PRELIMINARY FINAL REPORT

FINANCIAL HALF YEAR ENDED 30 JUNE 2019

Incorporating the requirements of Appendix 4B (equity accounted)

Rules 4.1, 4.3

Appendix 4B

For the half year to 30 June 2019

Results for announcement to the market

Comparisons of current half year to 30 June 2019 are with the half year to 30 June 2018.

	2019	2018
Preliminary Final Report for the half year ended 30 June 2019		
Revenue from ordinary activities (PGK Millions)	**K109m**	**K106m**
Net profit after tax for the period		
Attributable to equity holders (PGK Millions)	K78m	K70m
Dividends (distributions) Final dividend		
Unfranked (PGK toea per share)	13	11
Full Year dividend		
Unfranked (PGK toea per share)	-	17
Interim dividend		
Unfranked (PGK toea per share)	-	6

Directors

The Directors present this report together with the Consolidated Financial Report for the six month period ended 30 June 2019.

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

- Sydney Yates, Chairman
- Johnson Kalo
- Richard Sinamoi
- Faye Zina Lalo
- Michael Varapik
- Albert Mellam
- James Kruse
- Abigail Chang
- David Doig (Retired 30 June 2019).

The Company Secretary during or since the end of the year is Beverlyn Malken.

Contents

1. Results overview

CREDIT CORPORATION DELIVERS SOLID RESULT – NEW STRATEGIC PATH FOCUSED ON SHAREHOLDER VALUE CREATION

1.1 Results Highlights

Highlights	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
RESULT DRIVERS - GROUP						
Group Core Operating (PGK'000)*	70,736	32,479	53,794	32,109	43,315	31.5%
Profit after tax attributable to the shareholders (PGK'000)	78,412	28,262	69,661	11,844	61,795	12.6%
Expense to Income Ratio**	34.3%	37.7%	35.1%	44.3%	39.3%	-0.8%
Group Return on Equity	16.2%	6.5%	13.0%	7.8%	10.8%	3.2%
Return on Asset	4.6%	4.9%	3.8%	5.6%	3.2%	0.9%
Earnings Per Share	0.25	0.09	0.23	0.04	0.20	12.6%
Net Asset Backing Per Share	2.90	2.76	2.74	2.90	2.74	5.9%
RESULT DRIVERS - FINANCE						
Net Profit After Tax (PGK'000)	18,144	12,152	12,164	17,174	9,780	49.2%
Net interest margin (%)	12.0%	13.9%	12.9%	14.0%	11.6%	-1.0%
Net Loan (PGK'000)	626,897	581,939	544,846	480,879	419,250	15.1%
Funding (PGK'000)	495,822	483,432	453,760	454,352	384,149	9.3%
Loan impairment expense (PGK'000)	6,185	12,862	12,406	(109)	6,812	-50.1%
RESULT DRIVERS - PROPERTY						
Core Operating Profit (PGK'000)	9,261	7,528	5,865	3,034	2,239	57.9%
Occupancy Rates	79.0%	76.0%	74.0%	44.0%	44.0%	5.0%
Investment property fair value (PGK'000)	277,251	297,410	303,685	301,810	315,933	-8.7%
Rental Yields	12.3%	11.7%	9.8%	7.6%	7.1%	2.4%
RESULT DRIVERS - INVESTMENTS						
Fair Value of Listed Investments (PGK'000)	406,965	377,930	368,716	354,234	371,071	10.4%
Dividend Yield	9.1%	12.3%	9.4%	12.3%	10.4%	-0.3%
Dividend Income (PGK'000)	36,657	13,415	32,918	12,486	30,226	11.4%
Share of profit of equity accounted investee (PGK'000)	2,225	(5,624)	2,626	(3,875)	2,095	-15.3%

*Core operating profits excludes tax and fair value changes arising from revaluation of investments.

**Expense to income ratio excludes any fair value changes of investments.

1.2 Operating performance and earnings

Credit Corporation Group ("The Group") delivered an excellent first half to 30 June 2019 ("1H19"). The 1H19 results show a 31.5% increase in Core Operating Profit and a 12.6% increase in NPAT compared to the 30 June 2018 ("1H18") half year result. The 1H19 NPAT and Core Operating profits were also well above budget.

These strong results were achieved despite a backdrop of macro-economic challenges in some of the key markets in 1H19. Despite these headwinds, the Group experienced growth in all facets of its business. The Finance Business experienced double-digit lending growth, while funding levels also grew proportionate to lending growth. The property division also experienced improved occupancy rates. The combination of these favourable factors, combined with strong efficiency gains, contributed to improved profitability for the Group.

