance due to improvement in uncertainties around:

- the extent and duration of the economic downturn, along with the time required for economies to fully 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.

Note 4: Use of estimates and judgements (continued)

	Revised Base case economic forecast as at 30 June 2024	Base case economic forecast as at 31 December 2023
Papua New Guinea		
GDP	PNG's GDP increased by 1.8% in 2024 but is expected to increase to 3.7% in 2025.	PNG's GDP decreased by 1.3% in 2023 and is expected to increase to 5% in 2024.
Consumer price index	Average CPI for 2024 is at 4.2% but is expected to increase to 4.8% in 2025	Average CPI for 2023 was at 5% but this is expected to decrease to 4.9 in 2024.
Fiji		
GDP	Fiji's GDP decreased by 5.0% in 2024 but is expected to decrease slightly to 3.4% in 2025	Fiji's GDP decreased by 12.5% in 2023 and is expected to decrease to 3.9% in 2024.
Consumer price index	Average CPI for Fiji for 2024 is 4.0% but is expected to decrease to 3.2% in 2025	Average CPI for Fiji in 2023 was 3% but is expected to increase to 3.5% in 2024.
Vanuatu		
GDP	Vanuatu's GDP increased by 0.8% in 2024 and is expected to increase to 3.5% in 2025	Vanuatu's GDP decreased by 0.4% in 2023 and is expected to increase to 2.6% in 2024.
Consumer price index	Average CPI for Vanuatu for 2024 is 7.6% but is expected to decrease to 6% in 2025	Average CPI for Vanuatu in 2023 was 9.3% but is expected to decrease to 5.7% in 2024.
Solomon Islands		
GDP	Solomon Island's GDP decreased by 0.6% in 2024 but is expected to increase to 2.5% in 2025	Solomon Island's GDP increased by 6.6% in 2023 and is expected to decrease to 2.4% in 2024.
Consumer price index	Average CPI for Solomon Islands for 2024 is 3.5% and is expected to decrease to 3.2% in 2025	Average CPI for Solomon Islands in 2023 was 4.9% but is expected to decrease to 4% in 2024.

Sensitivity analysis

The key assumptions affecting the ECL allowances are:

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

Note 4: Use of estimates and judgements (continued)

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

	30 June 2024	
	increase by 10%	decrease by 10%
	K'000	K'000
Change in haircut on collateral values	1,353	(1,417)
Changes in probability weighted scenarios	(2,449)	2,449
Time to realisation	275	(271)

	31 December 2023	
	increase by 10%	decrease by 10%
	K'000	K'000
Change in haircut on collateral values	1,834	(1,644)
Changes in probability weighted scenarios	(2,339)	2,339
Time to realisation	288	(290)

Fair Value of investment properties

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

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

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

	Judgment / assumptions *(Descriptions discussed in Note 15)*	Changes and considerations during the six months ended 30 June 2024
1	Market capitalisation rate	The Group has taken into consideration the past valuation exercises done and expects market capitalisation rates to be similar to those as at 31 December 2023.
2	Market lease rentals	The Group expects a minimal growth in demand for leasing properties, low investments, oversupply of leasing properties inventory, and delays in major resource projects. These contribute to the slow increase in occupancy rates and lease prices.

Note 4: Use of estimates and judgements (continued)

Sensitivity analysis

	Effect on profit or loss and equity increase/(decrease)	
	30 June 2024 K'000	31 December 2023 K'000
Increase of 1% in market capitalisation rate	(5,025)	(5,024)
10% increase in market lease rental rates	43,849	43,190

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

Note 5: Changes in significant accounting policies

New and amended accounting standards adopted

A number of amended standards became applicable for the current reporting period. The Group did not make any significant changes to its accounting policies and did not make any retrospective adjustments as a result of adopting these amended standards. These amendments did not materially impact the accounting policies or amounts disclosed in the half-year financial statements of the Group.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period and have not been early adopted by the Group.

Note 6: Impairment of financial assets carried at amortised cost

(i) Expected credit loss impairment model

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.

