



CREDIT CORPORATION ANNUAL REPORT

2005

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COMPANY INFORMATION

Credit Corporation (PNG) Limited commenced business in 1978 as a general finance company. It has grown successfully to become recognised as one of Papua New Guinea's most progressive financial institutions.

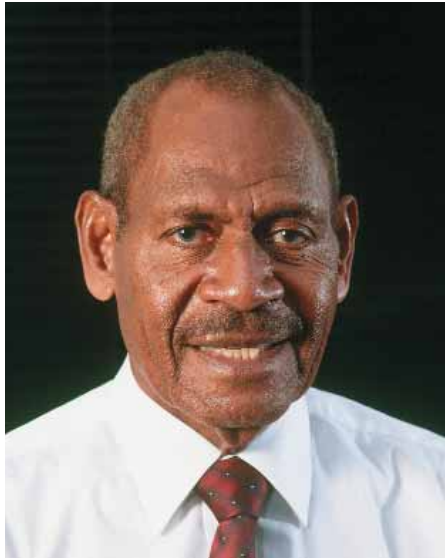
The Company specialises in providing the following range of financial products and services:-

- Chattel Mortgage and Lease finance for customers to acquire a wide variety of motor vehicles, heavy machinery and plant and equipment for commercial and business use.
- Specially tailored financial packages.
- Attractive investment facilities.

In addition, through its subsidiary companies, the Credit Corporation Group owns and manages a portfolio of prime real property assets. Shareholders have received a dividend each year since the incorporation of the Company in 1978.

The Credit Corporation Group presently owns assets valued at over K400 million and operates offices in Port Moresby, Kokopo and Lae in Papua New Guinea, in Suva and Nadi in Fiji and in Honiara in the Solomon Islands.

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



Sir Henry ToRobert, KBE

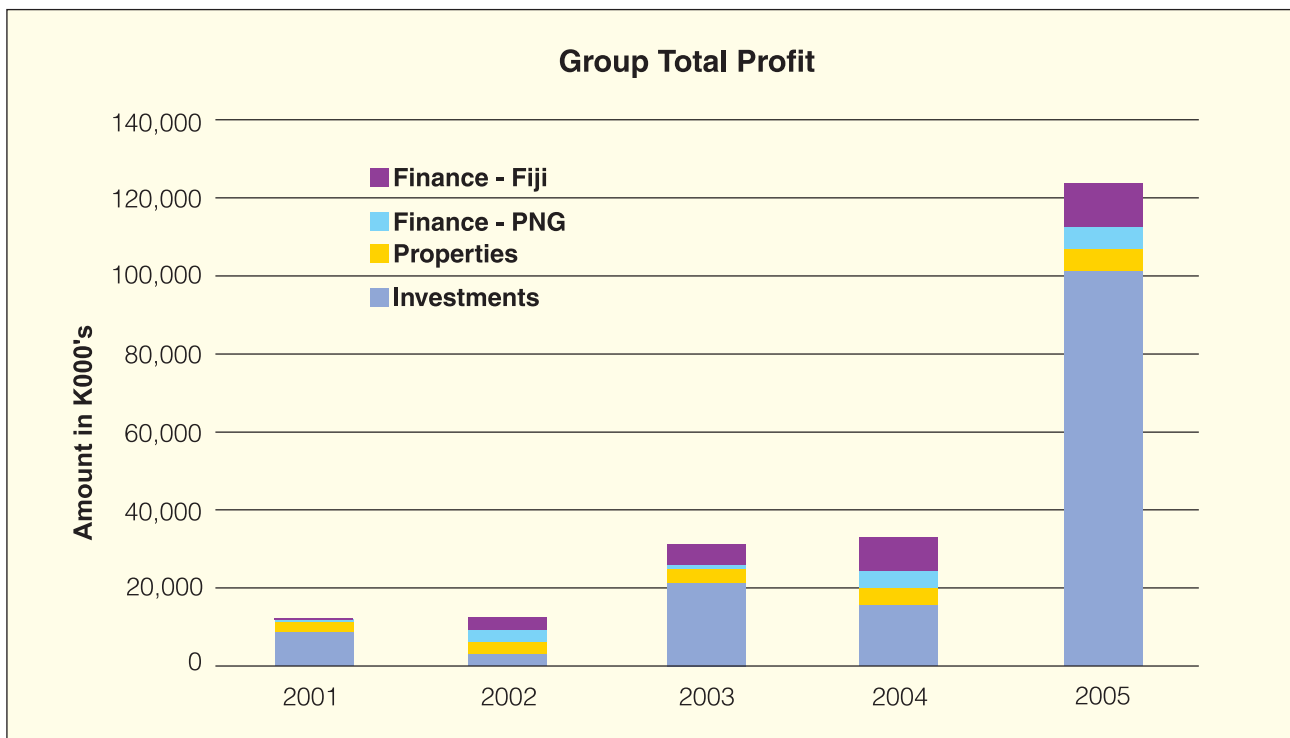
The 2005 financial year has been another very rewarding period for the Credit Corporation (PNG) Limited Group.

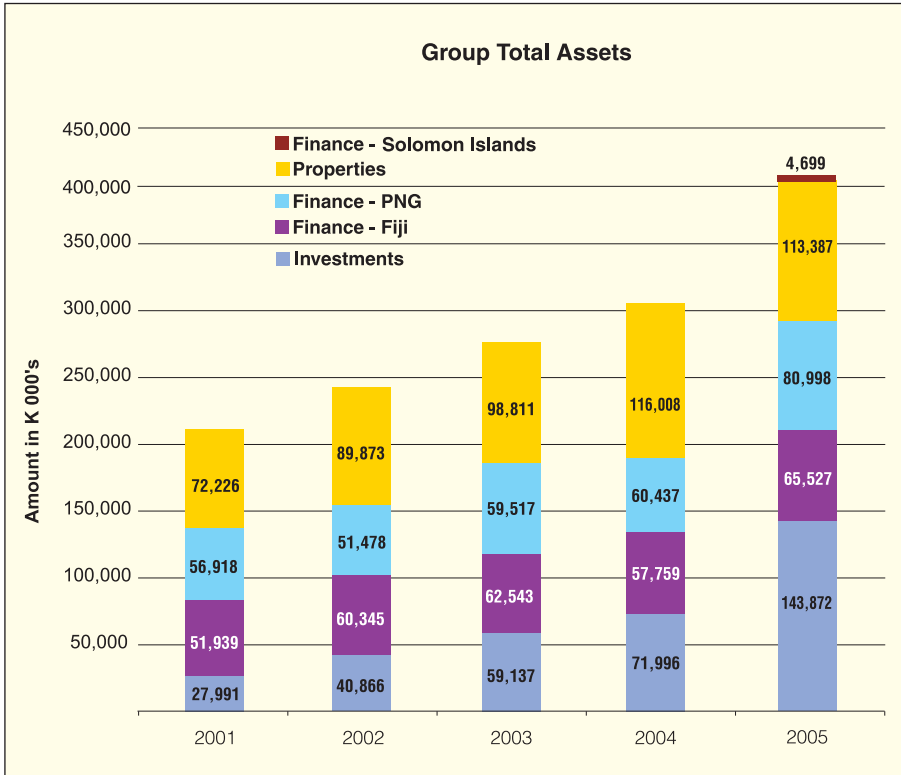
The strength of our operations in finance, property and investments is well reflected in our financial performance and in the performance of Credit Corporation (PNG) Limited shares over the 12 months to 31 December 2005. It represents a very good outcome for our loyal shareholders.

It gives me great pleasure to report that the Credit Corporation (PNG) Limited Group achieved an operating profit of K123.790 million for the year ended 31st December 2005. This represents an increase of 275% on the comparable figure for the previous 12 months and represents a record result for the Credit Corporation (PNG) Limited Group. The after tax result is a record K114.126 million.

This strong profit performance has again delivered an exceptional return on shareholder funds of 47% compared with 20% in 2004. Shareholder funds have continued to grow and have reached K248.702 million, a massive K114.571 million increase on 2004. Net asset backing per share has increased from K2.54 to K4.79 per share and total assets have grown from K306.531 million to K408.483 million, making the Credit Corporation (PNG) Limited Group one of the largest and most profitable locally owned companies in Papua New Guinea.

As was the case in 2004 our investment in Bank South Pacific was a major contributor to the overall profit. Bank South Pacific recorded an after tax profit of K99.22 million for the year. The increase in the Bank's share price contributed K95.448 million to the Group's total profit.





achieving a record operating profit. These exclusive residential apartments again remained fully tenanted and we still have an extensive waiting list of prospective tenants wishing to move in. Construction has commenced on 18 executive residential townhouses and at the time of writing the development is progressing well despite the recent rains, with completion due June 2007.

Bank South Pacific

Bank South Pacific is strategically one of our major long-term investments. The Bank enjoyed another excellent year in 2005. Total assets reached K2.95 billion

After reviewing the 2005 results and in recognition of the substantial increase in profit, the directors have recommended that a final dividend of 12 toea per share be paid, an increase of 20% on the 2004 dividend. This dividend, along with a share price increase of nearly 100% on the Port Moresby Stock Exchange, represents an exceptional result for shareholders for 2005.