Improved customer partnership and a continued focus on delivering for our lending customers has improved the profile of the finance business in key markets. These initiatives, coupled with attractive market rates, have further strengthened the Groups' balance sheet and overall funding capacity.

Continued focus on property upkeep and maintenance, and improved services were the hallmarks of the success of the property portfolio. One such example is the roll out of high speed internet at the Era Dorina Estate. Despite a subdued PNG economy with prevailing low demand for rental properties, we have set out to clearly differentiate Credit Corporation's properties in these important areas. The success of this strategy has been the increasing occupancy levels experienced over the past 12 months, with further improvements expected through 2019.

The investment portfolio also delivered solid yields which were predominantly driven by shares in Bank South Pacific.

At the beginning of 2019, the Group commenced the implementation plan of the new Strategic Direction that was endorsed by the Board in December 2018. The new Strategic Direction focuses on enhancing customer experience in all facets of the Group's business and improving efficiency measures. In 1H19, we are making significant investments in technology, services, and products, ensuring these investments deliver for customers as well as the Group.

The management team has also been focused on implementing key activities identified as part of the new Strategic Direction. The activities include:

- Upgrading IT platforms
- Improving and automating key business processes
- Developing the Group funding strategy
- Continuing improvement in marketing Credit Corporation Properties
- Ongoing review of our investment portfolio.

The Group achieved a lower cost to income ratio of 34.3%. This has reduced by 80bps compared to 1H18, demonstrating a determined focus on revenue growth while improving efficiencies across all operational aspects of the business.

The Board also declared a final dividend of 13 toea per share in June 2019. This represents a dividend yield of 14.07%.

Group return on equity was also higher at 16.2% in 1H19, representing a 320bps increase from 1H18.

Key highlights of the results in 1H 2019:

- Grew loan book in respective regions as follows: CC PNG (8%), CC Fiji (7.7%), CC VL (13.7%) whilst CC SI decreased by 26.8%
- Increased occupancy rates by 5.3% overall, contributing to improved profitability despite softer rental rates

- Progressed recovery of a number of legacy loans. We are continuing to focus on the recovery of the remaining legacy loans
- Respected IT firms Data#3 and Symantec Managed Security Services were engaged as lead service providers for IT-related services including outsourcing of cyber security services
- Increased dividend income stream from BSP has contributed to improved dividend income from the Group to shareholders
- Initiated a more diversified funding strategy which brings more certainty around its funding base to support the growth outlook for the Group
- Granted licence as a deposit taking institution in Timor Leste. This is a positive step for CC Timor as it will enable self-funding of its operations and growth of its loan portfolio. CC Timor has ramped up marketing campaigns to take in deposits which has gained traction, with first deposit customers in July 2019
- Rolled out key strategic initiatives at the beginning of 1H19 to improve customer experience
- Launched high speed internet at 20mbs to tenants at Era Dorina estate. Service will soon be introduced to Era Matana Estate.

The key drivers of the results for each segment are discussed below.

1.2.1 Finance Segment

Net interest grew by 18% or K5.9m compared to 1H18. This result was mainly driven by loan growth in PNG, Fiji and Vanuatu. Solomon Islands continued to face economic headwinds due to the sluggish state of the economy. Consistent with the lending growth, the Group also focused on ensuring it maintained steady funding growth.

CC Finance PNG

The PNG economy has moved through a number of challenges in 1H19.

This year, prospects were looking better for the PNG economy with some important infrastructure projects underway and the Papua LNG agreement signed, which is expected to build momentum through the remainder of 2019 into next year.

PNG's Treasury stated in the recent mid-year statement: "The widening of the foreign exchange imbalance in recent months and the tightness in fiscal spending will also impact adversely on non-mining [non-resource] GDP growth in 2019".

However, the PNG Government seeks to boost 'the targeted areas of agriculture, fisheries, forestry, tourism, manufacturing and the small to medium enterprises sector, business is anticipating a more expansionary approach before the end of the year.

CC Finance PNG recorded a NPAT of K5.3m which was 6.5 times higher than 1H18. The loan book grew by 8.1 % or K23m compared with the previous corresponding period. Solid progress was made on recovery of legacy loans during 1H19. The deposit book also grew by K6m or 2.6%. Net interest income grew by 18.4% or K2.4m. With tight liquidity conditions, interest rates will continue to rise and 2H19 will see margin compressions for CC PNG, offset by continuous growth.

CC Fiji

The Growth of the Fiji economy slowed in 1H19. The Fiji Government has been carrying a budget deficit in previous years and it is now refocusing its efforts on balancing the budget. This means consolidation on expenditure and introducing duties on import items such as used motor vehicles. System liquidity has begun to tighten due to high levels of lending and lower savings levels. The impact of this has pushed interest rates higher and weakened lending activities.