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

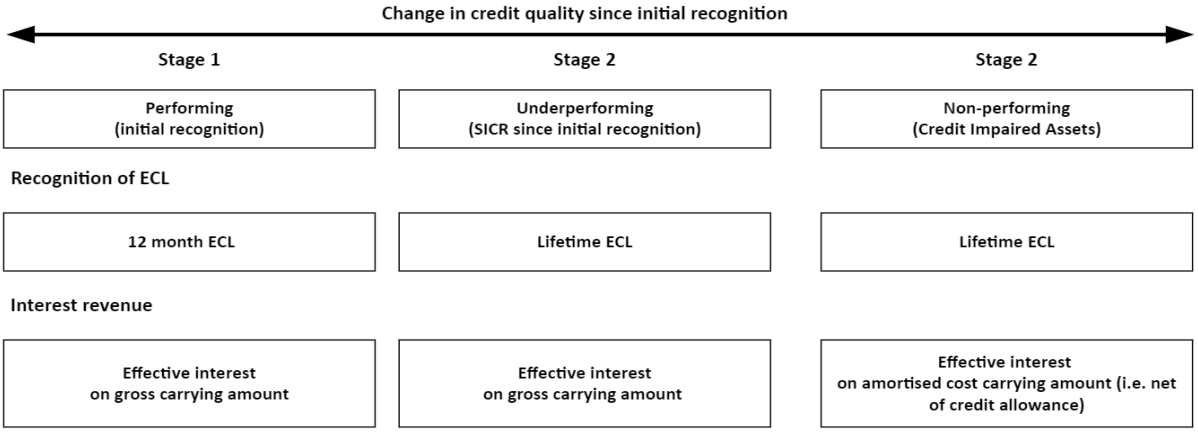
Note 6: Impairment of financial assets carried at amortised cost (continued)

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 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.



Measurement of expected credit loss

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

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio. The PD calculation uses historical data and considers 'payment holiday probation', 'restructure probation', 'downturn PD internal', 'portfolio average PD internal', 'PD product segmentation' and 'PD years and PD configuration.'
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of

Note 6: Impairment of financial assets carried at amortised cost (continued)

principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

- Haircut on collateral- the reduction/discounting of assets used as collateral on a loan. The ECL model was updated to segment collateral by applying the appropriate haircut based on the asset type as the previous model applied a set of fixed haircuts to all asset types.

- Time to realisation – this is the time taken to realize on a collateral from default notice.

- Cost to recovery – this is currently capitalised as part of the loan balance. This policy remains unchanged.

- Cure rates – this is the probability of an account to recover to a performing status once an account has defaulted.

Assumptions	Scenario	HY 2024	HY 2023	FY 2023	HY 2024 vs HY 2023 Increase/ decrease
Haircut on Collateral	Base	33%	38%	35%	Decrease
	Upturn	13%	15%	14%	Decrease
	Downturn	50%	61%	53%	Decrease
Time to realisation	Base	10 months	11 months	10 months	Decrease
	Upturn	5 months	5 months	5 months	Stable
	Downturn	27 months	26 months	27 months	Increase
Costs to recover		0%	0%	0%	Stable
Cure rate	Base	24%	23%	23%	Increase
	Upturn	35%	35%	35%	Stable
	Downturn	3%	3%	3%	Stable
ECL Weighting	Base	72%	72%	72%	Stable
	Upturn	5%	6%	5%	Decrease
	Downturn	23%	22%	23%	Increase

(i) 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.

Note 6: Impairment of financial assets carried at amortised cost (continued)

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 30 June 2024 for the years 2023 to 2026, for finance receivables.

Country - GDP Growth		2023	2024	2025	2026
Papua New Guinea	Base Scenario	3.00%	5.00%	3.10%	3.10%
Fiji	Base Scenario	7.50%	3.90%	3.70%	3.50%
Solomon Islands	Base Scenario	2.50%	2.40%	3.00%	3.00%
Vanuatu	Base Scenario	1.50%	2.60%	3.50%	3.10%
Group - GDP Growth					
	Based scenario	3.63%	3.48%	3.33%	3.18%
	Upside scenario (10% increase)	3.99%	3.82%	3.66%	3.49%
	Downside scenarios (10% decrease)	3.26%	3.13%	2.99%	2.86%

**Source: International Monetary Fund*

(ii) 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 unbiased projections and forecasts.

The weightings assigned to each economic scenario were as follows:

At 30 June 2024

Scenario	Base	Upturn	Downturn
Weighting	72%	5%	23%

At 31 December 2023

Scenario	Base	Upturn	Downturn
Weighting	72%	5%	23%

At 30 June 2023

Scenario	Base	Upturn	Downturn
Weighting	72%	6%	22%

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

Note 6: Impairment of financial assets carried at amortised cost (continued)

(iv) Changes in loss allowance

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

- Movement of exposures between the three stages depending on the whether there has been a significant increase in credit risk for exposures since initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

- Additional allowances as a result of new financial instruments added during the period.

