



After a challenging year, Credit Corporation (PNG) Limited has emerged with creditable results. The challenges presented to the Company's business in 2003 were considerable. The depressed economic environment experienced since 1999 continued. Interest rates as reflected in 28 day Treasury Bills reached a year high peak of 19.69% easing to 16.15% at year end. The impact of lower interest rates will have a positive effect on the Group's future overall performance.



Sir Henry ToRobert, KBE

The Group's 2003 profit after tax was K25,579,248 a considerable increase on the 2002 profit of K7,812,056. It should be noted that this result included a profit of K18,474,768 in our investment with Bank South Pacific. The revaluation of this investment is now reflected through the profit and loss statement, as Bank South Pacific has listed on the Port Moresby Stock Exchange, as opposed to 2002 when the revaluation was routed through the revaluation reserve.

Shareholders funds have increased from K81,938,186 to K105,061,191 whilst net asset backing per share has increased from K1.68 to K2.10 per share, a massive premium (49.83%) over the first trade in the reorganised securities of K1.20 on 29 February 2004.

After reviewing the results, the directors have recommended that a final dividend of K3,011,181 (6 toea per share) be paid, a 20% increase on the 2002 dividend.

The property investment portfolio in Port Moresby has performed reasonably well. Credit House remained fully tenanted and is considered the premium and best maintained commercial building in Papua New Guinea. The executive residential apartments are now fully tenanted after experiencing a softening of the residential market during 2003. The weak kina and

the high interest rates that continued throughout 2003 have again impacted on the property results.

As mentioned in my previous report, Bank South Pacific is strategically one of our major long-term investments. The Bank recorded before tax profit of K61,066,000 for the year ending 31 December 2003. Bank South Pacific should contribute greatly to our profitability in future years with a stable board and appropriate senior management.

I am pleased to report that the Fiji operations again significantly increased profitability and earned a record profit before tax of Fiji \$2,704,228 (K5,063,149) for the year compared to Fiji \$1,054,203 (K1,973,793) in 2002.

The Fiji economy continued to strengthen in 2003 with economic growth projected at 5.00%. This provided the basis for the further strengthening and consolidation of our business and the excellent results achieved for the year. Emphasis was maintained on improving administrative procedures and operating systems and clearing old accounts.

Credit Corporation (PNG) Limited has a bright future. Whilst short-term results will be influenced by the depressed economy and economic climates, the Company's strategies are sound. Given reasonable business conditions we can expect to capitalise on the progress made in 2003 with increased underlying earnings for 2004.

I would like to take this opportunity to thank all our clients, shareholders, my fellow directors, management and staff of the Credit Corporation Group for their support throughout the year and wish them well for the new financial year.



SHAREHOLDERS

SHARE TRADES

Year	No.	Volume
1999	136	95,905
2000	58	154,247
2001	86	395,452
2002	117	269,341
2003	89	797,725

Activities

The principal activities of the Group remain those of providing General Finance, Chattel Mortgage and Leasing financing and property investment/management.

Results

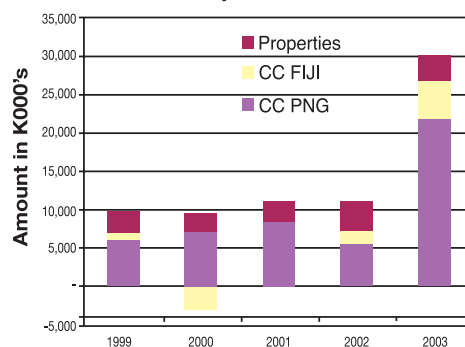
The net profit after taxation for the Group attributable to the members of the Group for the year was K25,579,248 (2002: K7,812,056) and for the Company was K 21,059,779 (2002: K6,561,324).

Your directors present the Group's consolidated financial statements for the year ended 31 December 2003.

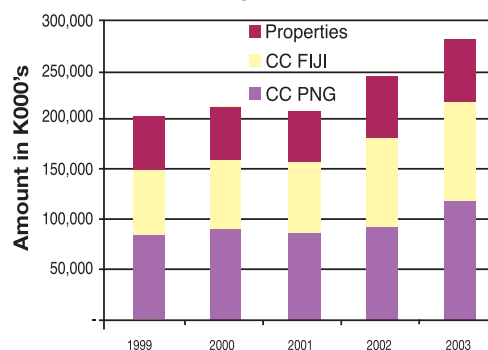
TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2003

	Number	%
Teachers Savings & Loan Society Ltd	848,138	16.90
POSF Limited	750,000	14.94
National Superannuation Fund Limited	500,117	9.97
New Guinea Islands Produce Company Ltd	477,023	9.51
Evangelical Lutheran Church of PNG Superannuation Fund	338,015	6.64
Demakuri Ltd	299,883	5.97
Motor Vehicles Insurance Ltd	285,000	5.68
Federation of Savings and Loan Societies Ltd	270,000	5.38
K.B. Management Ltd	121,244	2.42
Credit Corporation (PNG) Limited Staff Benefit Fund	120,655	2.43
Kurada Pty Ltd	50,487	1.00
Kina Nominees Limited	50,264	1.00
Defence Force Retirement Benefit Fund	43,000	0.85
Kina Funds Management Limited	40,000	0.80
Lady Elizabeth Kiki	38,685	0.77
Lapwing Ltd	35,650	0.71
Ballymore No 21 Limited	35,000	0.69
Capuchin Friars Minor	33,000	0.65
Daughters of our Lady of Sacred Heart	30,000	0.59
Vada No.3 Limited	30,000	0.59
Total	4,396,161	87.49

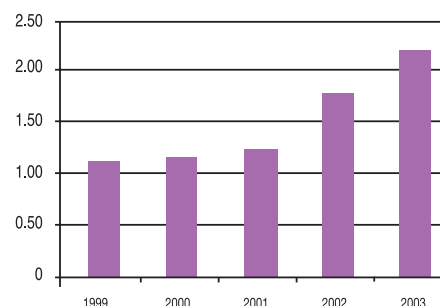
Group Total Profit



Group Total Assets



Net asset value per share (in kina)
Based on shares on issue at 15 March 2004



SHAREHOLDING BANDS AS AT 31 DECEMBER 2003

Shareholding	No. of shareholders	No. of Shares
1-1000	773	259,551
1001-5000	61	127,360
5001-10,000	15	93,778
10,001-100,000	21	527,871
101,000 and above	10	4,010,075
Total	880	5,018,635

DIRECTORS' REPORT



DIRECTORS' MEETINGS

There were four meetings of the Board of Directors during 2003 and these were attended as follows:

Sir Henry ToRobert, KBE	4/4	Jack Ainui	4/4
Noreo Beangke	4/4	Ces Iewago	0/1
Fr. Barry Hanson	4/4	Michael Koisen	2/4
Sinai Brown	3/4	Leon Buskens	3/3
Luke Polangou	4/4	Rod Mitchell	0/0

DIRECTORS' SHAREHOLDINGS - ordinary K1-00 shares

The Interests Register records directors' shareholdings as follows:

	1 Jan 2003	Movement	31 Dec 2003
Noreo Beangke and Jack Ainui, directors of the Company, are directors of New Guinea Islands Produce Company Limited that hold shares as follows:			
New Guinea Islands Produce Company Limited	477,023	-	477,023
Noreo Beangke, a director of the Company, is a director of Demakuri Limited that hold shares as follows:			
Demakuri Limited	383,783	(83,900)	299,883
Sinai Brown, a director of the Company, is a director of Nambawan Quarry Limited and BBL Consultancy Limited that holds shares as follows:			
Nambawan Quarry Limited	20,000	-	20,000
BBL Consultancy Limited	1,500	-	1,500
Luke Polangou and Michael Koisen, directors of the Company are directors of Federation of Saving and Loan Societies Limited that holds shares as follows:			
Federation of Saving and Loan Societies Limited	270,000	-	270,000
Leon Buskens, a director of the Company, is the acting Managing Director of POSF Limited that holds shares as follows:			
POSF Limited	750,000	-	750,000
Michael Koisen, a director of the Company, is the General Manager of Teachers Saving and Loan Society Limited that holds shares as follows:			
Teachers Saving and Loan Society Limited and	848,138	-	848,138
Rod Mitchell, a director of the Company, is the Chief Executive Officer of National Superannuation Fund Limited that holds shares as follows:			
National Superannuation Fund Limited	-	500,117	500,117

GROUP FIVE-YEAR SUMMARY

K'000	1999	2000	2001	2002	2003
Profit & Loss Account					
Turnover	35,313	38,761	38,814	38,740	41,880
Operating Profit before tax	9,832	6,852	11,068	11,116	30,076
Operating Profit after tax attributable to the Group	7,004	6,782	8,189	7,812	25,579
Dividends	3,011	4,516	4,015	-	-
Retained Earnings	20,092	22,358	26,532	22,693	27,164
Dividend per share	60t	90t	80t	50t*	6t**
Balance Sheet					
Shareholders' Funds	53,953	55,497	59,708	85,768	109,827
Net Receivables	109,821	99,865	92,977	117,996	118,671
Other Assets	91,486	111,779	116,097	124,567	161,337
Deposits	119,307	128,349	118,431	132,729	146,235
Other Liabilities	28,047	27,799	30,935	24,066	23,945

* Dividend declared after year end and therefore not reflected in the Profit and Loss account.