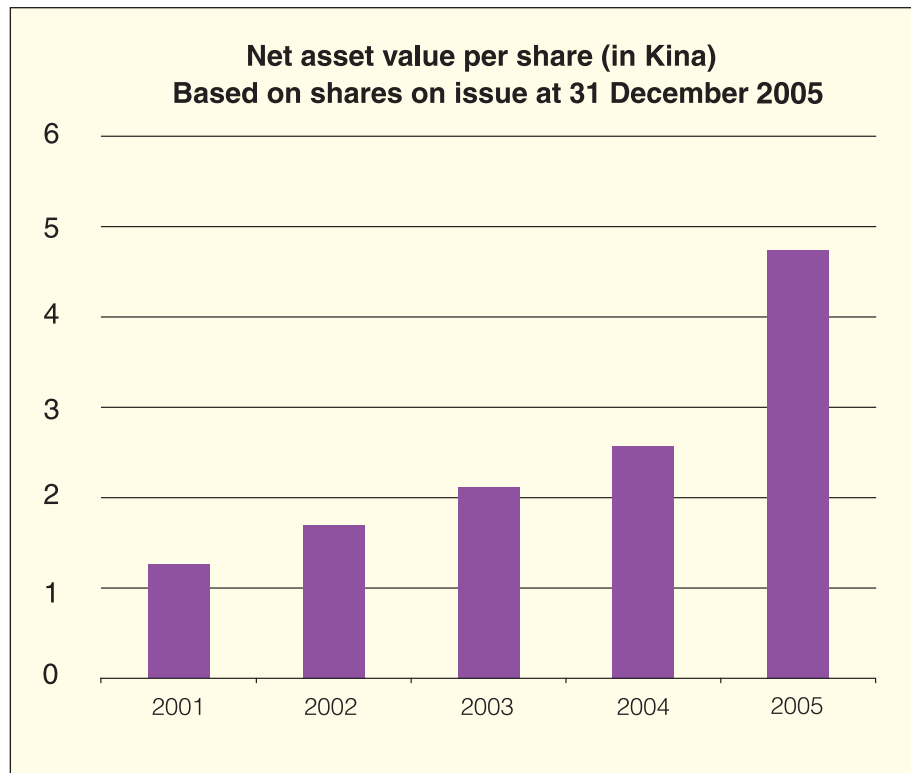
compared with K2.20 billion at the end of 2004 and as previously stated the Bank's after tax profit increased to K99.22 million for the year. The performance of the Bank over the last three years has

Credit House Limited

This prestigious building has continued its reputation as Port Moresby's best-maintained commercial office building. The building remained at 100% occupancy throughout 2005 as it has for many years and remains Port Moresby's most sought after business address.

Era Dorina Limited

Era Dorina enjoyed an exceptional year in 2005





Credit House Port Moresby

been quite outstanding and it is a credit to its directors, management and staff. Recent share trades on the Port Moresby Stock Exchange capitalise the Bank at approximately K1.40 billion. Credit Corporation (PNG) Limited owns 10.18% of the issued shares in Bank South Pacific.

Credit Corporation Finance Limited

A new company called Credit Corporation Finance Limited was formed in September 2005 to take over the Papua New Guinea finance company functions of the Group. Whilst it was only trading for three months an operating profit of over K2 million was recorded. With low and stable interest rates this company should be a large contributor to the Group's growth in future years.

Credit Corporation (Fiji) Limited

I am pleased to report that the Fiji operations continued their strong performance of recent years achieving a record profit before tax of F\$5,340,130 for the year compared to F\$4,730,797 in 2004. Operating profit after tax was F\$3,652,206 and this compares to F\$3,365,964 in 2004.

This result continues the trend of excellent performance seen in our Fiji operations in recent years and builds on the solid foundation that we now have in Fiji. This profit was achieved against signs of a tightening Fiji economy. Growth in our business is expected to slow in 2006 as the country heads into a general election and with little growth expected in the economy.

Credit Corporation (SI) Limited

In September 2005, Credit Corporation (SI) Limited, a wholly owned subsidiary of Credit Corporation (PNG) Limited commenced operations in Honiara, Solomon Islands. This is the second venture into the South Pacific after our highly successful Fiji operation commenced in 1992. The Company recorded a small loss for the first four months of trading, which was well within budgeted forecasts being mainly due to formation costs. I am pleased to inform shareholders that at the time of writing Credit Corporation (SI) Limited has recorded a net profit before tax of SBD\$205,811.88 for the first two months of 2006, a most pleasing result.

The Economy

Papua New Guinea's improving economic condition that developed during 2003 has continued. The mining and oil sectors have and will continue to benefit from high mineral and oil prices. The future of the PNG - Queensland gas pipeline project looks bright. The near completion of the Front End Engineering and Design (FEED) stage and the confirmation of future purchase commitments are positive signs. Interest rates continue on a downward trend, foreign reserves are at an all time high and the Kina continues to trade in a stable range.

Outlook

We are expecting another strong performance in 2006 with underlying profits to be at least



Construction of new Era Dorina Units

maintained at the 2005 levels. Whilst we may be moving into a period of slightly lower economic growth and a much more competitive environment, given reasonable business conditions we can expect to again capitalize on the progress made over the last few years.

I look forward to a productive and rewarding year and would like to take this opportunity to thank my fellow directors, hardworking management and staff, clients and all shareholders for the great support they have given to our company over the past 12 months. I trust that we will have another successful financial year in 2006.



Era Dorina Units

TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2005

	Number	%
Teachers Savings & Loan Society Limited	8,481,380	16.90
POSF Limited	7,500,000	14.94
National Superannuation Fund Limited	4,991,482	9.95
New Guinea Islands Produce Company Limited	3,570,230	7.11
Sios Workers Ritaia Fund Trustees Services Limited	3,380,150	6.74
Motor Vehicles Insurance Limited	2,850,000	5.68
Federation of Savings and Loan Societies Limited	2,700,000	5.38
Lamin Trust Fund	2,672,104	5.32
Ballymore No. 21 Limited	1,965,700	3.92
General's Holding Limited	1,500,000	2.99
Kina Funds Management	970,660	1.93
Vada No.3 Limited	600,000	1.20
Comrade Trustee Services Limited	430,000	0.86
Tropicana Limited	410,000	0.82
Lady Elizabeth Kiki	386,850	0.77
Capuchin Friars Minor	330,000	0.66
Daughters of our Lady of Sacred Heart	300,000	0.60
Kina Nominees Pty Limited	229,250	0.46
Kurada No.16 Limited (Account 2 A/c)	200,000	0.40
Kurada No.16 Limited (Account 1 A/c)	200,000	0.40
Total	43,667,806	87.03

SHAREHOLDING BANDS AS AT 31 DECEMBER 2005

Shareholding	No. of Shareholders	No. of Shares
1-100	173	99,242
1001-5000	644	1,313,177
5001-10,000	61	438,000
10,001-100,000	85	2,443,635
100,000 and above	35	45,892,296
Total	998	50,186,350

SHARE TRADES

Year	No. of Trades	Volume
2001	86	395,452
2002	117	269,341
2003	89	797,725
2004	156	879,359
2005	171	228,528



Front Row From Left: Fr Barry Hanson, Sir Henry ToRobert, KBE (Chairman), Sinai Brown.
Back Row From Left: Michael Koisen, Noreo Beangke (Managing Director), Luke Polangou, Rod Mitchell and Leon Buskens.

DIRECTORS MEETINGS

There were four meetings of the Board of Directors during 2005 and these were attended as follows:

Sir Henry ToRobert, KBE	4/4	Fr Barry Hanson	4/4
Noreo Beangke	3/4	Michael Koisen	3/4
Sinai Brown	4/4	Leon Buskens	3/4
Luke Polangou	3/4	Rod Mitchell	4/4

Group's Five Year Financial Summary

K'000	2001	2002	2003	2004	2005
Profit and Loss Account					
Turnover	38,814	38,740	41,880	47,814	145,487
Operating Profit before tax	11,068	11,116	30,076	32,961	123,790
Operating Profit after tax attributable to the Group	8,189	7,812	25,579	25,179	114,126
Retained Earnings	26,532	22,693	27,164	35,417	72,980
Dividend per share	80t	50t	6t*	10t*	12t*
Balance Sheet					
Shareholders Funds	59,708	85,768	109,827	134,131	248,703
Net Receivables	92,977	117,996	118,671	132,704	162,362
Other Assets	116,097	124,567	161,337	173,496	246,121
Deposits	118,431	132,729	146,235	159,768	142,761
Other Liabilities	30,935	24,066	23,945	12,301	17,019

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

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 are 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 standards 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 instances.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

Your directors present their annual report on the affairs of the group including the financial statements for the year ended 31 December 2005.

Activities

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

During the year Credit Corporation (PNG) Limited transferred the finance activities to a wholly owned subsidiary Credit Corporation Finance Limited.

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

Results

The net profit after taxation for the Group attributable to the members of the Group for the year was K114,125,634 (2004 : K25,178,619) and for the Company was K104,603,593 (2004: K18,219,867).

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were as follows:

	Per Share	Total	Paid
Final	K 0.10	K 5,018,635	August 2005

After the balance sheet date the following dividends were proposed by the directors.

	Per Share	Total	Payable
Final	K 0.12	K 6,022,362	August 2006

The financial effects of the dividend has not been brought to account in the financial statements for the year ended 31 December 2005 and will be recognised in subsequent financial reports.