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period as a result of regular updates on general models.

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

(v) Credit risk exposure

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

	Jun-24 K'000	Dec-23 K'000
Stage 1- 12-month ECL	438,448	408,351
Stage 2- Lifetime ECL	58,208	42,245
Stage 3- Lifetime ECL	75,312	98,992
Gross carrying amount	**571,968**	**549,588**
Allowance for credit loss	(44,475)	(56,914)
Net carrying amount	**527,493**	**492,674**

Note 7: Operating segments

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

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

	Revenue Half-year ended 30 Jun 24 K'000	30 Jun 23 K'000
General finance, leasing and hire purchase	44,448	39,435
Property investment - Rental revenues	21,459	19,370
Investment	191,858	107,997
	257,765	166,802

	Segment profit / (loss) Half-year ended 30-Jun-24 K'000	30-Jun-23 K'000
General finance, leasing and hire purchase	15,048	20,318
Property investment - Rental revenues	9,349	7,711
Investment	177,946	92,843
Total profit before tax for reportable segments	202,343	120,872
Elimination of inter-segment profit	(14,096)	(40,954)
Share of profit of equity-accounted investee	(371)	4,455
Profit before tax	**187,876**	**84,373**

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

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

Half-year ended 30 June 2024	Segment revenue K'000	Inter-segmental revenue K'000	External revenues K'000
General finance, leasing and hire purchase	44,448	(1,223)	43,225
Property investment - Rental revenues	21,459	(2,536)	18,923
Investment	191,858	(14,581)	177,277
	257,765	**(18,340)**	**239,425**

Note 7: Operating segments (continued)

Half-year ended 30 June 2023	Segment revenue K'000	Inter-segmental revenue K'000	External customers K'000
General finance, leasing and hire purchase	39,435	(1,217)	38,218
Property investment - Rental revenues	19,370	(2,764)	16,606
Investment	107,997	(41,473)	66,524
	166,802	**(45,454)**	**121,348**

Reconciliation of reportable segment assets and liabilities:

	General finance, leasing and hire purchase	Property investment	Investment	**30 June 2024 K'000**	General finance, leasing and hire purchase	Property investment	Investment	**31 December 2023 K'000**
Assets								
Total assets for reportable segments	878,941	291,392	1,187,005	**2,357,338**	823,953	286,986	1,018,354	**2,129,293**
Investment in equity-accounted investee	-	-	14,154	**14,154**	-	-	15,539	**15,539**
Elimination of inter-company balances	(115,600)	(20,280)	(59,297)	**(195,177)**	(103,578)	(16,964)	(64,346)	**(184,888)**
Elimination of investment in subsidiaries	-	-	(385,799)	**(385,799)**	-	-	(392,825)	**(392,825)**
Consolidated total assets	**763,341**	**271,112**	**756,063**	**1,790,516**	**720,375**	**270,022**	**576,722**	**1,567,119**
Liabilities								
Total liabilities for reportable segments	(635,741)	(101,475)	(115,475)	**(852,691)**	(573,322)	(103,870)	(84,750)	**(761,942)**
Elimination of inter-company balances	42,195	60,812	89,990	**192,997**	44,645	61,485	78,065	**184,195**
Consolidated total liabilities	**(593,546)**	**(40,663)**	**(25,485)**	**(659,694)**	**(528,677)**	**(42,385)**	**(6,685)**	**(577,747)**

The Group has three (3) reportable segments, as described below, which operate under the Group's six (6) business units. The strategic business units offer different products and services and are managed separately. For each of the reportable segments, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segment:

1 General finance, leasing and hire purchase financing-
- Credit Corporation Finance Limited (CCFL);
- Credit Corporation (SI) Limited (CCSI);
- Credit Corporation (Fiji) Limited (CCFJ); and
- Credit Corporation (Vanuatu) Limited (CCVL).