** Dividend on new shares declared after year end and therefore not reflected in the Profit and Loss account.

DIRECTORS' REPORT

Share capital

The directors resolved at the annual general meeting held on 26 June 2003 for a share split of ten shares for each existing share, which was subsequently approved by the Papua New Guinea Securities Commission. In March 2004, existing shares were split into ten new shares in uncertificated form and issued to shareholders.

Dividends

The directors have declared a dividend of 6 toea per new share (K3,011,019), equating to 60 toea per existing old share for the financial year ended 31 December 2003 at a meeting held on 11 March 2004 (2002: 50 toea per share amounting to K 2,509,318 which was paid on 31 July 2003).

Directors

The directors of the Company during the year are listed on page 3. No director was a shareholder of the Company at 31 December 2003 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

Directors' remuneration, including the value of benefits, received during the year, is as follows:

	2003 K	2002 K
Sir Henry ToRobert	32,207	29,088
Noreo Beangke	441,423	361,988
Fr. Barry Hanson	10,750	10,750
Sinai Brown	10,750	10,750
Luke Polangou	10,750	10,750
Jack Ainui <i>(Resigned 11 December 2003)</i>	10,750	10,750
Ces Iewago <i>(Resigned 12 March 2003)</i>	-	8,062
Michael Koisen	10,750	2,688
Leon Buskens <i>(Appointed 12 March 2003)</i>	8,062	-
Rod Mitchell <i>(Appointed 11 December 2003)</i>	-	-



Sir Henry ToRobert, KBE



Noreo Beangke



Fr. Barry Hanson



Sinai Brown



Luke Polangou



Michael Koisen



Leon Buskens



Rod Mitchell

In addition, Noreo Beangke as a full time employee of the Company also received the benefit of a fully provided vehicle, the value of which has not been quantified.

DIRECTORS' REPORT



The number of employees (not including directors) whose remuneration, including benefits, was within the specified bands is as follows;

	2003 K	2002 K
K 130,000 – K 139,999	-	1
K 140,000 – K 149,999	-	1
K 160,000 – K 169,999	-	1
K 180,000 – K 189,999	1	-
K 270,000 – K 279,999	-	1
K 310,000 – K319,999	1	-
K 320,000 – K329,999	1	-
K 330,000 – K 339,000	-	1
K 350,000 – K 359,000	1	-
K 490,000 – K 499,999	-	1
K 690,000 – K 699,999	-	1
K 700,000 – K709,999	1	-
K 846,000 – K849,999	1	-

In addition each of the above employees received the benefit of a fully provided vehicle, the value of which has not been quantified.

Donations

During the year the Company made donations to various charities totalling K22,250 (2002: K9,672).

Risk Management

The key risks facing the business are identified on a continuous ongoing basis and systems are established to monitor and manage these risks. In the opinion of the directors these risk management systems are operating effectively.

Disclosures in compliance with the Banks and Financial Institutions (Amendment) Regulations 1999.

In accordance with the requirements of the Banks and Financial Institutions (Amendment) Regulations 1999 the following information is disclosed in respect of Credit Corporation (PNG) Limited.

Capital Adequacy Ratio

	Consolidated 2003 K' 000's	Company 2002 K' 000's
Core Capital:	71,444	19,420
Supplementary Capital:	38,342	19,420
Deductions from Capital:	(50,669)	(17,044)
Capital Base:	59,117	21,796
Risk weighted assets:	196,108	103,916
Capital Adequacy Ratio:	36.4%	20.97%
Total Capital Ratio	30.1%	N/A
Leverage Capital Ratio	25.9%	N/A

The minimum Capital Adequacy Ratio set by the Bank of Papua New Guinea applicable as at 31 December 2003 is 12% (2002: 11%).

Statement of Compliance with Central Bank Guidelines

The directors confirm as required by the Banks and Financial Institutions (Amendment) Regulations 1999 that Credit Corporation (PNG) Limited is in compliance with the relevant Central Bank Guidelines.

For and on behalf of the Board of Directors

Director, 11 March 2004

Director, 11 March 2004



Head Office Staff



The Board is committed to achieving the highest standards of corporate governance and ethics and expects similar standards from all employees. The Board sets the strategic direction for the Company and meets quarterly or as required. All matters pertinent to the Company are discussed by the full Board, including, but not limited to, the operations and financial performance of the Company and achievement of objectives.

Board Composition

The Board consists of eight members, of whom one is a full time executive and the remainder non-executive directors. The members of the Board seek to ensure that it contains a blend of experience and skills appropriate to the Company.

Directors retire by rotation each three years and are eligible for re-election.

Committees

The Board meets as a committee to consider issues pertaining to the appointment of new directors.

A committee of the non-executive directors determines the Managing Director's remuneration and assesses the performance of the Company at least once a year.

An audit committee of three non-executive directors meets half yearly in order to confirm that any matters raised by the Company's external auditors are addressed and to confirm that the Company's financial affairs are conducted in accordance with prudent commercial practice, the requirements of the Company Procedures Manual and the prudential guidelines issued by the Bank of Papua New Guinea.

Independent Advice

Directors are entitled to seek independent legal advice on their duties at the Company's expense, provided that they seek the prior approval of the Chairman.

Risk Management

The Board is committed to identifying significant business risks and has put in place a number of measures to manage such risks.

Shareholder Information

The Board communicates with shareholders at least once a year by means of a comprehensive annual report. In addition, the Board provides shareholders with continuous disclosure of information considered to be price sensitive to the Company's shares. At all times the Board ensures that statutory requirements regarding disclosure are met.

Staff Matters

The Company is an equal opportunity employer and does not knowingly tolerate sexual harassment amongst employees.

Procedures

The Company has in place Staff and Procedures Manuals, which set out duties for each staff member and systems for all procedures.

All routine legal documents are standard and used in all cases.

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT CORPORATION (PNG) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2003

Scope

We have audited the consolidated financial statements of Credit Corporation (PNG) Limited ("Company") and subsidiary companies ("Group") for the year ended 31 December 2003, consisting of the balance sheets, profit and loss accounts, statements of total recognised gains and losses, cash flow statements and accompanying notes as set out on pages 8 to 30. The financial statements comprise the accounts of the Company and the consolidated accounts of the Group.

Respective responsibilities of the directors and auditors

The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. Our responsibility is to perform an audit of these financial statements in order to express an opinion to the shareholders of the Company.

Basis of opinion

Our audit has been planned and performed in accordance with International Auditing Standards as promulgated by the International Federation of Accountants to provide a reasonable level of assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are consistent with generally accepted accounting practice, which includes International Accounting Standards as promulgated by the International Accounting Standards Committee and Statements of Accounting Standards issued by the Certified Practising Accountants of Papua New Guinea, and statutory requirements so as to present a view of the Company which is consistent with our understanding of its operations. We believe that our audit provides a reasonable basis for our opinion.

Our firm carries out other assignments on behalf of the Group in the areas of taxation and consulting advice.

Audit opinion

We have obtained all the information and explanations we required for the purposes of our audit.