Directors

The directors at the date of the report of the Company are listed on page 7.

Directors' interests and shareholdings are disclosed in Note 20. No director had any material interest in any

contract or arrangement with the Company or any related entity during the year.

Remuneration of Directors and Employees

The directors' and employees' remuneration information is disclosed in Note 20.

Interests Register

The details of information recorded in the Interests Register is disclosed in Note 20.

Disclosures in compliance with the Bank's and Financial Institutions (Amendment) Regulations 1999.

Capital Adequacy Ratio

Details of the capital adequacy ratio are disclosed in Note 21.

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 the risk management systems are operating effectively.

Statement of Compliance with Central Bank Guidelines

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

For and on behalf of the Board of Directors



Director
30th March, 2006



Director
30th March, 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CREDIT CORPORATION (PNG) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2005

Scope

We have audited the consolidated financial statements of Credit Corporation (PNG) Limited ("company") and subsidiary companies ("group") for the year ended 31 December 2005, consisting of the balance sheets, profit and loss accounts, statements of changes in equity, cash flow statements and accompanying notes as set out on pages 16 to 38. 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 on the financial statements to the shareholders of the company.

Basis of opinion

Our audit has been planned and performed in accordance with International Standards on Auditing 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 and presented fairly in accordance with International Financial Reporting Standards and statutory requirements so as to present a view of the company and of the group which is consistent with our understanding of its operations. We believe that our audit provides a reasonable basis for our opinion.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments on behalf of the group in the areas of taxation and advisory services.

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 2005 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 30th day of March, 2006.

KPMG

Chartered Accountants



Robert Southwell

Partner

Registered under the Accountants Act 1996

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNTS

	Note	Consolidated		Company	
		2005 K	2004 K	2005 K	2004 K
Financing income		32,277,973	30,024,207	11,293,017	13,666,518
Interest expense		(6,687,774)	(9,772,588)	(2,307,823)	(5,869,277)
Other costs of financing		(2,377,304)	(3,816,586)	(827,760)	(1,636,643)
Net financing income		23,212,895	16,435,033	8,157,434	6,160,598
Property income		8,045,572	7,536,514	4,500	63,768
Other operating income		6,368,441	7,754,761	1,497,102	2,711,768
Change in fair value of investments		96,394,059	13,097,125	96,394,059	13,097,125
Dividend income		5,152,717	2,500,067	5,752,334	2,746,120
		139,173,684	47,323,500	111,805,429	24,779,379
Staff costs		(5,032,884)	(5,361,154)	(2,117,737)	(2,651,753)
Depreciation expense		(753,446)	(746,038)	(138,469)	(158,454)
Other operating expenses		(9,552,693)	(7,079,995)	(2,991,674)	(1,680,806)
Other financing costs		(44,311)	(1,174,912)	-	-
Profit before taxation	2	123,790,350	32,961,401	106,557,549	20,288,366
Income tax expense	5	(7,536,218)	(5,843,116)	(1,953,956)	(2,068,499)
Profit after taxation		116,254,132	27,118,285	104,603,593	18,219,867
Minority interests		(2,128,498)	(1,939,666)	-	-
Profit for the year attributable to the members of Credit Corporation (PNG) Limited		114,125,634	25,178,619	104,603,593	18,219,867
Earnings per Share					
Profits attributable to the members of the company		114,125,634	25,178,619	104,603,593	18,219,867
Number of shares on issue as at 31 December 2005		50,186,350	50,186,350	50,186,350	50,186,350
Basic and diluted earnings per share		2.27	0.50	2.08	0.36

The profit and loss accounts are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 38.

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 2004	3,560,456	74,336,356	27,164,379	4,766,784	109,827,975
Profit for the year	-	-	25,178,619	1,939,666	27,118,285
Transfer to / from reserves	-	13,915,143	(13,915,143)	-	-
Dividend paid (note 4)	-	-	(3,011,182)	-	(3,011,182)
Exchange variation	-	240,833	-	(44,978)	195,855
Balance as at 31 December 2004	3,560,456	88,492,332	35,416,673	6,661,472	134,130,933
Balance as at 1 January 2005	3,560,456	88,492,332	35,416,673	6,661,472	134,130,933
Profit for the year	-	-	114,125,634	2,128,498	116,254,132
Transfer to / from reserves	-	71,543,804	(71,543,804)	-	-
Dividend paid (note 4)	-	-	(5,018,635)	-	(5,018,635)
Revaluation	-	4,738,598	-	-	4,738,598
Exchange variation	-	(802,710)	-	(599,500)	(1,402,210)
Balance as at 31 December 2005	3,560,456	163,972,024	72,979,868	8,190,470	248,702,818
Company					
Balance as at 1 January 2004	3,560,456	84,664,570	16,836,165	-	105,061,191
Profit for the year	-	-	18,219,867	-	18,219,867
Transfer to / from reserves	-	14,078,302	(14,078,302)	-	-
Dividends paid (note 4)	-	-	(3,011,182)	-	(3,011,182)
Revaluation	-	7,199,585	-	-	7,199,585
Balance as at 31 December 2004	3,560,456	105,942,457	17,966,548	-	127,469,461
Balance as at 1 January 2005	3,560,456	105,942,457	17,966,548	-	127,469,461
Profit for the year	-	-	104,603,593	-	104,603,593
Transfer to / from reserves	-	71,543,804	(71,543,804)	-	-
Dividends paid (note 4)	-	-	(5,018,635)	-	(5,018,635)
Revaluation	-	13,457,930	-	-	13,457,929
Balance as at 31 December 2005	3,560,456	190,944,191	46,007,702	-	240,512,348

The statements of changes in equity are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 38.

FINANCIAL STATEMENTS

BALANCE SHEETS

	Note	Consolidated		Company	
		2005 K	2004 K	2005 K	2004 K
ASSETS					
Non-current assets					
Property, plant and equipment	6	5,845,715	3,201,534	702,855	451,385
Finance receivables	8	85,182,054	67,862,805	-	24,755,944
Investments	7	209,069,674	133,846,850	240,014,815	130,071,885
Deferred tax assets	15	4,633,339	4,291,330	189,529	1,354,916
		304,730,782	209,202,519	240,907,199	156,634,130
Current assets					
Finance receivables	8	77,180,118	64,841,383	-	28,193,334
Other receivables	9	3,478,264	5,870,426	2,303,690	5,199,233
Investments	7	6,458,101	5,515,836	1,300,000	4,938,580
Cash and cash equivalents	14	16,636,048	21,100,846	508,512	13,418,902
		103,752,531	97,328,491	4,112,202	51,750,049
Total assets		408,483,313	306,531,010	245,019,401	208,384,179
LIABILITIES					
Non-current liabilities					
Deposits	11	15,156,524	10,422,817	-	1,288,259
Interest bearing loans	10	2,823,539	1,849,144	-	-
Deferred tax liabilities	15	5,289,851	4,634,856	2,264,823	1,784,895
		23,269,914	16,906,817	2,264,823	3,073,154
Current liabilities					
Bank overdraft	14	67,765	97,510	-	-
Deposits	11	127,604,917	149,344,741	-	75,532,855
Other creditors	13	2,233,139	2,163,237	298,568	1,188,444
Taxes payable		5,259,742	3,026,933	1,311,898	825,512
Provisions	12	1,345,018	860,839	631,764	294,753
		136,510,581	155,493,260	2,242,230	77,841,564
Total liabilities		159,780,495	172,400,077	4,507,053	80,914,718
Net assets		248,702,818	134,130,933	240,512,348	127,469,461
SHAREHOLDERS' EQUITY					
Issued capital	16	3,560,456	3,560,456	3,560,456	3,560,456
Reserves	17	163,972,024	88,492,332	190,944,191	105,942,457
Retained earnings		72,979,868	35,416,673	46,007,701	17,966,548
Shareholders' equity attributable to members of the company		240,512,348	127,469,461	240,512,348	127,469,461
Minority interests		8,190,470	6,661,472	-	-
Total shareholders' equity		248,702,818	134,130,933	240,512,348	127,469,461

For and on behalf of the Board of Directors



Director
30th March, 2006



Director
30th March, 2006

The balance sheets are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 38.