2 Property investment-
- Credit Corporation Properties Limited (CCPL)*

3 Investment company-
- Credit Corporation (PNG) Limited (CCPNG)

Note 7: Operating segments (continued)

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

Note 8: Revenue

The following are the Group's main revenue streams:

	Half-year ended	
	30 June 2024 K'000	30 June 2023 K'000
Finance income	**36,200**	**31,928**
Other income		
Profit on sale of shares (net)	18,509	-
Dividend income	38,468	50,943
Rental income from property	15,631	14,297
Rental outgoings recovered	3,289	2,802
Interest on term deposit, treasury bills and semi-government bonds	1,679	2,130
Other operating income	707	1,614
Total other income	**78,283**	**71,786**

Recognition and measurement

Revenue

(a) Finance income

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

(b) Dividend income

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

(c) Commissions

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

(d) Rental income

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

All rental income is derived in Papua New Guinea.

Note 8: Revenue (continued)

(e) Other income

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

Note 9: Income tax expense

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

Reconciliation of total income tax expense	30 June 2024 K'000	30 June 2023 K'000
Current tax expense	3,091	4,642
(Over)/Under provisions in tax expense	(1,027)	114
Deferred tax expense	2,248	5,354
Income tax expense	**4,312**	**10,110**
Profit before tax	181,541	83,918
Computed tax using the applicable PNG corporate income tax rate (30%)	54,462	25,175
Effect of tax rates in foreign jurisdictions	(491)	(660)
Tax effect of:		
Current year unrealized gains/(loss) for which no deferred tax is recognized	(36,122)	(5,941)
Gains on sale of shares	(5,430)	-
Dividend income exempt from tax listed entities	(6,832)	(10,396)
Other	(1,275)	1,932
Tax expense in the income statement	**4,312**	**10,110**

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.

Note 9: Income tax expense (continued)

Deferred Tax

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

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

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

Note 10: Finance receivables

	30 June 2024 K'000	31 December 2023 K'000
Gross finance receivables	655,268	637,588
Less: Unearned charges	(77,563)	(82,469)
Less: Deferred establishment fees	(5,737)	(5,531)
Less: Impairment allowance	(44,475)	(56,914)
Net finance receivables	527,493	492,674

Finance leases included in finance receivables analysed as follows:

	30 June 2024 K'000	31 December 2023 K'000
Not later than one year	393	881
Later than one year and not later than five years	-	338
	393	1,219
Less: Unearned charges	(9)	(22)
Present value of lease payments receivable	384	1,197
Impairment allowance	(176)	(301)
Net finance leases	**208**	**896**

Note 10: Finance receivables (continued)

Analysis of provisions

	30 June 2024 K'000	31 December 2023 K'000
Impairment allowance		
Opening balance	56,914	66,913
Increase/(decrease) in allowance	(2,199)	(9,072)
Bad debts written off (net of recoveries)	(3,947)	(5,314)
Effect of changes in foreign exchange rates	231	4,387
Impairment allowance transferred to asset-held-for-sale	(6,524)	-
Closing balance	**44,475**	**56,914**

Impairment allowance balance of Credit Corporation Vanuatu Limited (CCVL) at 31 December 2023 of K6.5 million is transferred to asset-held-for-sale.

Total recoveries on written off accounts for the period ended 30 June 2024 was K0.30 million (30 June 2023: K1.1 million).

Reconciliation of opening to closing of loss allowance for each stage

	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Balance as at 1 January 2024	(14,012)	(16,164)	(26,738)	(56,914)
Transfer to Stage 1	(3,600)	3,005	595	-
Transfer to Stage 2	1,520	(3,518)	1,998	-
Transfer to Stage 3	54	703	(757)	-
Net remeasurement of loss allowance	12,277	(7,859)	(184)	4,234
New financial assets originated	(3,736)	(1,719)	(1,199)	(6,654)
Financial assets that have been derecognised	3,230	167	1,146	4,543
Write-offs	135	11	3,801	3,947
Foreign exchange and other movements	(74)	(24)	(57)	(155)
Impairment allowance transferred to asset-held-for-sale	4,617	150	1,757	6,524
Balance at 30 June 2024	**411**	**(25,248)**	**(19,638)**	**(44,475)**

Reconciliation of opening to closing of loss allowance for each stage

	Stage 1 K'000	Stage 2 K'000	Stage 3 K'000	Total K'000
Balance as at 1 January 2023	(10,518)	(11,328)	(45,067)	(66,913)
Transfer to Stage 1	(8,942)	3,211	5,731	-
Transfer to Stage 2	1,809	(2,306)	497	-
Transfer to Stage 3	2,225	4,121	(6,346)	-
Net remeasurement of loss allowance	11,996	(9,748)	6,383	8,631
New financial assets originated	(12,739)	(2,081)	(2,884)	(17,704)
Financial assets that have been derecognised	2,012	2,096	11,196	15,304
Write-offs	358	241	4,715	5,314
Foreign exchange and other movements	(213)	(370)	(963)	(1,546)
Balance at 31 December 2023	**(14,012)**	**(16,164)**	**(26,738)**	**(56,914)**

Note 10: Finance receivables (continued)

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.