- (a) the consolidated financial statements of Credit Corporation (PNG) Limited
 - i) comply with generally accepted accounting practice; and
 - ii) give a true and fair view of the financial position of the Group and the Company as at 31 December 2003 and the results of their operations and cash flows for the year ended on that date; and
- (b) proper accounting records have been kept by Credit Corporation (PNG) Limited as far as appears from our examination of those records.

DATED at Port Moresby this 12th day of March 2004.

KPMG

Chartered Accountants

Robert Southwell

Partner

Registered under the Accountants Act 1996

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNTS

	Note	Consolidated		Company	
		2003 K	2002 K	2003 K	2002 K
Financing income		25,208,313	22,692,170	11,485,433	11,354,689
Interest expense		(12,545,390)	(8,843,329)	(8,563,718)	(5,137,524)
Other costs of financing		(3,148,089)	(3,928,591)	(367,515)	(806,846)
Net financing income		9,514,834	9,920,250	2,554,565	5,410,319
Property income		7,002,133	7,436,371	115,806	13,483
Other operating income		7,600,140	6,424,637	2,867,657	1,458,092
Change in fair value of quoted investments		18,474,768	-	18,474,768	-
Dividend income		2,070,960	1,873,444	2,070,960	3,873,444
		44,662,835	25,654,702	26,083,755	10,755,338
Staff costs		(4,942,772)	(4,138,720)	(2,635,113)	(2,228,245)
Depreciation expense		(800,742)	(707,152)	(183,176)	(194,504)
Other operating expenses		(7,296,371)	(7,792,680)	(1,503,965)	(1,148,783)
Other financing costs		(1,759,806)	(2,213,721)	-	-
Profit from operating activities before taxation	2	29,863,144	10,802,429	21,761,501	7,183,806
Income from associates	8(c)	213,647	313,610	213,647	313,610
Profit before taxation		30,076,791	11,116,039	21,975,148	7,497,416
Income tax expense	4	(3,464,109)	(2,904,811)	(915,369)	(936,092)
Profit from ordinary activities after tax		26,612,682	8,211,228	21,059,779	6,561,324
Minority interests		(1,033,434)	(399,172)	-	-
Profit for the year attributable to the members of Credit Corporation (PNG) Limited		25,579,248	7,812,056	21,059,779	6,561,324
Earnings per share					
Profits attributable to the members of the Company		25,579,248	7,812,056	21,059,779	6,561,324
Number of shares on issue as at 31 December 2003		5,018,635	5,018,635	5,018,635	5,018,635
Basic and diluted earnings per share		5.10	1.56	4.20	1.31

The profit and loss accounts are to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 12 to 30.

FINANCIAL STATEMENTS



STATEMENTS OF CHANGES IN EQUITY

Particulars	Share Capital K	Reserves K	Retained Earnings K	Minority Interest K	Total K
Consolidated					
Balance as at 1 January 2002	3,560,456	26,668,990	26,532,022	2,947,124	59,708,592
Profit for the year	-	-	7,812,056	399,172	8,211,228
Exchange variation	-	(1,268,805)	-	483,128	(785,677)
Transfer to / from reserves	-	11,650,957	(11,650,957)	-	-
Revaluation	-	18,633,467	-	-	18,633,467
Balance as at 31 December 2002	3,560,456	55,684,609	22,693,121	3,829,424	85,767,610
Balance as at 1 January 2003	3,560,456	55,684,609	22,693,121	3,829,424	85,767,610
Profit for the year	-	-	25,579,248	1,033,433	26,612,681
Transfer to / from reserves	-	18,598,672	(18,598,762)	-	-
Dividend paid	-	-	(2,509,318)	-	(2,509,318)
Revaluation	-	-	-	-	-
Exchange variation	-	53,075	-	(96,073)	(42,998)
Balance as at 31 December 2003	3,560,456	74,336,356	27,164,289	4,766,784	109,827,975
Company					
Balance as at 1 January 2002	3,560,456	32,026,300	21,850,105	-	57,436,861
Profit for the year	-	-	6,561,324	-	6,561,324
Revaluation	-	18,996,041	-	-	18,996,041
Transfer to reserve	-	11,650,957	(11,650,957)	-	-
Balance as at 31 December 2002	3,560,456	62,673,298	16,760,472	-	82,994,226
Balance as at 1 January 2003	3,560,456	62,673,298	16,760,472	-	82,994,226
Profit for the year	-	-	21,059,779	-	21,059,779
Revaluation	-	3,516,504	-	-	3,516,504
Dividends paid	-	-	(2,509,318)	-	(2,509,318)
Transfer to / from reserves	-	18,474,768	(18,474,768)	-	-
Balance as at 31 December 2003	3,560,456	84,664,570	16,836,165	-	105,061,191

The statements of of changes in equity are to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 12 to 30.

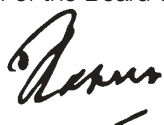
FINANCIAL STATEMENTS

BALANCE SHEETS

	Note	Consolidated		Company	
		2003 K	2002 K	2003 K	2002 K
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,461,618	10,177,529	542,848	716,484
Receivables	6	63,978,296	55,520,044	20,864,936	22,005,242
Investments	8	123,205,140	103,361,991	109,443,472	86,886,133
Deferred tax assets	9	4,335,539	3,745,024	1,055,525	962,603
		196,980,593	172,804,588	131,906,781	110,570,462
Current assets					
Receivables	6	54,693,095	62,475,472	25,441,980	27,725,824
Other debtors	7	3,050,923	2,308,000	6,633,640	7,878,515
Investments	8	13,674,704	1,186,709	13,294,800	-
Cash and cash equivalents	18	11,608,735	3,788,127	3,306,096	1,564,987
		83,027,457	69,758,308	48,676,516	37,169,326
Total assets		280,008,050	242,562,896	180,583,297	147,739,788
LIABILITIES					
Non-current liabilities					
Deposits	10	16,568,264	16,204,837	1,123,564	1,041,595
Interest bearing loans	11	14,334,274	15,353,949	-	-
Deferred tax liabilities	9	4,246,242	3,574,587	1,287,920	825,491
		35,148,780	35,133,373	2,411,484	1,867,086
Current liabilities					
Bank overdraft	18	557,787	128,598	-	-
Deposits	10	129,666,497	116,523,741	70,291,127	60,308,601
Interest bearing loans	11	-	980,802	-	-
Other creditors	12	3,433,271	2,463,847	2,606,708	1,763,861
Taxes payable		760,306	971,150	(36,455)	622,235
Provisions	13	613,434	593,775	249,242	183,779
		135,031,295	121,661,913	73,110,622	62,878,476
Total liabilities		170,180,075	156,795,286	75,522,106	64,745,562
Net assets		109,827,975	85,767,610	105,061,191	82,994,226
SHAREHOLDERS' EQUITY					
Issued capital	14	3,560,456	3,560,456	3,560,456	3,560,456
Reserves	15	74,336,356	55,684,609	84,664,570	62,673,298
Retained earnings		27,164,289	22,693,121	16,836,165	16,760,472
Shareholders' equity attributable to members of the Company		105,061,191	81,938,186	105,061,191	82,994,226
Minority interests		4,766,784	3,829,424	-	-
Total shareholders' equity		109,827,975	85,767,610	105,061,191	82,994,226

For and on behalf of the Board of Directors

Director
11 March 2004



Director
11 March 2004



The balance sheets are to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 12 to 30.