CASH FLOW STATEMENTS

	Note	Consolidated		Company	
		2005 K	2004 K	2005 K	2004 K
OPERATING ACTIVITIES					
Charges earned on leases and loans		32,978,199	30,647,667	11,095,262	13,666,518
Commission, fees and rents		14,077,845	13,604,938	1,029,937	775,249
Interest from funds deposited		(156,596)	2,362,648	624,017	1,871,918
Interest payments		(6,827,612)	(11,745,962)	(2,307,823)	(5,869,277)
Payments to suppliers and employees		(12,329,910)	(17,592,828)	(6,607,803)	(4,145,236)
Operating cash flows before changes in operating assets		27,741,926	17,276,463	3,833,590	6,299,172
Net cash (advanced) / received in respect of leases		(26,189,754)	(16,525,742)	52,949,277	(8,279,006)
Net cash received / (repaid) in respect of deposits		(14,965,797)	15,980,767	(76,821,114)	5,406,424
Net cash from subsidiaries		(2,341,357)	(4,083,494)	281,676	(1,000,000)
Net cash from operating activities before income tax		(15,754,983)	12,647,994	(19,756,571)	2,426,590
Income taxes paid		(4,942,688)	(3,018,714)	225,481	(886,335)
Cash flows from operating activities		(20,697,671)	9,629,280	(19,531,090)	1,540,255
INVESTING ACTIVITIES					
Purchase of property, plant & equipment		(5,572,675)	(1,175,140)	(454,383)	(193,239)
Proceeds from sale of property		237,403	8,481,328	174,038	1,900,000
Proceeds from sale of shares		30,630,363	-	30,630,363	-
Dividends received		-	2,346,557	644,298	3,746,120
Net cash flow from short term investments		(4,216,819)	8,137,520	3,638,580	8,356,220
Investment in other entities		-	(1,973,297)	(22,993,561)	(1,973,297)
Cash flows from investing activities		21,078,272	15,816,968	11,639,335	11,835,804
FINANCING ACTIVITIES					
Proceeds / (Repayment) of borrowings		1,045,886	(12,485,129)	-	-
Dividends paid		(5,018,635)	(3,263,253)	(5,018,635)	(3,263,253)
Cash flows from financing activities		(3,972,749)	(15,748,382)	(5,018,635)	(3,263,253)
Effect of exchange rate changes on cash and cash equivalents		(842,905)	254,522	-	-
Net increase / (decrease) in cash and cash equivalents		(4,435,053)	9,952,388	(12,910,390)	10,112,806
Cash and cash equivalents at 1 January	14	21,003,336	11,050,948	13,418,902	3,306,096
Cash and cash equivalents at 31 December	14	16,568,283	21,003,336	508,512	13,418,902

The cash flow statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 38.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been authorised by the Board of Directors on 30 March 2006.

(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 International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board and the requirements of the Papua New Guinea Companies Act 1997.

(b) Basis of preparation

The financial statements have been prepared primarily on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading, financial instruments classified as available-for-sale and investment property.

The preparation of a financial report in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at the proportion of the net assets of the subsidiaries in the company's financial statements.

(ii) Transactions eliminated on consolidation

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

1. Significant accounting policies (continued)

(d) Foreign currency

(i) Foreign Currency Transactions

The functional currency adopted in the preparation of the financial statements is the Papua New Guinea currency, the Kina. 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. Foreign exchange differences arising on translation are recognised in the profit and loss accounts.

(ii) Financial Statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Kina at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Kina at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Resulting exchange differences are recognised directly in equity, through an 'Exchange Fluctuation Reserve'.

(e) Property, plant and equipment

Items of property (other than investment properties), plant and equipment are stated at original cost or deemed cost or at valuation less accumulated depreciation and impairment losses (see accounting policy f).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss accounts on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated in the year of acquisition. Land is not depreciated.

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

- | | |
|---|----------|
| • Buildings | 2.5% |
| • Office equipment and furniture & fittings | 7.5 -20% |
| • Motor vehicles | 20% |

(f) Impairment

The carrying amounts of all assets, other than investment property (see accounting policy m), are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss accounts, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss accounts.

(g) Inventories

Inventory of consumable materials are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bringing them to their existing condition and location, and net realisable value.

1. Significant accounting policies (continued)

(h) 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.

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.

Other receivables are stated at their cost less impairment losses (see accounting policy f).

(i) 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 accounts.

(j) Provisions

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.

Provision has been made for all debts considered doubtful as at balance date. 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.

(k) 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 current tax rates. The effect on deferred tax of any changes in tax rates is charged to the profit and loss accounts, except to the extent that it relates to items previously charged or credited directly to equity.

(l) Revenue

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'. Interest income is recognised on a receivable basis. Rental income from investment property is recognised on a straight line basis over the term of the lease.

1. Significant accounting policies (continued)

(m) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every three years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in the statements of changes in equity.

Property that is being constructed or developed for future use as investment property is stated at cost until construction or development is complete. Any differences arising between the carrying amount of the property immediately prior to completion and its fair value on completion is recognised directly in the statements of changes in equity if it is a gain. Any loss arising in this manner is recognised immediately in the profit and loss accounts. Upon disposal of the item the gain is transferred to retained earnings.

(n) Investments

Investments held for long term capital appreciation and for regular investment returns are classified as non-current assets and are stated at fair value, with any resultant gain or loss recognised in the profit and loss accounts.

The fair value of investments approximates their quoted bid price at the balance sheet date.

Government bonds are stated at amortised cost less impairment losses.

(o) Cash and Cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the cash statements.

(p) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss accounts as incurred.

The group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods based on current earnings of the employee.

1. Significant accounting policies (continued)

(q) 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.

(r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the balance sheets.

(s) Components of impaired assets

In determining the components of impaired assets, the group 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 group 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.

(t) Trade and other payables

Trade and other payables are stated at cost.

(u) Reclassification

Prior year balances have been reclassified to correspond to current year presentation where considered necessary.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. PROFIT BEFORE TAXATION

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

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Auditors remuneration				
- audit	223,167	158,026	124,949	129,100
- other services	92,536	98,170	92,536	98,170
(Profit)/ Loss on sale of fixed assets	44,682	(1,189,904)	(45,403)	(83,990)
Provision for bad debts	1,741,880	3,474,000	750,000	1,300,000
Bad debts written off	299,040	474,204	218,196	474,204
Bad debts recovered	(74,568)	(137,560)	(140,436)	(137,560)
Interest on term deposits, treasury bills and semi-government bonds	(1,244,988)	(2,362,648)	(624,017)	(1,891,918)

3. EMPLOYEES

The number of employees as at 31 December 2005 employed in the group was 90 (2004: 113)

4. DIVIDENDS

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Final dividend of K0.10 per share	5,018,635	3,011,181	5,018,635	3,011,181
	5,018,635	3,011,181	5,018,635	3,011,181

A final dividend of K0.12 per share amounting to K6,022,362 has been proposed but not yet approved by shareholders and has not been provided for in the financial statements (2004 : K0.10 per share amounting to K5,018,635)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Current tax	7,078,850	5,400,293	1,655,750	1,870,915
Change in deferred taxes	360,723	442,823	201,561	197,584
	7,439,573	5,843,116	1,857,311	2,068,499
Irrecoverable dividend withholding tax on Fiji dividends	96,645	-	96,645	-
	7,536,218	5,843,116	1,953,956	2,068,499

The group's applicable tax rate represents the statutory corporate income tax rate of 30% (2004: 30%). The following is a reconciliation of income taxes calculated at the applicable tax rate with income tax expense:

Profit before tax	123,790,350	32,961,401	106,557,549	20,288,366
Computed tax using the applicable corporate income tax rate	37,137,105	9,888,421	31,967,265	6,086,510
Non-deductible costs	26,843	21,000	21,000	21,000
Non-taxable income	(30,211,992)	(4,883,907)	(30,561,973)	(4,767,672)
Effect of dividend withholding tax on foreign subsidiary profits	536,862	655,616	536,862	655,616
	7,488,818	5,681,130	1,963,154	1,995,454
Under / (over) provision in prior years	47,400	161,986	(9,198)	73,045
	7,536,218	5,843,116	1,953,956	2,068,499

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

Company	Furniture & Fittings K	Motor Vehicles K	Office Equipment K	Total K
Cost				
At 1 January 2005	336,085	615,708	622,892	1,574,685
Additions	-	325,677	128,707	454,384
Disposals	(336,085)	(259,642)	(3,192)	(598,919)
At 31 December 2005	-	681,743	748,407	1,430,150
Depreciation				
At 1 January 2005	336,085	367,492	419,723	1,123,300
Charge for the year	-	98,687	39,782	138,469
Disposals	(336,085)	(195,197)	(3,192)	(534,474)
At 31 December 2005	-	270,982	456,313	727,295
Book value				
At 31 December 2005	-	410,761	292,094	702,855
At 1 January 2005	-	248,216	203,169	451,385

Consolidated	Buildings K	Furniture & Fittings K	Motor Vehicles K	Office Equipment K	Total K
Cost					
At 1 January 2005	-	3,419,797	1,842,357	1,332,878	6,595,032
Additions	2,331,535	123,810	885,788	454,945	3,796,078
Disposals	-	(336,085)	(663,540)	(164,972)	(1,164,597)
Effect of exchange variances	(35,785)	(30,776)	(37,639)	(21,761)	(125,961)
At 31 December 2005	2,295,750	3,176,746	2,026,966	1,601,090	9,100,552
Depreciation					
At 1 January 2005	-	1,740,382	804,008	849,108	3,393,498
Charge for the year	2,396	255,593	335,729	159,728	753,446
Disposals	-	(336,085)	(407,530)	(107,800)	(851,415)
Effect of exchange variances	(38)	(11,454)	(15,627)	(13,573)	(40,692)
At 31 December 2005	2,358	1,648,436	716,580	887,463	3,254,837
Book value					
At 31 December 2005	2,293,392	1,528,310	1,310,386	713,627	5,845,715
At 1 January 2005	-	1,679,415	1,038,349	483,770	3,201,534