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.

Note 11: Reserves

	30 June 2024 K'000	31 December 2023 K'000
(a) Asset revaluation reserve		
Balance at 1 January	19,771	19,771
Closing balance	**19,771**	**19,771**
(b) Asset realisation reserve		
Balance at 1 January	149	149
Closing balance	**149**	**149**
(c) Exchange fluctuation reserve		
Balance at 1 January	5,063	1,603
Translation adjustment	(1,775)	3,460
Closing balance	**3,288**	**5,063**
(d) General reserve		
Balance at 1 January	469,889	423,546
Transfer from retained earnings	120,407	46,343
Closing balance	**590,296**	**469,889**
Total Reserves	**613,504**	**494,872**

(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.

(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.

Note 12: Earnings per share

For continuing and discontinued operations

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

Earnings per share	30 June 2024	30 June 2023
Earnings per share for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the parent) - continuing operations **(toea)**	0.58	0.24
Earnings per share for the purposes of basic and diluted earnings per share (profit (loss) for the period attributable to owners of the parent) - discontinued operation **(toea)**	0.02	0.00

Number of shares	30 June 2024 '000	30 June 2023 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	307,931	307,931
Weighted average number of ordinary shares for the purposes of diluted earnings per share	307,931	307,931

From continuing operations	30 June 2024	30 June 2023
Earnings figures are calculated as follows:	K'000	K'000
Net profit for the period attributable to owners of the parent	183,564	74,262
Earnings for the purposes of basic and diluted earnings per share from continuing operations	177,229	73,808
From discontinued operation		
Earnings figures are calculated as follows:		
Net profit for the period attributable to owners of the parent	6,335	454
Earnings for the purposes of basic and diluted earnings per share from discontinued operation	6,335	454

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.

Note 13: Dividends

During the half year, Credit Corporation (PNG) Limited declared a final dividend for the year ended 31 December 2023 of K40.3 million or 13.1 toea per share on 15 March 2024. This was paid on 19 April 2024.

Note 14: Property and equipment

Consolidated	Building, capital WIP & ROUA K'000	Furniture & fittings K'000	Motor vehicles K'000	Office equipment K'000	Project WIP K'000	Total K'000
Cost						
At 1 January 2023	21,053	12,219	7,582	17,654	-	58,508
Additions	1,884	1,425	1,882	1,175	12,431	18,797
Disposals/transfers	21,207	936	(603)	(707)	-	20,833
IFRS 16 Right of Use Asset	784	-	-	-	-	784
Effect of changes in foreign exchange rates	979	48	175	180	-	1,382
At 31 December 2023	45,907	14,628	9,036	18,302	12,431	100,304
At 1 January 2024	45,907	14,628	9,036	18,302	12,431	100,304
Additions	18,336	575	1,413	1,721	8,335	30,380
Disposals/transfers	-	(3,998)	564	(120)	-	(3,554)
IFRS 16 Right of Use Asset	-	-	-	-	-	-
Effect of changes in foreign exchange rates	237	24	50	41	-	352
At 30 June 2024	64,480	11,229	11,063	19,944	20,766	127,482
Depreciation						
At 1 January 2023	6,345	8,161	4,313	10,537	-	29,356
Charge for the period	257	1,378	1,310	2,066	-	5,011
IFRS 16 Depreciation - ROU	739	-	-	-	-	739
Disposals/transfers	557	52	(442)	(46)	-	121
Effect of changes in foreign exchange rates	251	37	98	144	-	530
At 31 December 2023	8,149	9,628	5,279	12,701	-	35,757
Depreciation						
At 1 January 2024	8,149	9,628	5,279	12,701	-	35,757
Charge for the period	242	761	687	975	-	2,665
IFRS 16 Depreciation - ROU	353	-	-	-	-	353
Disposals/transfers	21,285	(3,992)	563	-	-	17,856
Effect of changes in foreign exchange rates	75	17	29	31	-	152
At 30 June 2024	30,104	6,414	6,558	13,707	-	56,783
Carrying amounts						
At 1 January 2023	14,708	4,058	3,269	7,117	-	29,152
At 31 December 2023	37,758	5,000	3,757	5,601	12,431	64,547
Net transferred as asset-held-for-sale	(55)	(55)	(325)	(153)	-	(588)
At 30 June 2024	34,321	4,760	4,180	6,084	20,766	70,111