CASH FLOW STATEMENTS

	Note	Consolidated		Company	
		2003 K	2002 K	2003 K	2002 K
OPERATING ACTIVITIES					
Charges earned on leases & loans		25,275,011	22,796,911	11,485,433	11,354,689
Commission, fees and rents		11,791,087	14,158,159	639,772	578,457
Interest from funds deposited		2,857,140	1,435,881	2,343,691	893,118
Interest payments		(11,693,275)	(10,516,693)	(8,563,718)	(5,228,789)
Payments to suppliers and employees		(14,720,353)	(15,836,301)	(3,764,881)	(3,608,740)
Operating profit before changes in operating assets		13,509,610	12,037,957	2,140,297	3,988,735
Net cash (advanced) / received in respect of leases		(7,376,386)	(29,606,369)	2,311,246	(6,524,490)
Net cash received in respect of deposits		14,181,694	14,370,035	10,064,495	(3,233,079)
Net cash received from subsidiaries		652,926	(72,357)	745,753	(616,821)
Net cash from operating activities before income tax		20,967,844	(3,270,734)	15,261,791	(6,385,655)
Income taxes paid		(2,446,128)	(1,783,027)	(1,112,912)	(521,086)
Cash flows from operating activities		18,521,716	(5,053,761)	14,148,879	(6,906,741)
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(470,530)	(2,108,042)	(9,541)	(131,599)
Proceeds from sale of property		4,053,156	-	-	-
Proceeds from sale of shares		-	-	-	-
Dividends received		1,826,160	1,654,614	3,826,160	3,654,614
Net cash flow from short term investments		(13,618,145)	12,513,350	(13,294,800)	12,900,164
Investment in subsidiaries		(625,000)	(3,315,000)	(625,000)	(3,315,000)
Cash flows from investing activities		(8,834,359)	8,744,922	(10,103,181)	13,108,179
FINANCING ACTIVITIES					
Proceeds from borrowing		755,696	-	-	-
Repayment of borrowings		(437,193)	(980,801)	-	-
Dividends paid		(2,304,590)	(3,992,970)	(2,304,590)	(3,992,970)
Cash flows from financing activities		(1,986,087)	(4,973,771)	(2,304,590)	(3,992,970)
Effect of exchange rate changes on cash and cash equivalents		(309,847)	1,558,088	-	-
Net increase/(decrease) in cash and cash equivalents		7,391,423	275,478	1,741,108	2,208,468
Cash and cash equivalents at 1 January	18	3,659,529	3,384,051	1,564,987	(643,481)
Cash and cash equivalents at 31 December 18		11,050,948	3,659,529	3,306,096	1,564,987

The cash flow statements are to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 12 to 30.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of Credit Corporation (PNG) Limited ("the Company") and its subsidiaries (together with the Company referred to as "the Group") have been prepared in accordance with the accounting standards as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997. The ASB has adopted International Accounting Standards ("IAS") and Interpretations issued by the Standing Interpretations Committee as the applicable reporting framework. The Board of Directors of the Company has approved the financial statements at a meeting held on 11 March 2004.

(b) Basis of preparation

The financial statements have been prepared primarily on the historical cost basis and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The accounting policies have been consistently applied by the entities in the Group and they are consistent with those of the previous year.

(c) Basis of consolidation

The consolidated financial statements include the Company and subsidiaries. A listing of the Group's subsidiaries is set out in note 8 (b). Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

All inter-company balances and transactions, including unrealised inter-company profits, are eliminated. The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that control effectively ceases.

(d) Foreign currency

The reporting currency adopted in the preparation of the financial statements is the Papua New Guinea currency, the Kina.

- (i) Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.
- (ii) Assets and liabilities of foreign subsidiaries are translated at the exchange rate at the balance sheet date, while items of income and expense are translated at rates approximating to the exchange rate at the date of transaction. Resulting exchange differences are recognised directly in equity, through an 'Exchange Fluctuation Reserve'. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Items of property (other than investment properties), plant and equipment are stated at original cost less accumulated depreciation and impairment losses. Construction cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of construction overheads.

Depreciation is provided on the cost of property, plant and equipment so as to write off the assets progressively over their estimated useful lives. Fixed assets are first depreciated in the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset.

The straight line method of depreciation is used and the rates of depreciation are:

- Buildings 2.5%
- Office equipment, fixtures and furniture 7.5% - 20%
- Motor vehicles 20%

(f) Investment properties

Land and buildings held for long-term investment purposes are classified as investment properties. Investment properties are revalued at periodical intervals and are included in the financial statements at cost or revalued amount. Any gain or loss arising from a change in value is recognised in the revaluation reserves.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(g) Impairment

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses representing the difference between the carrying value and estimated recoverable amount is recognised in the income statement.

(h) Investments

Investments in controlled entities are carried at revalued amounts in accordance with IAS 27. Revaluations are carried out annually based on the net asset value of each controlled entity. Dividends and distributions are brought to account in the profit and loss account of the Company when they are proposed by the controlled entities.

Investments in associated entities are equity accounted.

Investments in other entities are carried at fair value. Gains and losses in fair value are included in the net profit or loss for the period in which they arise.

Where there is the positive intent and ability to hold to maturity, the investments are stated at amortised cost.

(i) Receivables

Lease finance transactions are recorded using the 'finance method' and accordingly these are included within receivables in the balance sheet rather than as fixed assets less depreciation.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Unearned income

The gross income arising from the various forms of instalment credit transactions and other credit facilities is apportioned over the term of the contract in direct proportion to the amount of funds invested therein during the relevant accounting periods. The 'Rule of 78' method is used for this purpose.

(k) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortised and included in finance costs over the term of the loan.

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the profit and loss account.

(l) Provisions

Provision has been made for all debts considered doubtful as at 31 December 2003. The amount of the provision for doubtful debts is that which the directors consider is required in respect of both specific and general provisions. Bad debts incurred are written off in the period in which they are identified.

Other provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(m) Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

(n) Revenue recognition

Revenue consists of finance charges earned, rental and other income. Revenue earned from the provision of lease finance is recognised over the finance contract using the 'Rule of 78'. Rental income from investment properties is recognised in the profit and loss account on a straight-line basis over the term of the lease. Interest income is recognised on a receivable basis.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

Defined contribution plans

Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Long term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the entitlements earned to date based on current employee salaries.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(q) Components of impaired assets

In determining the components of impaired assets, the Company has adopted the following guidelines for classifying impaired assets which consist of the broad categories:

Non-accrual loans are loans or similar facilities for which it is probable that the Company will not be able to collect all amounts of principal and interest in accordance with the terms of the agreement.

Restructured loans are loans or similar facilities which are not non-accrual loans and for which: -

- (i) the original terms have been changed to grant the borrower a concession that would not otherwise have been available due to the borrower's difficulties in complying with the original terms; and
- (ii) the revised terms of the facility are not comparable with the new facilities with comparable risks.

Past due loans are loans or similar facilities which have not been operated within their key terms by the borrower and which are not non-accrual loans.

(r) Reclassification of Accounts

Prior year amounts have been reclassified to correspond to current year classifications where relevant.

2. OPERATING PROFIT

Operating profit for the year is stated after charging / (crediting) the following items;

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Auditors' remuneration				
- audit	68,806	64,213	29,000	29,000
- other services	176,073	201,567	133,788	143,505
Loss on sale of fixed assets	42,878	48,457	1,163	3,213
Provision for bad debts	2,719,028	3,119,867	300,000	300,000
Bad debts written off	107,086	562,780	107,086	537,227
Interest on term deposits, treasury bills and semi-government bonds	(2,866,707)	(1,435,882)	(2,343,691)	(893,118)
Profit on exchange variation	(14,839)	(37,971)	(14,839)	(37,971)
Profit on sale of fixed assets	(378,350)	(23,313)	-	(191)

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EMPLOYEES

The number of employees as at 31 December 2003 employed in the Group was 132 (2002: 125)

4. INCOME TAX EXPENSE / (BENEFIT)

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Current tax	3,291,209	1,826,236	454,073	919,041
Change in deferred taxes	119,484	1,009,416	407,880	(52,108)
	3,410,693	2,835,652	861,953	866,933
Share of tax expense of associates	53,416	69,159	53,416	69,159
	3,464,109	2,904,811	915,369	936,092

The Group's applicable tax rate represents the statutory corporate income tax rate of 30% (2002: 25%) which applies in the tax jurisdiction of Papua New Guinea and the income tax rate of 32% (2002: 32%) which applies in the tax jurisdiction of Fiji. The income tax rate for Fiji applicable in 2004 is 31%. Deferred tax assets and liabilities in respect of the Fiji subsidiary have been calculated using the rate of 31% and the resultant difference arising from the change in rate has been charged or credited to income tax expense.