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. INVESTMENTS

	Note	Consolidated		Company	
		2005 K	2004 K	2005 K	2004 K
Non - Current					
Investment properties	(a)	62,174,380	55,528,884	100,000	179,618
Subsidiary companies	(b) & (g)	-	-	99,771,286	59,752,104
Associate company	(c)	-	2,714,099	-	2,714,099
Shares in other companies	(h)	140,143,529	67,426,064	140,143,529	67,426,064
Government securities	(d)	5,734,369	6,157,398	-	-
Semi-government securities	(d)	1,017,396	2,020,405	-	-
		209,069,674	133,846,850	240,014,815	130,071,885
Current					
Semi-government securities	(d)	554,939	-	-	-
Government securities	(d)	184,979	577,256	-	-
Term deposits	(e)	-	-	1,300,000	-
Treasury bills	(f)	5,718,183	4,938,580	-	4,938,580
		6,458,101	5,515,836	1,300,000	4,938,580

(a) Investment Properties

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

An independent valuation of investment properties in Papua New Guinea was performed in November 2005 by Mark J Kelep of Ashton Brunswick Limited, Registered Valuer, in accordance with the "Valuers Registration Act", 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	2005 K	2004 K
Non - Current				
Credit Corporation Finance Limited	PNG	100%	22,046,000	2,297,864
Credit House Limited	PNG	100%	30,539,466	22,098,622
Era Dorina Limited	PNG	100%	20,407,015	16,418,016
Credit Corporation (Fiji) Limited	Fiji	69%	18,223,782	14,821,766
Credit Corporation (Fiji) Limited - Subordinated Loan (g)	Fiji	69%	3,956,715	4,115,836
Credit Corporation (SI) Limited	Solomon Islands	100%	4,598,308	-
			99,771,286	59,752,104

During the year the company transferred its finance activities to its wholly owned subsidiary Credit Corporation Finance Limited (previously known as Credit Corporation Properties Limited). The net assets transferred to Credit Corporation Finance Limited amounted to K18,327,813.

In September 2005, a new subsidiary was incorporated in Solomon Islands known as Credit Corporation (SI) Limited. The company has contributed Solomon Island \$10,000,000 (PNG K4,598,308) as Capital.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. INVESTMENTS (continued)

	Country	Ownership	2005 K	2004 K
(c) Associate Company				
New Guinea Islands Produce Company Limited	PNG	28.94%	-	2,714,099
			-	2,714,099

Investment in Associate Company

The investment was sold in 2005 resulting in a net profit of K361,852 being recognised in the profit and loss accounts.

- (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 paid every six months and also 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 and the Bank of Solomon Islands. These are accounted for at cost less amortisation.

	2005 K	2004 K
Face value	5,800,000	5,000,000
Less: Unamortised interest	(81,817)	(61,420)
	5,718,183	4,938,580

- (g)** Subordinated loan of F\$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.
- (h)** Credit Corporation (PNG) Limited owns 10.18% of the issued shares in Bank of South Pacific Limited (BSP). As at 31 December 2005, the investment was valued at market value amounting to K140,143,529. The change of K95,448,229 (2004 : K14,783,499) resulting from the revaluation of the BSP investment is credited to the profit and loss accounts.

During the year, the company sold 8.7 million shares in BSP at K27,832,710 resulting in a profit of K583,978 which was credited to the profit and loss accounts. As a result of the sale, the unrealised gain on the BSP shares sold of K23,904,425 was transferred from General Reserve to Retained Earnings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. FINANCE RECEIVABLES

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Non - Current				
Finance receivables	98,122,377	79,056,339	-	15,653,556
Unearned charges	(12,940,323)	(11,193,534)	-	(1,770,508)
	85,182,054	67,862,805	-	13,883,048
Finance receivables from subsidiaries	-	-	-	10,949,403
Unearned charges	-	-	-	(76,507)
	-	-	-	10,872,896
	85,182,054	67,862,805	-	24,755,944
Current				
Finance receivables	122,376,054	97,165,217	-	38,131,981
Unearned charges	(31,408,905)	(19,639,404)	-	(6,939,974)
Provision for doubtful debts	(13,787,032)	(12,684,430)	-	(4,221,632)
	77,180,118	64,841,383	-	26,970,376
Finance receivable from subsidiaries	-	-	-	1,232,739
Unearned charges	-	-	-	(9,781)
	-	-	-	1,222,958
	77,180,118	64,841,383	-	28,193,334
Analysis of provisions				
Specific provisions (a)	8,067,904	7,353,470	-	1,198,708
General provisions (b)	5,719,128	5,330,960	-	3,022,924
	13,787,032	12,684,430	-	4,221,632
(a) Specific Provisions				
Opening balance	7,115,522	7,628,830	-	724,222
Net increase in provisions	1,109,878	-	-	-
Transfer from / (to) general provision	1,180,289	2,986,238	-	1,158,671
Charge against provisions	(1,337,785)	(3,261,598)	-	(684,185)
Closing balance	8,067,904	7,353,470	-	1,198,708
(b) General Provisions				
Opening balance	5,241,729	4,500,612	-	2,544,951
Increase in provisions	1,657,688	3,816,586	-	1,636,644
Transfer from / (to) specific provision	(1,180,289)	(2,986,238)	-	(1,158,671)
Charge against provisions	-	-	-	-
Closing balance	5,719,128	5,330,960	-	3,022,924

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. FINANCE RECEIVABLES (continued)

Impaired assets

Impaired assets consist of non-accrual lease loans. The group's policy is to place loans on non-accrual status for potential repossession of collateral.

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Non-accrual receivables without specific provision for impairment	4,794,052	3,321,637	-	2,844,535
Non-accrual receivables with specific provision for impairment	16,426,038	13,797,236	-	351,294
Restructured receivables fully provided for impairment	1,397,869	956,117	-	-
Past due receivables fully provided for impairment	7,923,847	4,256,292	-	-

Analysis of receivables by industry

	Consolidated - 2005		Consolidated - 2004	
	%	K'000	%	K'000
Agriculture	6%	12,619	6%	11,177
Mining	2%	5,289	4%	6,429
Manufacturing	5%	11,631	6%	10,844
Forestry and saw-milling	0%	285	0%	809
Civil contracting	6%	14,023	6%	9,763
Building and construction	9%	19,795	4%	6,252
Real Estate	5%	11,609	7%	12,303
Wholesale / Retail	5%	10,798	8%	13,574
Transport and storage	15%	32,808	18%	32,314
Public utilities	1%	2,326	0%	518
Professional and business services	21%	44,154	17%	29,600
Private and self employed	20%	43,232	17%	29,905
Financial Institutions	0%	504	1%	1,190
Government & statutory bodies	1%	1,821	1%	2,379
Other	4%	8,558	5%	9,160
	100%	219,452	100%	176,222

9. OTHER RECEIVABLES

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Other debtors and prepayments	3,213,059	5,595,860	2,303,690	1,599,233
Dividends due from subsidiary companies	-	-	-	3,600,000
Stock of materials	265,205	274,566	-	-
	3,478,264	5,870,426	2,303,690	5,199,233

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

10. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Non-current				
Secured bank loan	1,045,885	-	-	-
Unsecured subordinated loan	1,777,654	1,849,144	-	-
	2,823,539	1,849,144		
Current				
Bank overdraft	67,765	97,510	-	-

Bank Facilities and Security

Interest bearing loans and borrowings include:

- A bank overdraft facility of F\$2 million, an advance facility of F\$3 million, and a term loan of F\$1.3 million over 14½ years to fund a property purchase provided by Australia and New Zealand Banking Group (Fiji) Limited to Credit Corporation (Fiji) Limited. Interest is charged at 5.50% per annum. The facilities are secured by a First Registered Mortgage over CT 6618 and a debenture over all the assets and undertakings of Credit Corporation (Fiji) Limited, including uncalled and unpaid capital.
- Credit Corporation Finance Limited has a bank overdraft facility with Australia and New Zealand Banking Group (PNG) Limited of K10 million at 31 December 2005. The interest rate on the facility is the bank's indicator lending rate minus 0.50%. These facilities are secured by a first registered equitable mortgage over the fixed and floating assets of Credit Corporation (PNG) Limited, 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".
- Subordinated loan received from shareholders of Credit Corporation (Fiji) Limited totalled F\$3.1m including F\$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.
- Era Dorina Limited has obtained a loan from Bank South Pacific Limited of approximately K20 million at a fixed interest rate of 8.20% p.a. The loan is secured by a registered equitable mortgage over the fixed and floating assets of Era Dorina Limited, first registered mortgage over Lots 27,28 and 29 Section 34, Granville, Port Moresby, first registered mortgage over Portion 2259, Granville, Port Moresby, second registered Mortgage over Lots 2,3,4 and 8 Section 45, Granville, Port Moresby known as "Credit House", deed of guarantee and indemnity for K20 million by Credit House Limited and a second registered equitable mortgage over the fixed and floating assets of Credit House Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. DEPOSITS

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Non - Current	15,156,524	10,422,817	-	1,288,259
Current	127,604,917	149,344,741	-	75,532,855
Non Current deposits mature as follows:				
Between one and two years	15,156,524	10,157,368		1,022,810
Between two and five years	-	265,449		265,449
	15,156,524	10,422,817	-	1,288,259

12. PROVISIONS

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Employee provisions	1,345,018	860,839	631,764	294,753
	1,345,018	860,839	631,764	294,753

13. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K
Interest accrued on deposits	1,183,564	1,142,686	-	532,226
Other creditors and accrued expenses	1,049,575	1,020,551	298,568	656,218
	2,233,139	2,163,237	298,568	1,188,444

14. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Company	
	2005 K	2004 K	2005 K	2004 K

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, 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 Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash and short term deposits	16,636,048	21,100,846	508,512	13,418,902
Bank overdraft	(67,765)	(97,510)	-	-
	16,568,283	21,003,336	508,512	13,418,902

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and deferred tax liabilities at 31 December 2005 and 2004 are attributable to the items detailed in the tables below:

	2005			2004		
	Asset K	Liability K	Net K	Asset K	Liability K	Net K
(a) Consolidated						
Investment property, plant and equipment	-	(2,990,085)	(2,990,085)	-	(2,867,191)	(2,867,191)
Provisions on finance receivables	4,223,763	-	4,223,763	4,016,086	-	4,016,086
Employee provisions	409,576	-	409,576	133,827	-	133,827
Prepayments	-	(44,639)	(44,639)	-	-	-
Tax losses	-	-	-	139,756	-	139,756
Other items	-	(2,255,127)	(2,255,127)	1,661	(1,767,665)	(1,766,004)
Net tax assets / (liabilities)	4,633,339	(5,289,851)	(656,512)	4,291,330	(4,634,856)	(343,526)

Deferred tax assets amounting to K44,304 have not been recognised in respect of the loss incurred of K147,681 for the period ended 31 December 2005 by Credit Corporation (SI) Limited.