Note 15: Investment property

	30 June 2024 K'000	31 December 2023 K'000
Balance as at 1 January	225,846	250,500
Reclassification to Property, plant and equipment (owner-occupied)	-	(21,207)
Reclassification from Property, plant and equipment (owner-occupied)	2,755	-
Disposal of investment property	-	(4,500)
Acquisitions	460	1,053
Closing balance	**229,061**	**225,846**

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

Investment property	Valuation basis	Valuer	Valuation date	30 June 2024 K'000	31 December 2023 K'000
Credit Corporation Properties Limited	Direct capitalisation	Directors' valuation	30 June 2024	229,061	225,846
				229,061	225,846

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

The Group has used the direct capitalisation approach to ensure consistency with the fair valuation model used by external valuations available as at the 2024 half-year end.

Fair value hierarchy:

The fair value measurement for investment properties of K229.1 million have been categorised at level 3 fair value, as the input to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates and market rental rates. Significant key unobservable inputs used include the risk adjusted market capitalisation rates of between 10.00% and 10.50% (2023: 10.00% to 10.50%). Accordingly, an increase in market lease rental rates and/or increase capitalisation rate would decrease the fair value of properties. A sensitivity analysis is in Note 4.

Key judgments and estimate

Judgment is required in determining the following key assumptions:

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

Land rate (per sqm): The land rate is the market land value per sqm.

Note 16: Asset held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.
An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

As of 30 June 2024, the proposed transaction to dispose of Credit Corporation Vanuatu Limited (CCVL) subsidiary is classified as held for sale in accordance with the applicable IFRS. The sale is aligned with the Group’s strategic intent of divesting its non-core assets to support the transition into banking. The subsidiary has been actively marketed and prospective buyer has already been identified. There is a signed share sale agreement in place stating the agreed price, timing of transaction and other significant matters. The transaction is anticipated to be recognized as a completed sale once both parties fulfil all the conditions outlined in the agreement. These conditions include key prerequisites such as the Reserve Bank of Vanuatu's approval of the share sale, consent from the directors and officers, and authorization of special dividends. The sale is expected to be completed in 2025.

In addition, CCVL is part of general finance, leasing and hire purchase segment and considered to be a separate major geographical area.

An impairment test was conducted prior to the reclassification as a disposal group. The expected proceeds are in line with the fair value less costs to sell. Fair value less cost to sell was higher than the carrying value and thus no impairment was recognised.

Note 16: Asset held for sale (continued)

a) Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2024:

	30-Jun-24 K'000	31-Dec-23 K'000
Assets classified as held for sale		
Cash and cash equivalents	85	17,719
Finance receivables	27,670	16,878
Other receivables	130	160
Property, plant and equipment	874	590
Total assets of disposal group held for sale	**28,759**	**35,347**
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	(5,900)	(2,354)
Deposits and borrowings	(15,385)	(9,240)
Provision for Employee benefits	(448)	(538)
Total liabilities of disposal group held for sale	**(21,733)**	**(12,132)**
Net assets classified as held for sale	**7,026**	**23,215**

b) Financial performance relating to the discontinued operation for the period is set out below:

	30-Jun-24 K'000	30-Jun-23 K'000
Finance income	4,110	1,882
Finance cost	(51)	(79)
Net finance income	**4,059**	**1,803**
Other income	426	403
Net operating income	**4,485**	**2,206**
Impairment reversal/(charge) on finance receivables	3,759	(331)
Personnel expenses	(734)	(712)
Depreciation expenses	(108)	(188)
Other operating expenses	(1,067)	(521)
Results from operating activities	**6,335**	**454**
Profit before tax	**6,335**	**454**
Income tax expense	-	-
Profit for the period from discontinued operation	**6,335**	**454**
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Foreign currency translation differences for foreign operations	(205)	392
Total comprehensive income (loss) for the half year for discontinued operation	**6,130**	**846**

Note 16: Asset held for sale (continued)

(i) Restatement of comparative period figures

The 2023 comparative results have been restated to present the results of discontinued operations.