The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense:

Accounting profit before tax	30,076,791	11,116,039	21,975,148	7,497,416
Computed tax using the applicable corporate income tax rate	9,124,784	2,779,010	6,592,544	1,874,354
Permanent differences				
Non-deductible costs	7,488	8,333	6,300	5,626
Non-taxable income	(6,213,939)	(468,362)	(6,174,395)	(968,362)
Effect of dividend withholding tax on foreign subsidiary profits	492,167	294,240	492,167	161,442
Effect of change in tax rate	90,723	281,221	-	(137,804)
	3,501,223	2,894,442	916,616	935,256
Under/(Over) provision in prior years	(37,114)	10,369	(1,247)	836
	3,464,109	2,904,811	915,369	936,092

FINANCIAL STATEMENTS



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

Company	Furniture & Fittings K	Motor Vehicles K	Office Equipment K	Total K
Cost				
At 1 January 2003	450,718	668,557	784,048	1,903,323
Additions	12,788	-	24,290	37,068
Disposals	-	(70,760)	-	(70,760)
At 31 December 2003	463,496	597,797	808,338	1,869,631
Depreciation				
At 1 January 2003	304,283	342,794	539,762	1,186,839
Charge for the year	21,609	113,765	47,802	183,176
Disposals	-	(43,232)	-	(43,232)
At 31 December 2003	325,892	413,327	587,564	1,326,783
Book value				
At 31 December 2003	173,604	184,470	220,774	542,848
At 1 January 2003	146,435	325,763	244,286	716,484

Consolidated	Buildings K	Furniture & Fittings K	Motor Vehicles K	Office Equipment K	Total K
Cost					
At 1 January 2003	6,649,326	3,574,405	1,791,110	1,365,514	13,380,355
Additions	33,678	281,908	195,437	164,012	675,035
Disposals	(4,233,156)	(107,384)	(288,257)	(48,331)	(4,677,128)
Effect of exchange variances	(278,399)	(22,145)	(23,501)	(10,524)	(334,569)
At 31 December 2003	2,171,449	3,726,784	1,674,789	1,470,671	9,043,693
Depreciation					
At 1 January 2003	122,172	1,512,418	732,252	835,983	3,202,825
Charge for the year	13,928	302,356	342,118	142,340	800,742
Disposals	(130,258)	(69,107)	(151,505)	(45,989)	(396,859)
Effect of exchange variances	(5,842)	(5,662)	(7,232)	(5,897)	(24,633)
At 31 December 2003	-	1,740,005	915,633	926,437	3,582,075
Book value					
At 31 December 2003	2,171,449	1,986,779	759,156	544,234	5,461,618
At 1 January 2003	6,527,154	2,061,986	1,058,858	529,531	10,177,529

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. RECEIVABLES

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Non-Current				
Trade debtors	74,598,111	65,743,841	22,569,947	23,761,405
Unearned charges	(10,619,815)	(10,223,797)	(2,478,380)	(2,484,444)
	63,978,296	55,520,044	20,091,567	21,276,961
Receivable from subsidiaries	-	-	774,332	746,329
Unearned charges	-	-	(963)	(18,048)
	-	-	773,369	728,281
	63,978,296	55,520,044	20,864,936	22,005,242
Current				
Trade debtors	88,863,264	92,671,698	33,118,275	37,791,652
Unearned charges	(22,040,727)	(16,114,117)	(7,414,853)	(7,207,849)
Provision for doubtful debts	(12,129,442)	(14,082,109)	(3,269,173)	(3,024,896)
	54,693,095	62,475,472	22,434,249	27,558,907
Receivable from subsidiaries	-	-	3,012,080	192,744
Unearned charges	-	-	(4,349)	(25,827)
	-	-	3,007,731	166,917
	54,693,095	62,475,472	25,441,980	27,725,824
Analysis of Provisions				
Specific provisions (a)	7,684,553	10,910,277	779,945	1,009,806
General provisions (b)	4,444,889	3,171,832	2,489,228	2,015,090
	12,129,442	14,082,109	3,269,173	3,024,896
(a) Specific Provisions				
Opening balance	10,910,277	9,747,792	1,009,806	733,376
Net increase in provisions	1,620,109	4,130,212	-	-
Transfer from / (to) general provisions	(229,861)	276,430	(229,861)	276,430
Charge against provisions	(4,615,972)	(3,244,157)	-	-
Closing balance	7,684,553	10,910,277	779,945	1,009,806
(b) General Provisions				
Opening balance	3,171,832	2,713,692	2,015,090	1,991,520
Increase in provisions	1,098,919	734,570	300,000	300,000
Transfer from / (to) specific provisions	229,861	(276,430)	229,861	(276,430)
Charge against provisions	(55,723)	-	(55,723)	-
Closing balance	4,444,889	3,171,832	2,489,228	2,015,090



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. RECEIVABLES (continued)

Impaired assets

Impaired assets consist of non-accrual Chattel Mortgage and Lease loans. The Company's policy is to place loans on non-accrual status for potential repossession of collateral.

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Non-accrual receivables without specific provision for impairment	14,758,654	7,830,746	5,879,233	-
Non-accrual receivables with specific provision for impairment	8,734,726	16,847,818	2,376,353	4,368,635
Restructured receivables and the amount provided for impairment	1,225,007	3,419,626	-	-
Past due receivables and the amount provided for impairment	7,841,020	4,161,436	-	-

Analysis of receivables by industry for Company only

	2003		2002	
	%	K'000	%	K'000
Agriculture	3.53%	1,754	3.58%	1,887
Mining	0.50%	246	0.31%	165
Manufacturing	0.43%	214	0.82%	435
Forestry and saw-milling	2.28%	1,133	2.69%	1,419
Civil contracting	25.53%	12,670	31.20%	16,460
Building and construction	10.25%	5,087	9.19%	4,848
Real estate	0.28%	141	0.22%	118
Wholesale / Retail	2.37%	1,178	2.19%	1,156
Transport and storage	4.74%	2,350	6.38%	3,363
Public utilities	0.72%	357	1.10%	581
Professional and business services	20.56%	10,205	14.16%	7,469
Private and self-employed	7.28%	3,613	10.07%	5,315
Other	21.53%	10,677	18.09%	9,543
	100.00%	49,625	100.00%	52,759

Reserve Bank of Fiji - Policy Statement 2 (Large Credit Exposures)

Under this RBF guideline, the credit exposure to an individual counter party should not exceed 25% of total capital. As at 31 December 2003, the exposure of Credit Corporation (Fiji) Limited to one customer exceeded this limit. The management and directors of the Credit Corporation (Fiji) Limited are undertaking measures to resolve this matter.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. OTHER DEBTORS

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Other debtors and prepayments	2,843,680	2,033,337	2,033,640	159,470
Dividends due from subsidiary companies	-	-	4,600,000	6,600,000
Stock of materials	207,243	274,663	-	-
Receivable from subsidiaries	-	-	-	1,119,045
	3,050,923	2,308,000	6,633,640	7,878,515

8. INVESTMENTS

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Non-Current				
Investment Property (a) - valuation	59,978,941	60,345,000	1,825,000	2,100,000
Subsidiaries (b) & (g)	-	-	52,548,732	48,795,449
Associates (c)	4,400,474	4,421,183	4,400,474	4,421,183
Shares in other companies (h)	50,669,266	31,673,339	50,669,266	31,569,501
Semi-government securities (d)	8,156,459	6,922,469	-	-
	123,205,140	103,361,991	109,443,472	86,886,133
Current				
Semi-government securities (d)	-	395,570	-	-
Government securities (d)	379,904	791,139	-	-
Term deposits (e)	-	-	-	-
Treasury bills (f)	13,294,800	-	13,294,800	-
	13,674,704	1,186,709	13,294,800	-

(a) Investment properties are land and buildings held for long-term investments.

An independent valuation on investment properties in Papua New Guinea was performed in November 2002 by Thomas Lokoloko, MPNGIV & LA, Registered Valuer No.115, on the basis of open market value. This valuation and current market conditions were considered by the directors in arriving at their valuation.