	2005			2004		
	Asset K	Liability K	Net K	Asset K	Liability K	Net K
(b) Company						
Property, plant and equipment	-	(9,695)	(9,695)	-	(18,893)	(18,893)
Investments in subsidiaries	-	(2,073,125)	(2,073,125)	-	(1,536,263)	(1,536,263)
Employee provisions	189,529	-	189,529	-	-	-
Provisions on finance receivables	-	-	-	1,354,916	-	1,354,916
Other items	-	(182,003)	(182,003)	-	(229,739)	(229,739)
Net tax assets / (liabilities)	189,529	(2,264,823)	(2,075,294)	1,354,916	(1,784,895)	3,139,811

16. SHARE CAPITAL

	Consolidated & Company	
	2005 K	2004 K
Issued ordinary share capital		
50,186,350 shares in issue at 1 January 2005	3,560,456	3,560,456
Nil shares issued or repurchased during the year	-	-
50,186,350 shares in issue at 31 December 2005	3,560,456	3,560,456

In accordance with the provisions of the Companies Act 1997 the shares do 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 and subject to complying with the requirements of Port Moresby Stock Exchange Listing Rules and the Papua New Guinea Companies Act 1997.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. RESERVES

		Consolidated		Company	
		2005 K	2004 K	2005 K	2004 K
Asset revaluation reserve	(a)	36,903,147	32,164,548	65,980,826	52,522,896
Asset realisation reserve	(b)	1,328,824	1,328,824	149,294	149,294
Exchange fluctuation reserve	(c)	925,982	1,728,693	-	-
General reserve	(d)	124,814,071	53,270,267	124,814,071	53,270,267
		163,972,024	88,492,332	190,944,191	105,942,457
(a) Asset revaluation reserve					
Balance at 1 January		32,164,548	34,048,753	52,522,896	46,028,508
Transfer from / (to) other reserves		-	(1,923,982)	-	(705,197)
Revaluation increment		4,738,599	39,777	13,457,930	7,199,585
Balance at 31 December		36,903,147	32,164,548	65,980,826	52,522,896
(b) Asset realisation reserve					
Balance at 1 January		1,328,824	273,189	149,294	149,294
Transfer from retained earnings		-	1,055,635	-	-
Balance at 31 December		1,328,824	1,328,824	149,294	149,294
(c) Exchange fluctuation reserve					
Balance at 1 January		1,728,693	1,526,746	-	-
Translation adjustment		(802,711)	201,947	-	-
Balance at 31 December		925,982	1,728,693	-	-
(d) General reserve					
Balance at 1 January		53,270,267	38,486,768	53,270,267	38,486,768
Transfer from / (to) retained earnings		71,543,804	14,783,499	71,543,804	14,783,499
Balance at 31 December		124,814,071	53,270,267	124,814,071	53,270,267

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 fixed assets over their 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

The General reserve represents amounts of net gains on long-term investments transferred from the profit and loss accounts.

18 EMPLOYEE BENEFIT PLANS

The group contributed to National Superannuation Fund and AON Master Trust, which are defined contribution plans, whereby employees contribute 7% of their salary to the fund and the company contributes up to 10% of each member's salary. During 2005 the company expensed K181,950 (2004:163,816) in contributions payable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. COMMITMENTS AND CONTINGENCIES

Commitments

Era Dorina Limited has entered into a contract for the construction of a set of apartments amounting to K20 million approximately which is expected to be completed in 2007.

Contingencies

The company and its subsidiaries have provided various assets as security to the bank facilities provided to the group. Other than the above, there are no contingencies as at 31 December 2005.

20. RELATED PARTY TRANSACTIONS

Interests Register

There were no entries recorded in the Interests Register for the year.

Shareholdings of directors and interested parties in Credit Corporation (PNG) Limited

	2005	2004
Noreo Beangke, a director of the company and Garth Mcllwain, CBE, a director of Credit Corporation (Fiji) Limited, are directors of Niugini Islands Produce Co. Limited that hold shares as follows:	3,570,230	4,770,230
Noreo Beangke, a director of the company, is a director of General's Holding Limited that hold shares as follows:	1,500,000	330,000
Sinai Brown, a director of the company, is a director of Nambawan Quarries Limited and BBL Consultancy Limited that holds shares as follows:		
Nambawan Quarries Limited	200,000	200,000
BBL Consultancy Limited	15,000	15,000
Luke Polangou and Michael Koisen, directors of the company are directors of Federation of Savings and Loans Societies Limited that holds shares as follows:	2,700,000	2,700,000
Leon Buskens, a director of the company, is the Managing Director of POSF Limited that holds shares as follows:	7,500,000	7,500,000
Michael Koisen, a director of the company, is the Chief Executive Officer of PNG Teachers Savings and Loans Society Limited that holds shares as follows:	8,481,380	8,481,380
Rod Mitchell, a director of the company, is the Chief Executive Officer of National Superannuation Fund Limited that holds shares as follows:	4,991,482	5,018,635

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Transactions with directors and entities in which directors are interested

Noreo Beangke, Managing Director of the company, has been provided loans amounting to K113,380 and the balance of amounts due at 31 December 2005 was K 94,638. Sinai Brown, a director of the company, has been provided a loan amounting to K30,000 and the balance of amounts due at 31 December 2005 was K24,388.

Noreo Beangke, a director of the company, is a director of Boroma Limited. Boroma Limited has been provided loans amounting to K99,504 by the group and the balance of amounts due was K64,796.

Sinai Brown, a director of the company, is a director of Nambawan Quarries Limited. Nambawan Quarries Limited has been provided a loan amounting to K290,002 by the group and the balance of amounts due was K45,097.

Directors and entities in which directors are interested have interest bearing deposits with the group at commercial rates prevailing at the time of the deposit.

Transactions with associates

Shares in Niugini Islands Produce Company Limited, an associate, were sold during the year. Niugini Islands Produce Company Limited holds 3,570,230 shares (2004: 4,770,230) in the company.

No dividends were received from Niugini Islands Produce Company Limited by the company in 2005 (2004: K180,940).

Remuneration of directors and employees

Remuneration of directors

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

	2005 K	2004 K
Sir Henry ToRobert	39,130	32,207
Luke Polangou	15,625	10,750
Sinai Brown	15,625	10,750
Fr. Barry Hanson	15,625	10,750
Noreo Beangke	465,097	528,765
Michael Koisen	15,625	10,750
Leon Buskens	15,625	10,750
Rod Mitchell	15,625	10,750

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 retirement benefit scheme

Shareholders, at the June 2005 annual general meeting, have approved a retirement benefit scheme for directors of the company, in respect of which a sum of K 516,328 has been charged to the profit and loss accounts during the year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Remuneration of employees

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

	2005	2004
	K	K
K 160,000 - K 169,999	1	-
K 210,000 - K 219,999	-	1
K 220,000 - K 229,999	1	-
K 310,000 - K 319,999	1	-
K 350,000 - K 359,999	-	1
K 440,000 - K 449,999	1	1
K 860,000 - K869, 999	-	1
K 980,000 - K989, 999	1	-

21. CAPITAL ADEQUACY RATIO

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

	Credit Corporation Finance Limited	Credit Corporation (PNG) Limited Consolidated
	2005	2004
	K' 000's	K' 000's
Core Capital:	20,564	45,116
Supplementary Capital:	1,015	45,116
Deductions from Capital:	(1,491)	(5,157)
Capital Base:	20,088	85,075
Risk weighted assets:	81,263	289,679
Capital Adequacy Ratio:	24%	29%
Tier I Capital Ratio	25%	16%
Leverage Ratio	22%	28%

At 31 December 2004 and 31 December 2005, as required by the Prudential Standards on Capital Adequacy, the minimum capital adequacy Ratio is 12%, the minimum Tier I ratio is 8% and minimum Leverage Ratio is 6%.

22. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks 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 and Solomon Island 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 180 days subject to management's expectations of interest rate movements. In Fiji the range is from 180 days to 5 years.