Consolidated

	30-Jun-23	Discontinued Operation	30 Jun 2023 (Restated)
	K'000	K'000	K'000
Finance income	33,810	1,882	31,928
Finance cost	(7,268)	(79)	(7,189)
Net finance income	**26,542**	**1,803**	**24,739**
Other income	72,189	403	71,786
Fair value gain on financial assets	15,349	-	15,349
Net operating income	**114,080**	**2,206**	**111,874**
Impairment reversal/(charge) on finance receivables	5,327	(331)	5,658
Personnel expenses	(14,592)	(712)	(13,880)
Depreciation expenses	(3,024)	(188)	(2,836)
Other operating expenses	(21,874)	(521)	(21,353)
Results from operating activities	**79,917**	**454**	**79,463**
Share of profit of equity accounted investee	4,455	-	4,455
Profit before tax	**84,372**	**454**	**83,918**
Income tax expense	(10,110)	-	(10,110)
Profit attributable to equity holders of the Company	**74,262**	**454**	**73,808**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences for foreign operations	(313)	392	(705)
Total comprehensive income for the half year attributable to equity holders of the Company	**73,949**	**846**	**73,103**

c) Cash flow information from discontinued operation

	30-Jun-24	30-Jun-23
	K'000	K'000
Cash flow from operating activities	(4,253)	(1,715)
Cash flow from investing activities	(362)	(147)
Cash flow from financing activities	6,145	(1,799)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents	(25)	27
Net increase (decrease) in cash and cash equivalents generated by discontinued operations	**1,505**	**(3,634)**

Note 16: Asset held for sale (continued)

(i) Restatement of comparative period figures
The 2023 comparative results have been restated to present the results of discontinued operations.
Consolidated

	30-Jun-23	Discontinued Operation	30 Jun 2023 (Restated)
	K'000	K'000	K'000
Cash flow from operating activities	(17,673)	(1,715)	(15,958)
Cash flow from investing activities	20,262	(147)	20,409
Cash flow from financing activities	(41,369)	(1,799)	(39,570)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents	(342)	27	(369)
Net decrease in cash and cash equivalents	**(39,122)**	**(3,634)**	**(35,488)**

Note 17: Financial assets designated at fair value through profit and loss

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

	31 December 2023	30 June 2024		
		Fair value gain/(loss)	Disposal	Fair value
Listed shares	Fair value K'000	K'000	K'000	K'000
Bank South Pacific	497,229	118,918	(68,500)	547,647
Airlines PNG Limited	-	-	-	-
City Pharmacy Limited	1,494	-	-	1,494
Kina Asset Management Ltd.	3,830	1,489	-	5,319
	502,553	**120,407**	**(68,500)**	**554,460**

Reconciliation of movement in quoted investments is as follows:

	30 Jun 2024	31 Dec 2023
	K'000	K'000
Balance at 1 January	502,553	456,210
Net gain on financial assets at FVTPL	120,407	46,343
Sale of BSP shares	(68,500)	-
Balance at 31 December	**554,460**	**502,553**

The increase in market value of K120.4 million (2023: increase of K46.3 million) resulting from the revaluation of listed shares investment is recorded in the profit and loss account.

Credit Corporation (PNG) Limited accounted for the BSP sale of shares at price on trade date on 28 June 2024.

Sensitivity analysis	Effect on profit or loss and equity	
	30 Jun 2024	31 Dec 2023
Increase of 10% in share prices (K'000)	55,446	50,255

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

Note 18: Investment in associate

	30 June 2024 K'000	31 December 2023 K'000
Equity-accounted investee	14,154	15,539

Credit Corporation (PNG) Limited has an associate that is material to the Group which is equity accounted. The Group owns 25% (31 December 2023: 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 having met classification criteria as outlined in IAS 28 "Investments in Associates and Joint Ventures". At 30 June 2024, the investment was valued at K14.2 million (31 December 2023: K15.5 million).

The Group has assessed the value of its investment in CIG based on the current results, financial position and current economic situation which had resulted in an increase to the value. During the 6-month period ended 30 June 2024, the Group recorded dividends receivable from the Capital Insurance Group amounting to K1.0m (31 December 2023: K1.0m).