(b) Subsidiary Companies

	Country	Ownership	2003	2002
Credit Corporation Properties Limited	PNG	100%	2,117,217	2,558,626
Credit House Limited	PNG	100%	19,971,001	17,994,008
Era Dorina Limited	PNG	100%	15,751,227	15,491,736
Credit Corporation (Fiji) Limited	Fiji	69%	10,829,237	8,520,462
Credit Corporation (Fiji) Limited - Subordinated Loan (g)			4,058,824	4,230,617
			52,548,732	48,795,449

FINANCIAL STATEMENTS



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. INVESTMENTS (continued)

(c) Associate Company	Country	Ownership	2003 K	2002 K
New Guinea Islands Produce Limited	PNG	28.94%	4,400,474	4,421,183
			<u>4,400,474</u>	<u>4,421,183</u>
Investment in Associate Company				
New Guinea Islands Produce Limited				
Opening balance			4,421,183	4,375,762
Income from associates			213,647	313,610
Share of tax expense			(53,416)	(69,159)
Less: Dividends received			(180,940)	(199,030)
			<u>4,400,474</u>	<u>4,421,183</u>
Closing balance				
			<u>4,400,474</u>	<u>4,421,183</u>
Total investment in Associate				
Income from Associate				
New Guinea Islands Produce Limited				
Share of net profit before tax			286,113	414,629
Share increase/ (decrease) in reserves other than transfers			(72,446)	(101,019)
Income from associate			<u>213,647</u>	<u>313,610</u>
Total income from Associate				
			<u>213,647</u>	<u>313,610</u>

(d) The government and semi-government securities consist of stocks and bonds of Fiji semi-government institutions held by Credit Corporation (Fiji) Limited which earn interest rates of between 4.20% and 8.45% per annum. Interest is credited every six months and paid on maturity.

(e) Term deposits consist of amounts placed with banks and other financial institutions for certain periods of time in respect of which interest is earned.

(f) Treasury bills consist of Treasury Bills issued by the Bank of Papua New Guinea. These are accounted for at cost less amortisation.

	2003 K	2002 K
Face value	14,000,000	-
Less: Unamortised interest	(705,200)	-
	<u>13,294,800</u>	<u>-</u>

(g) Subordinated loan of Fiji \$2.139 million lent to Credit Corporation (Fiji) Limited. The loan is unsecured, accrues interest at the rate of 9% per annum and is repayable within five years from the date of issue, subject to the Reserve Bank of Fiji approval.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. INVESTMENTS (continued)

- (h) Credit Corporation (PNG) Limited owns 11.62% of the issued shares in Bank South Pacific (BSP) which was listed on the Port Moresby Stock Exchange in the second half of 2003. At 31 December 2003, the BSP investment was valued at market value amounting to K50,669,266. The change of K18,474,768 resulting from the revaluation of the BSP investment is credited to profit and loss account.

9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities are attributable to the items below:

Company	2003			2002		
	Asset K	Liability K	Net K	Asset K	Liability K	Net K
Investment property, plant and equipment	-	(126,459)	(126,459)	-	(119,658)	(119,658)
Investments in subsidiaries	-	(917,554)	(917,554)	-	(425,487)	(425,487)
Provisions	1,055,525	-	1,055,525	962,603	-	962,603
Prepayments	-	(17,958)	(17,958)	-	(16,024)	(16,024)
Other items	-	(225,949)	(225,949)	-	(264,322)	(264,322)
Net deferred tax assets / (liabilities)	1,055,525	(1,287,920)	(232,395)	962,603	(825,491)	137,112
Consolidated						
Investment property, plant and equipment	-	(3,027,596)	(3,027,596)	-	(2,812,474)	(2,812,474)
Provisions	3,940,766	-	3,940,766	3,573,309	-	3,573,309
Prepayments	-	(75,143)	(75,143)	-	(72,304)	(72,304)
Tax losses	394,773	-	394,773	171,715	-	171,715
Other items	-	(1,143,503)	(1,143,503)	-	(689,809)	(689,809)
Net deferred tax assets / (liabilities)	4,335,539	(4,246,242)	89,297	3,745,024	(3,574,587)	170,437

10. DEPOSITS

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Non-current	16,568,264	16,204,837	1,123,564	1,041,595
Current	129,666,497	116,523,741	70,291,127	60,308,601
Deposits mature as follows:				
Within one year	129,666,497	116,523,741	70,291,127	60,308,601
Between one and two years	16,539,896	16,170,204	1,095,196	1,006,962
Between two and five years	28,368	34,633	28,368	34,633
After more than five years	-	-	-	-
	146,234,761	132,728,578	71,414,691	61,350,196

Included in deposits are amounts received from subsidiaries repayable within one year of K366,560 (2002: K 253,086)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Non-current				
Unsecured subordinated loan	1,843,468	2,079,392	-	-
Secured bank loans	12,490,806	13,274,557	-	-
	<u>14,334,274</u>	<u>15,353,949</u>	<u>-</u>	<u>-</u>
Current				
Secured bank loan	-	980,802	-	-
Bank overdraft	557,787	128,598	-	-
	<u>557,787</u>	<u>1,109,400</u>	<u>-</u>	<u>-</u>
Bank Facilities and Security				

Secured loans include:

- A bank overdraft facility of Fiji\$ 2 million and an advance facility of Fiji\$ 3 million made by Australia and New Zealand Banking Group (Fiji) Limited to Credit Corporation (Fiji) Limited. Interest is charged at 5.75% per annum. The facilities are secured by a first registered mortgage debenture over all the assets and undertakings of Credit Corporation (Fiji) Limited including uncalled and unpaid capital.
- A facility advanced by Bank of South Pacific Limited, to Era Dorina Limited. Interest is charged at the bank's current Indicator Lending Rate (ILR) plus a margin of 0.5% per annum. During the year the ILR was between 12.25% per annum and 12.75% per annum. The facility is secured by a charge over the leasehold title to portion 2259, allotment 27, section 34 on which 57 town houses and apartments known as "Era Dorina", a second registered guarantee mortgage over Lot 2,3,4 and 8 Section 45, Granville, Port Moresby known as "Credit House", a registered mortgage over Era Dorina Limited, registered mortgage over Credit House Limited and an unlimited guarantee from Credit House Limited.
- A facility advanced by Bank of South Pacific Limited to Credit Corporation Properties Limited. Interest is charged at the bank's current ILR plus a margin of 0.5%. ILR during the year was between 12.25% per annum and 12.75% per annum. The facility is secured by a registered mortgage over Allotment 4 Section 215 and 6 Section 214, Kitogara Street, being leasehold land encompassing the eleven Kitogara apartments.
- A fully drawn facility of K3 million was provided by Australia and New Zealand Banking Group (PNG) Limited to Credit House Limited. Interest is charged at the bank's current ILR plus a margin of 0.5%. ILR during the year was between 14% per annum and 15% per annum. On 1 April 2003, this loan was fully settled and a new loan was granted by Credit Corporation (PNG) Limited to Credit House Limited. This facility is secured by an unregistered mortgage over Lots 2,3,4 and 8 Section 45, Granville, Port Moresby known as "Credit House".
- Credit Corporation (PNG) Limited has a bank overdraft facility with Australia and New Zealand Banking Group (PNG) Limited of K6 million at 31 December 2003. The interest rate on the facility is the bank's indicator lending rate minus 0.5%. These facilities are secured by a first registered mortgage over the fixed and floating assets of Credit Corporation (PNG) Limited and a first registered mortgage over Lots 2,3,4 and 8 Section 45, Granville, Port Moresby known as "Credit House".
- A subordinated loan received from shareholders of Credit Corporation (Fiji) Limited totalled Fiji\$3.1m including Fiji\$2.139m from Credit Corporation (PNG) Limited. The loan is unsecured, accrues interest at a rate of 9% per annum and is payable within five years from the date of issue, subject to Reserve Bank of Fiji approval.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. OTHER CREDITORS

	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
Amounts due to subsidiaries	-	-	1,000,000	1,000,000
Interest accrued on deposits	1,122,350	523,373	986,096	498,342
Other creditors and accruals	2,310,921	1,940,474	620,612	265,519
	<u>3,433,271</u>	<u>2,463,847</u>	<u>2,606,708</u>	<u>1,763,861</u>

13. PROVISIONS

Provision for dividend	-	-	-	-
Employee provisions	613,434	593,775	249,242	183,779
	<u>613,434</u>	<u>593,775</u>	<u>249,242</u>	<u>183,779</u>

A dividend of 6 toea per new share was declared on 11 March 2004, equating to 60 toea per old share. In accordance with International Accounting Standard (IAS), no provision has been made in the financial statements.

14. SHARE CAPITAL

	2003 K	2002 K
5,018,635 shares on issue at 1 January and 31 December	3,560,456	3,560,456

In accordance with the provisions of the Companies Act 1997 the share capital does not have a par value. 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.