Fiduciary activities

The group does not provide fiduciary services.

Interest rate 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.

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 31st December 2005 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 (2004: K1,000,000 - K1,500,000).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. MATURITY ANALYSIS

	Less than one year K	Between one and five years K	No specific maturity K	Total K
Company at 31 December 2005				
Liquid assets	1,808,512	-	-	1,808,512
Investment securities	-	-	240,014,815	240,014,815
Other receivables	2,303,690	-	892,384	3,196,074
Total assets	<u>4,112,202</u>	<u>-</u>	<u>240,907,199</u>	<u>245,019,401</u>
Other liabilities	2,242,231	-	2,264,823	4,507,053
Total liabilities	<u>2,242,231</u>	<u>-</u>	<u>2,264,823</u>	<u>4,507,053</u>
Shareholders equity and minority interests				<u><u>240,512,348</u></u>
Company at 31 December 2004				
Liquid assets	13,418,902	-	-	13,418,902
Investment securities	4,938,580	-	130,071,885	135,010,465
Net loans and advances	28,193,334	24,755,944	-	52,949,278
Other assets	5,199,233	-	1,806,301	7,005,534
Total assets	<u>51,750,049</u>	<u>24,755,944</u>	<u>131,878,186</u>	<u>208,384,179</u>
Interest bearing loans and borrowings	-	-	-	-
Deposits and other borrowings	75,532,855	1,288,259	-	76,821,114
Other liabilities	2,308,709	-	1,784,895	4,093,604
Total liabilities	<u>77,841,564</u>	<u>1,288,259</u>	<u>1,784,895</u>	<u>80,914,718</u>
Shareholders equity and minority interests				<u><u>127,469,461</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. MATURITY ANALYSIS (continued)

	Less than one year K	Between one and five years K	No specific maturity K	Total K
Consolidated at 31 December 2005				
Cash and cash equivalents	16,636,048	-	-	16,636,048
Investments	6,458,101	6,751,765	140,143,529	153,353,395
Net loans and advances	77,180,118	85,182,054	-	162,362,172
Other assets	3,478,264	-	72,653,434	76,131,698
Total assets	<u>103,752,531</u>	<u>91,933,819</u>	<u>212,796,963</u>	<u>408,483,313</u>
Interest bearing loans and borrowings	67,765	2,823,539	-	2,891,304
Deposits	127,604,917	15,156,524	-	142,761,441
Other liabilities	14,127,750	-	-	14,127,750
Total liabilities	<u>141,800,432</u>	<u>17,980,063</u>	<u>-</u>	<u>159,780,495</u>
Shareholders equity and minority interests				<u>248,702,818</u>
Consolidated at 31 December 2004				
Cash and cash equivalents	21,100,846	-	-	21,100,846
Investments	5,515,836	8,177,802	124,803,731	138,497,369
Net loans and advances	64,841,383	67,862,805	-	132,704,188
Other assets	5,870,426	-	8,358,181	14,228,607
Total assets	<u>97,328,491</u>	<u>76,040,607</u>	<u>133,161,912</u>	<u>306,531,010</u>
Interest bearing loans and borrowings	97,510	1,849,144	-	1,946,654
Deposits	149,344,741	10,422,817	-	159,767,558
Other liabilities	6,515,270	-	4,170,595	10,685,865
Total liabilities	<u>155,957,521</u>	<u>12,271,961</u>	<u>4,170,595</u>	<u>172,400,077</u>
Shareholders equity and minority interests				<u>134,130,933</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. SEGMENT INFORMATION

Company

The company operates only in Papua New Guinea and is predominately involved in providing general finance, leasing and chattel mortgage financing.

	Total Assets K	Total Liabilities K	Turnover K	Net profit after tax and minorities K
Consolidated at 31 December 2005				
Geographical segments				
Papua New Guinea	331,877,588	91,365,237	128,471,734	109,537,410
Fiji	113,387,449	86,973,197	20,395,666	4,735,905
Solomon Islands	4,698,771	100,462	63,405	(147,681)
Less: Inter Segment	(41,490,495)	(18,658,401)	(696,989)	-
Total	<u>408,483,313</u>	<u>159,780,495</u>	<u>148,233,816</u>	<u>114,125,634</u>

Business segments

Financial services	393,217,476	144,470,656	137,814,376	109,915,150
Property	66,256,319	15,309,839	11,498,983	4,210,484
Less: Inter Segment	(50,946,482)	-	(1,079,543)	-
Total	<u>408,483,313</u>	<u>159,780,495</u>	<u>148,233,816</u>	<u>114,125,634</u>

Consolidated at 31 December 2004

Geographical segments

Papua New Guinea	209,460,745	81,991,284	42,060,263	20,862,866
Fiji	116,007,866	94,524,629	19,098,464	4,315,753
Less: Inter Segment	(18,937,601)	(4,115,836)	(246,053)	-
Total	<u>306,531,010</u>	<u>172,400,077</u>	<u>60,912,674</u>	<u>25,178,619</u>

Business segments

Financial services	302,774,782	168,643,849	52,333,873	22,289,566
Property	47,920,730	7,106,228	11,073,352	2,889,053
Less: Inter Segment	(44,164,502)	(3,350,000)	(2,494,551)	-
Total	<u>306,531,010</u>	<u>172,400,077</u>	<u>60,912,674</u>	<u>25,178,619</u>

25. EVENTS OCCURRING AFTER BALANCE SHEET DATE

In the opinion of the directors there were no events subsequent to the balance sheet date that would either require a disclosure in or adjustment to the financial statements.



Fiji Managing Director: Ross McDonald.

The Fiji operations again performed strongly, achieving a record profit before tax of F\$5,340,130, compared to F\$4,730,797 in 2004. Profit after tax was F\$3,652,206 and this compares to F\$3,365,964 in 2004.

This result continues the trend of excellent performance seen in the Fiji operations in recent years and builds on the solid foundation that we now have in Fiji.

Profits were achieved against signs of a weakening Fiji economy with growth forecast at 1.6% in 2005. Tourism had another excellent year with arrivals forecast at 549,000 or up about 5.6% on the

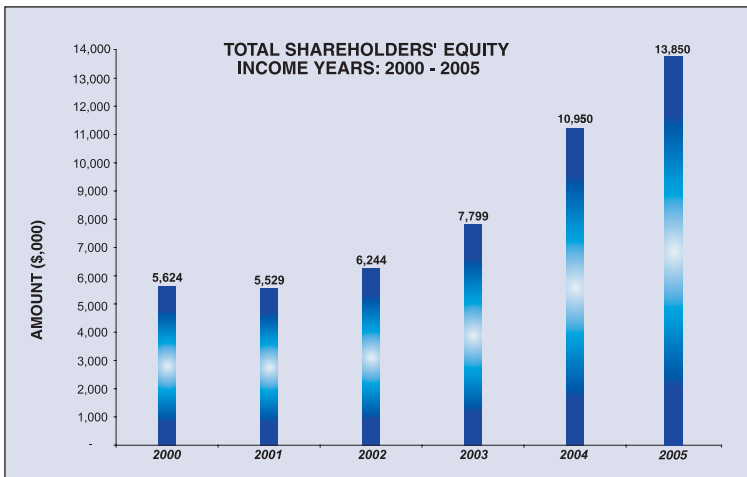
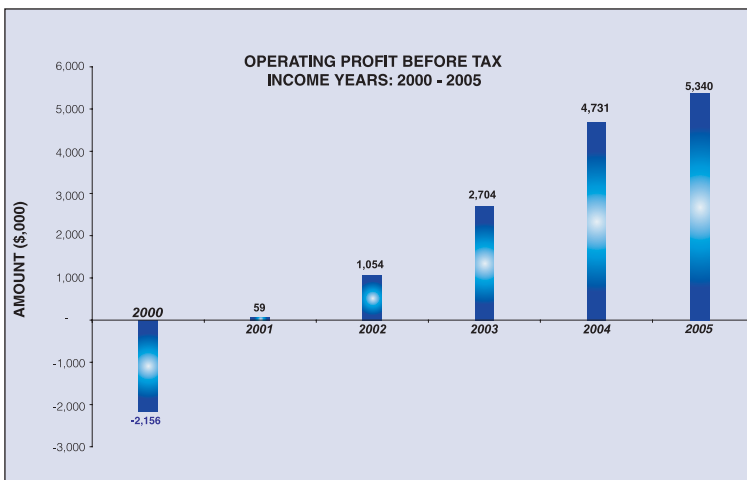
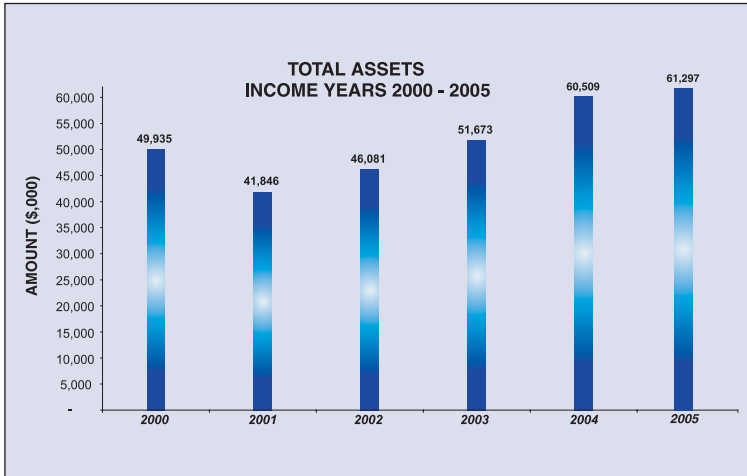
previous year. Tourism growth was supported by the opening of the 200 room Sofitel Hotel, with conference facilities, at Denarau in December 2005. Work is continuing on four other major hotel resort projects with a combined total of around 2000 rooms, all of which augurs well for the continuing expansion of the industry.