Note 19: Deposits and borrowings

	30 June 2024 K'000	31 December 2023 K'000
Current		
Interest bearing deposits (a)	528,463	463,781
IFRS 16 lease liability (d)	1,225	1,290
Secured bank loans (b and c)	32,519	35,250
	562,207	**500,321**
Non-current		
Interest bearing deposits (a)	47,732	47,271
IFRS 16 lease liability (d)	1,980	2,488
	49,712	49,759
	611,919	**550,080**

(a) Interest bearing deposits

Interest bearing deposits are subject to fixed interest rates and payable on maturity. Non-current portion of K47.7 million (2023: K47.3 million) is repayable within 5 years (2023: 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 K27.6 million as at 30 June 2024 is scheduled to be repaid in monthly instalments of K478,661 (including interest) to February 2030. The loan granted to Era Dorina of K4.9 million as at 30 June 2024 is scheduled to be repaid in monthly instalments of K132,146 (2023: K132,146) to January 2028. Interest on these loans of K0.8m (2023: K2.1 million) is included in other operating expenses.

Note 19: Deposits and borrowings (continued)

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

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

(c) Bank facilities and security

Borrowings include:

(i) Credit Corporation (Fiji) Limited has a bank overdraft facility of K5.1 million (FJD$3m) (2023: K5.1 million (FJD$3m)) with Bank of South Pacific Limited. The facility is secured by a first registered fixed and charge over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital and first registered mortgage over CT 6618 being freehold property at Gorrie Street, Suva. As at 30 June 2024, this facility has not been used.

(ii) 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.

(iii) 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.

(iv) Credit Corporation Finance Limited has a bank overdraft facility with Westpac Bank PNG Limited of K10 million at 30 June 2024 (2023: K10 million). This facility is secured by a guarantee with (joint & several) by Credit Corporation Properties Limited (CCPL) and Credit Corporation (PNG) Limited. First registered Mortgage over Lots 2,4 and 8 Section 45, Granville, Port Moresby known as "Credit House".

(d) Lease liabilities

Maturity analysis (K'000):	30 Jun 2024	31 Dec 2023
Year 1	1,225	1,290
Year 2	858	1,088
Year 3	441	512
Year 4	425	403
Year 5	252	415
Onwards	4	70
	3,205	**3,778**

Note 20: Financial Instruments- Fair value versus carrying values

		Fair Values		Carrying amounts	
		30 June	31 December	30 June	31 December
Consolidated	Level of FV hierarchy	2024 K'000	2023 K'000	2024 K'000	2023 K'000
Interest bearing securities	1	21,303	52,099	21,303	52,099
Financial assets at fair value through profit or loss	1	554,460	502,553	554,460	502,553
Other equity investments	3	34	34	34	34
Finance receivables	2	527,493	492,674	527,493	492,674
Other receivables	2	39,971	11,108	39,971	11,108
Cash and cash equivalents	1	277,975	176,606	277,975	176,606
Trade and other payables	2	(10,695)	(13,963)	(10,695)	(13,963)
Secured bank loans	2	(32,519)	(35,250)	(32,519)	(35,250)
Interest bearing deposits	2	(576,195)	(511,052)	(576,195)	(511,052)
Lease liabilities	2	(3,205)	(3,778)	(3,205)	(3,778)
Total		**798,622**	**671,031**	**798,622**	**671,031**

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 material difference between fair value and carrying value of fixed rate instruments.

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 30 June 2024.

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).

Note 20: Financial Instruments- Fair value versus carrying values (continued)

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.

Note 21: Issued capital

	30 June 2024	31 Dec 2023
Issued ordinary share capital	**K'000**	**K'000**
307,931,332 shares in issue at 31 December	21,984	21,984
307,931,332 shares in issue at 30 June	**21,984**	**21,984**

Issued capital as at 30 June 2024 amounted to K22.0 million. There were no movements in the issued capital of the Group in the current interim reporting period.

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.

Note 22: Capital commitments

The Group expects a capital outlay of K29.4 million (2023: K29.3 million) for the acquisition of various property and equipment for its Property Division and for CCFL's capitalization of its core banking system. There are no contractual capital commitments as at 30 June 2024.

Note 23: Subsequent events

On 5 August 2024, the Bank of PNG has granted Credit Corporation Finance (PNG) Limited, a subsidiary of Credit Corporation (PNG) Limited, a full banking license upgrading its status from a financial institution to a commercial bank. Going forward from date of issuance of the banking license, Credit Corporation Finance (PNG) Limited will apply the new income tax rate of 45% from that date.

Credit Corporation (PNG) Limited has declared an interim dividend of K37.0 million or 12.0 toea per share on 13 September 2024. This will be paid on 24 October 2024.