Share Split

The directors resolved at the annual general meeting held on 26 June 2003 for a share split of ten shares for each existing share which was subsequently approved by the Papua New Guinea Securities Commission. In March 2004, existing shares were split into ten new shares in uncertificated form and issued to shareholders.

15. RESERVES

		Consolidated		Company	
		2003 K	2002 K	2003 K	2002 K
Asset revaluation reserve	(a)	34,048,753	54,939,327	46,028,508	62,524,004
Asset realisation reserve	(b)	273,189	149,294	149,294	149,294
Exchange fluctuation reserve	(c)	1,527,646	595,988	-	-
General reserve	(d)	38,486,768	-	38,486,768	-
		<u>74,336,356</u>	<u>55,684,609</u>	<u>84,664,570</u>	<u>62,673,298</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. RESERVES (continued)

Movements during the year	Consolidated		Company	
	2003 K	2002 K	2003 K	2002 K
(a) Asset revaluation reserve				
Balance at 1 January	54,939,327	24,654,902	62,524,004	31,877,006
Transferred from/ (to) other reserves	(20,890,574)	-	(20,012,000)	17,650,956
Revaluation increment	-	30,284,425	3,516,504	12,996,042
Balance at 31 December	34,048,753	54,939,327	46,028,508	62,524,004
(b) Asset realisation reserve				
Balance at 1 January	149,294	149,294	149,294	149,294
Transferred from retained earnings	123,895	-	-	-
Balance at 31 December	273,189	149,294	149,294	149,294
(c) Exchange fluctuation reserve				
Balance at 1 January	595,988	1,864,794	-	-
Translation adjustment	931,658	(1,268,806)	-	-
Balance at 31 December	1,527,646	595,988	-	-
(d) General reserve				
Balance at 1 January	-	-	-	-
Transferred from retained earnings	38,486,768	-	38,486,768	-
Balance at 31 December	38,486,768	-	38,486,768	-

Asset revaluation reserve

The asset revaluation reserve relates to the cumulative increase in the fair value of the investment properties and investments in subsidiaries.

Asset realisation reserve

The asset realisation reserve represents profits on sale of assets over the cost.

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.

General Reserve

General reserve represents amounts of profits on long-term investments transferred from Profit and Loss account.

16. EMPLOYEE POST EMPLOYMENT BENEFIT PLANS

The Company contributed to the Credit Corporation (PNG) Limited Staff Benefit Fund up to October 2003. This Fund was a defined contribution plan whereby employees contribute 5% of their salary to the fund and the Company contributes 10% of each member's salary. During 2003 the Company expensed K164,242 (2002: K138,578) in contributions payable.

Subsequent to October 2003, the Retirement Benefit Fund balances were transferred to other approved Superannuation Funds or were fully repaid.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS

Transactions with directors and executive officers

Noreo Beangke, a director of the Company, and Garth McIlwain, a director of Credit Corporation (Fiji) Limited, are directors of Demakuri Limited which holds 299,883 shares (2002: 383,783) in the Company.

Noreo Beangke, a director of the Company, and Garth McIlwain, a director of Credit Corporation (Fiji) Limited, sold their indirect interests in Niugini Nominees Limited during 2003 (2002: 610,000 shares in the Company).

Noreo Beangke, a director of the Company, is a director of New Guinea Islands Produce Company Limited, an associate, which holds 477,023 shares (2002: 477,023) in the Company.

Sinai Brown, a director of the Company, is a director of Nambawan Quarries Limited and BBL Consultancy Services Limited, which hold 20,000 shares and 1,500 shares respectively in the Company.

Garth McIlwain, a director of Credit Corporation (Fiji) Limited, has indirect interests in Ballymore No. 21 Limited which holds 35,000 shares (2002: 35,000) in the Company

Luke Polangou and Michael Koisen, directors of the Company, are directors of the Federation of Savings and Loan Societies Limited, which holds 270,000 shares (2002: 270,000) in the Company.

Leon Buskens, a director of the Company, is the Managing Director of POSF Limited, which holds 750,000 shares (2002:750,000) in the Company.

Michael Koisen, a director of the Company, is the General Manager of the Teachers Savings and Loan Society Limited and PNG Teachers Association, which hold 848,138 shares (2002: 848,138) and 2,500 shares respectively in the Company.

Rod Mitchell, a director of the Company, is the Chief Executive Officer of the National Superannuation Fund Limited, which holds 500,117 shares in the Company.

Noreo Beangke, as an employee of the Company received K441,423 in salaries and other benefits excluding the provision of a vehicle, the value of which cannot be quantified (2002: K361,988).

Transactions with Associates

New Guinea Islands Produce Company Limited, an associate, holds 477,023 shares (2002: 477,023) in the Company. Dividends of K180,940 from New Guinea Islands Produce Company Limited was paid to the Company (2002: K199,030).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. NOTES TO THE CASH FLOW STATEMENTS

Reconciliation of cash

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

	Consolidated		Company	
	2003	2002	2003	2002
	K	K	K	K
Cash and short-term deposits	11,608,735	3,788,127	3,306,096	1,564,987
Bank overdraft	(557,787)	(128,598)	-	-
	<u>11,050,948</u>	<u>3,659,529</u>	<u>3,306,096</u>	<u>1,564,987</u>

19. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business.

Credit risk

The Group requires collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Investments are allowed only in liquid securities and only with counter parties that have a credit rating equal to or better than the Group. Management does not expect any counter party to fail to meet its obligations.

Foreign exchange risk

The Group's foreign currency risk is limited to management salaries denominated predominantly in Australian dollars and the receipt of dividends denominated in Fijian dollars.

Liquidity risk

The Group's risk exposure to liquidity is managed through continuous review. The management of liquidity of the Group is relatively straightforward given the size and nature of the operations. The maturity period provided on term deposits is usually of a short-term nature ranging between 30 and 365 days subject to management's expectations of interest rate movements.

Fiduciary activities

The Group does not provide fiduciary services.

Interest risk

The Group monitors the interest rate exposure on a regular basis. However the Group is restricted in its ability to mitigate the risks associated with interest rate movements. The Group's lease rental agreements with customers are generally of a short term nature and are fixed.

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2003 a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately between K1,000,000 – K1,500,000 (2002: K800,000 – K1,200,000).

A general increase of one percentage point in the value of the kina against other foreign currencies would not directly have any significant impact on the Group's profit.

Fair value

Fair values of financial instruments are not expected to be materially different from their carrying values.

20. MATURITY ANALYSIS

	Less than 1 year	Between 1 and 5 years	More than 5 years	No specific maturity	Total
Consolidated at 31 December 2003	K	K	K	K	K
Cash and cash equivalents	11,608,735	-	-	-	11,608,735
Investments	13,674,704	8,055,745	-	115,149,395	136,879,844
Net loans and advances	54,693,095	63,978,296	-	-	118,671,391
Other assets	3,050,923	-	-	9,797,157	12,848,080
Total assets	83,027,457	72,034,041	-	124,946,552	280,008,050
Interest bearing loans and borrowings	557,787	14,334,274	-	-	14,892,061
Deposits	129,666,497	16,568,264	-	-	146,234,761
Other liabilities	4,807,011	-	-	4,246,242	9,053,253
Total liabilities	135,031,295	30,902,538	-	4,246,242	170,180,075
Shareholders' equity and minority interests					109,827,975
Consolidated at 31 December 2002					
Cash and cash equivalents	3,788,127	-	-	-	3,788,127
Investments	1,186,709	6,922,469	-	96,439,522	104,548,700
Net loans and advances	62,475,472	55,520,044	-	-	117,995,516
Other assets	2,308,000	-	-	13,922,553	16,230,553
Total assets	69,758,308	62,442,513	-	110,362,075	242,562,896
Interest bearing loans and borrowings	1,109,400	15,353,949	-	-	16,463,349
Deposits	116,523,741	16,204,837	-	-	132,728,578
Other liabilities	4,028,772	-	-	3,574,587	7,603,359
Total liabilities	121,661,913	31,558,786	-	3,574,587	156,795,286
Shareholders' equity and minority interests					85,767,610

FINANCIAL STATEMENTS



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. MATURITY ANALYSIS (continued)