Sugar production was down some 7% with adverse weather conditions reducing cane tonnage to 2.8 million tonnes. The restructure of the industry is proceeding with the Fiji Sugar Corporation awarding tenders to the value of US\$40.3million for new plant and equipment to upgrade its mills, with the project targeted for completion by 30 June 2007. It is also proceeding with cogeneration (electricity production) at an estimated cost of F\$60 million with this targeted to come on line by 30 September 2007.

Of the other major industries, the garment sector was depressed, while fishing and timber were steady. Building and construction were buoyant with the large-scale tourism developments driving the growth. Export of water is expected to continue to become more significant with volume in 2005 estimated at F\$68million. Remittances from Fiji citizens working overseas, particularly as security personnel, are now becoming a substantial foreign exchange earner estimated at F\$311 million in 2005.



Fiji Management Team (L-R): Savinesh Prasad, Neelam Kavita, Ross McDonald, Uday Sen, Saiyad Buksh and Rajesh Kumar.



The level of new business written in 2005 was on line with 2004, with our loan portfolio increasing by 12% over the previous year.

We have continued to focus on clearing old debt and this process is now largely completed. Liquidity remained strong during the year, although there are now signs of a tightening of liquidity within

the economy. This is further evidenced by money supply in the wholesale market tightening dramatically in the last few months, with trading banks in particular offering significantly higher interest rates for large deposits of up to one year. This will place an increased cost burden on ourselves, as we will have to pay more for funds to finance our operations.

As foreseen in last year's report, an office building has been purchased in the central business district of Suva. The building will be renovated and it is expected that we will move into the new premises towards the end of 2006. This building will provide a permanent head quarters for our Fiji business and will have substantially increased office space to cater for our existing and future needs. Once we have relocated to these premises, additional staff will be engaged to strengthen our administrative functions, which will enable us to provide an improved level of service to clients.

The policy to continually focus on improving the performance of the company to increase profitability, has proven correct. This is evidenced by the 2005 profit result which is a 28% increase in profitability of our core finance activity over 2004, after adjusting 2004 results for capital gains. This policy to continually enhance performance will continue, however with the probable slowing of the Fiji economy in 2006, and with national elections due, shareholders should not expect to see the same large increases in profit that we have enjoyed in recent years.

Added to this we are now seeing an increased level of competition in the market with competitor finance companies, banks and other financial institutions all being more aggressive.

We have a strong balance sheet and a highly dedicated team and are confident that we can meet the challenges of changing market conditions and increasing competition in the year ahead. We look forward to another successful year in 2006.

FIJI

(EXTRACTED FROM FINANCIAL STATEMENTS)

BALANCE SHEET

	2005 Fiji Dollars	2004 Fiji Dollars
ASSETS		
Cash at bank	528,505	4,169,737
Receivables, net	52,938,993	47,779,686
Semi-government securities	3,997,504	4,497,504
Property, plant and equipment	1,926,742	680,557
Investments	52,500	52,500
Future income tax benefit	1,569,673	1,452,560
Other debtors	283,338	1,876,260
Total Assets	61,297,255	60,508,804

LIABILITIES

Deferred tax liability	7,342	11,494
Deposits	41,857,012	44,541,871
Provision for income tax	1,293,169	983,458
Provisions and accruals	1,190,188	922,143
Subordinated loan	3,100,000	3,100,000
Total Liabilities	47,447,711	49,558,966

Net Assets

	13,849,544	10,949,838
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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	633,814	633,814
Retained profits	9,165,730	6,266,024
Shareholders' Equity	13,849,544	10,949,838

PROFIT AND LOSS ACCOUNT

Operating profit	5,340,130	4,730,797
Income tax expense	(1,687,924)	(1,364,833)
Operating profit after tax	3,652,206	3,365,964
Retained profits at the beginning of the year	6,266,024	3,683,084
Transfer to realisation reserve	-	(568,024)
Dividends proposed but unpaid	(430,000)	(215,000)
Dividends proposed and paid during the year	(322,500)	-
Retained profits at the end of the year	9,165,730	6,266,024

Board of Directors

Sir Henry ToRobert, KBE (Chairman)

Ross McDonald

Noreo Beangke

Lionel Yee

Olota Rokovunisei

Garth Mcllwain, CBE

In September 2005, Credit Corporation (SI) Limited, a wholly owned subsidiary of Credit Corporation (PNG) Limited opened its doors in the Solomon Islands. The opening followed the presentation of our Credit Institution License by the Governor of the Central Bank of the Solomon Islands, Mr. Rick Hou and the Deputy Prime Minister The Honorable Snyder Rini to Sir Henry ToRobert, KBE the Chairman of Credit Corporation (SI) Limited.



The company's head office is located in the heart of the business district in the Centrepoint Building, Mendana Avenue, Honiara. Credit Corporation (SI) Limited is the first licensed financial institution to commence operation in the Solomon Islands since the ethnic tension of 2000.

As with PNG and Fiji, Credit Corporation (SI) Limited's core finance business is specialising in equipment finance by way of Bills of Sale and Lease, and offer an attractive alternative to bank finance. Repayments can be tailored to suit the customer's requirements and income streams. Some examples of items that Credit Corporation (SI) Limited finance are earthmoving equipment, mining equipment, gensets, motor vehicles, office equipment etc. The office originally commenced with two staff but as business has grown so rapidly, a third staff member was appointed during March 2006. Further staff will be employed as the company expands.

The General Manager, Mr. Phillip Wyatt, our previous Regional Manager in Papua New Guinea, has actively promoted the company and has already forged strong relationships with customers, introducers and business houses alike.

In addition to providing equipment finance to the people and businesses of the Solomon Islands, Credit Corporation (SI) Limited also accepts Interest Bearing

Deposits (IBD's). They pay an attractive rate of interest based on the market rate for funds at the time.

Credit Corporation (SI) Limited has a paid up capital of Solomon Islands \$10,000,000, which confirms the company's commitment to the Solomon Islands.

For the first four months of trading, Credit Corporation (SI) Limited experienced a small loss, which was well within budgeted forecasts. This was mainly due to the formation costs of setting up the business.

As at the time of writing, the first two months of 2006 has resulted in a net profit before tax of SBD\$205,811.88. This is an excellent result and one that has exceeded expectations so early in the history of the company. The lending portfolio is diversified, consisting of clients from all walks of life including manufacturing, agriculture, transport, tourism and professional services.

The company has made a commitment to the Solomon Islands and, with a stable government, looks forward to a long and mutually beneficial association. The opening of the Solomon Islands office is Credit Corporation (PNG) Limited's second venture into the South Pacific after our highly successful Fiji operation which commenced business in 1992.

SOLOMON ISLANDS**(EXTRACTED FROM FINANCIAL STATEMENTS)****BALANCE SHEET**

	2005 Solomon Island Dollars
Assets	
Cash at Bank	1,294,866
Receivables, net	1,681,889
Investment securities	6,729,695
Property, plant and equipment	263,298
Other debtors	43,803
Total Assets	<u>10,013,551</u>
Liabilities	
Creditors	214,094
Deposits	-
Total Liabilities	<u>214,094</u>
Net Assets	<u>9,799,457</u>
Issued capital (10,120,411 at SBD\$1.00)	10,120,411
Accumulated losses	(320,953)
Shareholders' Equity	<u>9,799,457</u>
PROFIT AND LOSS ACCOUNT	
Operating loss	(320,953)
Income tax expense	-
Operating loss after tax	(320,953)
Dividends	-
Accumulated losses at the end of the year	<u>(320,953)</u>

Board of Directors

Sir Henry ToRobert, KBE (Chairman)
 Noreo Beangke
 Robert Allport
 Phillip Wyatt

Registered Office

C/- KPMG Chartered Accountants
Second Floor, Mogoru Moto Building
Champion Parade, Port Moresby
Papua New Guinea

Principal Place of Business

Credit House, Cuthbertson Street
Port Moresby, Papua New Guinea

Directors

Sir Henry ToRobert, KBE (Chairman)
Noreo Beangke (Managing Director)
Fr Barry Hanson
Sinai Brown
Luke Polangou
Michael Koisen
Leon Buskens
Rod Mitchell

General Manager and Secretary

Robert Allport

Auditors

KPMG Chartered Accountants
PO Box 507
Port Moresby
Papua New Guinea

Share Registry

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Bankers

Australia and New Zealand Banking Group
(PNG) Limited
Australia and New Zealand Banking Group
(Fiji) Limited
Bank of South Pacific Limited
National Bank of Solomon Islands Limited

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PAPUA NEW GUINEA CREDIT CORPORATION (PNG) LIMITED

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FIJI

CREDIT CORPORATION (FIJI) LIMITED

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