	Less than 1 year K	Between 1 and 5 years K	More than 5 years K	No specific maturity K	Total K
Company at 31 December 2003					
Liquid assets	3,306,096	-	-	-	3,306,096
Investment securities	13,294,800	-	-	-	13,294,800
Net loans and advances	25,441,980	20,864,936	-	109,443,472	155,750,388
Other assets	6,633,640	-	-	1,598,373	8,232,013
Total assets	48,676,516	20,864,936	-	111,041,845	180,583,297
Interest bearing loans and borrowings	-	-	-	-	-
Deposits and other borrowings	70,291,127	1,123,564	-	-	71,414,691
Other liabilities	2,819,495	-	-	1,287,920	4,107,415
Total liabilities	73,110,622	1,123,564	-	1,287,920	75,522,106
Shareholders' equity					<u>105,061,191</u>
Company at 31 December 2002					
Liquid assets	1,564,987	-	-	-	1,564,987
Investment securities	-	-	-	-	-
Net loans and advances	27,725,824	22,005,242	-	86,886,133	136,617,199
Other assets	7,878,515	-	-	1,679,087	9,557,602
Total assets	37,169,326	22,005,242	-	88,565,220	147,739,788
Interest bearing loans and borrowings	-	-	-	-	-
Deposits and other borrowings	60,308,601	1,041,595	-	-	61,350,196
Other liabilities	2,569,875	-	-	825,491	3,395,366
Total liabilities	62,878,476	1,041,595	-	825,491	64,745,562
Shareholders' equity					<u>82,994,226</u>

FINANCIAL STATEMENTS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. SEGMENT INFORMATION

Company

The Company operates only in Papua New Guinea and is predominately involved in providing general finance, Chattel Mortgage and Leasing Finance and property investment.

Consolidated at 31 December 2003	Total Assets K	Total Liabilities K	Turnover K	Net profit after tax & minorities K
Geographical segments				
Papua New Guinea	195,906,332	90,845,142	45,464,232	23,279,859
Fiji	98,811,005	83,438,139	14,892,081	2,299,389
Less: Inter-segment	(14,709,287)	(4,103,206)	-	-
Total	280,008,050	170,180,075	60,356,313	25,579,248
Business segments				
Financial services	263,435,015	153,607,043	49,906,705	23,359,167
Property	58,762,477	20,923,032	10,941,033	2,220,080
Less: Inter-segment	(42,189,443)	(4,350,000)	(491,425)	-
Total	280,008,050	170,180,075	60,356,313	25,579,248

Consolidated at 31 December 2002	Total Assets K	Total Liabilities K	Turnover K	Net profit after tax & minorities K
Geographical segments				
Papua New Guinea	165,366,559	82,372,334	26,134,055	6,923,899
Fiji	89,943,972	78,650,130	12,292,564	888,157
Less: Inter-segment	(12,751,080)	(4,230,618)	-	-
Total	242,559,452	156,791,846	38,426,619	7,812,056
Business segments				
Financial services	222,936,927	137,169,321	28,992,272	7,449,481
Property	62,016,895	25,972,525	12,065,971	2,362,575
Less: Inter-segment	(42,394,370)	(6,350,000)	(2,631,624)	(2,000,000)
Total	242,559,452	156,791,846	38,426,619	7,812,056

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Company and the Group do not have any capital commitments as at 31 December 2003 (2002: K nil).

23. CONTINGENCIES

Other than the Bank Facilities detailed at note 11, there are no other contingencies.

24. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There were no events subsequent to the balance sheet date that would either require a disclosure in or adjustment to the financial statements, other than the share split of existing shares into ten new shares in uncertificated form and issued to shareholders in March 2004.

The strengthening Fiji economy combined with strong consumer demand provided the basis for the excellent results achieved in 2003. The Fiji operations again significantly increased profitability earning a record profit before tax of F\$2,704,228 compared to F\$1,054,203 in 2002.

This result was after providing a further F\$497,907 to increase the General Provision from 1.25% to 2.5% of debtors not otherwise provided. But for this, profit before tax, would have increased to F\$3,202,135 which provides a more accurate comparison to last year and the underlying very strong profitability of our business.

Market conditions were generally buoyant across the economy. There was strong growth in tourism which had a record year with 430,800 visitors, an increase of 8.3% over 2002. This pattern is expected to continue through into 2004 when further growth to 445,000 visitors is forecast. The building and construction sector was vibrant and this was supported by the commencement of the 300 room, four star Novatel Resort, at Denarau. Another major resort is expected to commence at Denarau in 2004. Other significant tourism expansion commencing is the Natadola development with the Four Seasons and Inter-continental groups participating and a Marriot resort at Momi. With this background longer term prospects for tourism look very good.

Difficulties continued in the sugar industry with a further decline in production of both cane and sugar. Government is expected to announce shortly details of the long awaited restructure of the industry and there are positive signs that a solution has been found to the land tenure problems that have plagued the industry in recent years. The sugar industry remains very important to Fiji as some 20% of its population are dependent on it for their livelihood. Fishing had a 5% decline in exports while the garment industry had a good year with a 4% increase in exports. Government planning for the harvest of Fiji's major mahogany resource continues with some small scale harvesting commenced.

The benefit of this strong economic activity and increasing consumer demand enabled new business written to increase by a significant 31% over 2002. Our total loan portfolio increased by 13.5%. These increases also reflect the benefits of the



Fiji Managing Director Ross McDonald

increase in our marketing team and the extensive efforts made to improve our image and the success of our overall marketing strategies. These increases necessitated the continued focus on strengthening administrative procedures and operating systems and staff numbers were increased to support these functions. This increase in business activity places further pressure on staff and systems that is being addressed and we will now need larger premises to enable us to handle this permanent increase in work load.

We have been successful in clearing several large old accounts. As a result our loan portfolio is now very clean. With the increase of our General Provision to 2.5% from the previous 1.25%, and an overall increase in our provisioning levels, our balance sheet continues to strengthen. Liquidity remained strong during 2003.

During the year we sold at a small profit six lots of land for F\$1,400,000 that were acquired in the settlement contract mentioned in last year's report. We have now sold land to a total value of F\$2.3m out of the F\$3.2m land acquired in the settlement, all at a profit. At the time of writing we are negotiating to sell the remaining two lots of land held. If this sale proceeds all land and buildings will have been cleared from our books as we have also sold at a profit the Company's residence in Suva that is no longer required.

Economic activity remains very strong and the trend of good results is expected to continue through 2004. Results for the first three months in 2004 are above budget.



Suva Branch Staff

CREDIT CORPORATION (FIJI) LIMITED

(EXTRACTED FROM FINANCIAL STATEMENTS)

BALANCE SHEET

	2003 Fiji Dollars	2002 Fiji Dollars
Assets		
Cash at bank	3,985,392	1,072,982
Receivables, net	39,694,688	34,967,118
Semi-government securities	4,397,504	4,100,000
Property, plant and equipment	1,767,843	3,930,738
Investments	52,500	52,500
Future income tax benefit	1,503,415	1,827,334
Other debtors	271,663	130,129
Total Assets	51,673,005	46,080,801
Liabilities		
Deferred tax liability	9,998	5,396
Deposits	39,194,790	35,811,317
Amount due to holding company	199,455	213,000
Provision for income tax	339,270	53,439
Provisions and accruals	1,030,618	653,545
Subordinated loan	3,100,000	3,100,000
Total Liabilities	43,874,131	39,836,697
Net Assets	7,798,874	6,244,104
SHAREHOLDERS' EQUITY		
Issued capital (2,150,000 ordinary shares of F\$1.00 each)	2,150,000	2,150,000
Share premium reserve	1,300,000	1,300,000
General reserve	600,000	600,000
Capital profits reserve	65,790	-
Retained profits	3,963,084	2,194,104
Shareholders' equity	7,798,874	6,244,104
PROFIT AND LOSS ACCOUNT		
Operating profit /(loss)	2,704,228	1,054,203
Income tax expense / (benefit)	(934,458)	(338,850)
Operating profit /(loss) after tax	1,769,770	715,353
Retained profit at the beginning of the year	2,194,105	1,478,751
Retained profit at the end of the year	3,963,084	2,194,104

Board of Directors

Sir Henry ToRobert (Chairman)	Ross McDonald
Noreo Beangke	Lionel Yee
Olota Rokovunisei	Garth Mcllwain
Mike Walsh	