Despite these macro challenges, CC Fiji recorded NPAT of FJD$4.8m in 1H19 which is a 6% increase from 1H18. CC Fiji's loan book grew by 7.7% or FJD$10.9m and the deposit book also grew by 6.3% or FJD$8.3m. Due to tight macro conditions, it is anticipated that growth will taper off in 2H19.

CC Vanuatu

Vanuatu's GDP is expected to grow by 3% in 2019. Despite challenges from natural disasters and weaker prices for agriculture exports, construction remains a main driver, sustained by development partner-funded projects. Stronger earnings from tourism-related activities continue to be a key driver of economic activities.

CC Vanuatu recorded a NPAT of VuV160m in 1H19 representing a 7.3% increase from 1H18. The CC Vanuatu loan book grew by 13% or VuV213m while funding also grew by 45% or 452m. CC Vanuatu remains a stable growth business for the Group.

CC Solomons

Economic activity in the Solomons has been flat in light of weaker commodity prices and a lack of inflows from AID and donor agencies.

CC Solomons recorded a NPAT of SBD$2.7m representing an increase of 2.9 times the 1H18 result. This result was achieved on the back of large recoveries on legacy loans. The loan book reduced by 26.8% or SBD$29m. The Group has now placed more emphasis on stabilising this portfolio. Key initiatives are being implemented to achieve a turnaround in CC Solomon's fortunes in 2H19.

CC Timor-Leste

Despite some political and economic uncertainty, the Timor economy is expected to take steps towards a recovery following approval of the 2019 budget in February 2019. In June 2019, the Central Bank in Timor Leste granted license to CC Timor to take deposits from customers. This is a positive step for CC Timor. It will enable CC Timor to self-fund its operations and grow its loan portfolio.

CC Timor achieved loan growth of USD$2.2m in 1H19, bringing total loan book growth to USD$2.4m. CC Timor has ramped up marketing efforts to take in deposits, which has gained traction with first deposit customers in July 2019.

1.2.2 Property Segment

The property segment recorded a 58% or K3.4m increase in core profits in 1H19 compared to 1H18. The increase was attributed to improved occupancy rates coupled with tight cost control. Rental yields on properties improved over the last twelve months by 240bps. This was attributed to an increase in rental income over the last 12 months, while fair value on properties experienced notable deprecation.

- Era Dorina – occupancy increased to 65% (58% in 1H18)
- Era Matana – occupancy increased to 77% (71% in 1H18)
- Credit House – occupancy increased to 95% (92% in 1H18).

The oversupply of properties in the Port Moresby market continued to put downward pressure on rental rates. Lease tenure for residential properties has averaged at 24 months. CCP has continued to maintain its status as the preferred property company in the market despite the macro challenges. The Group will continue to invest in the upkeep of its property portfolio in order to maintain its position as a premium brand in the market.

The Group introduced high speed internet to all its tenants at the Era Dorina residential estate in 1H19. The service is provided at no cost to the tenants. This service will soon be introduced to Era Matana.

With Era Dorina being positioned as a family-friendly residential complex, the high-speed internet services complement a brand new children's playground, an observation deck at stage 1 and more recently, renovated swimming pool areas.

In 1H19, the Group focused on lifting its marketing efforts to improve occupancy levels. This included increasing direct marketing activities targeting real estate agents and also larger companies which have potential to take up multiple tenancies. Refreshed newspaper advertisements were rolled out in the first quarter of 2019, supported by on site client events.

1.2.3 Investment Segment

The investment portfolio consists of listed equities, predominantly BSP shares. The valuation of shares in BSP increased by 10.37% compared to 1H18 and the dividend yield reduced by3bps, mainly due to the appreciation of the BSP share price over the last 12 months.

1.2.4 Asset quality and loan impairment

In 1H19, the Group continued to focus on quality loan growth and at the same time pursued actions to resolve the situation regarding legacy loans.

Impairment costs reduced by 50% or K6.2m compared to 1H18. This was largely attributed to recoveries made on legacy loans.

The efforts to resolve issues with legacy loans will continue through to 2H19. With varying macro challenges impacting core business activities, the Group is mindful of managing the overall quality of the loan book. The asset management team has been strengthened with the recruitment of additional resources in the collections team.

Apart from arrears management, the deterioration in collateral values and a longer realisation period to clear loan delinquency in key markets are the key variables being monitored under International Financial Reporting Standard (IFRS) 9, as any significant change in these variables can drive provisions up or down.

The Group is keeping a close focus on CC Solomons in order to ensure the asset quality is maintained at required levels, given the sluggish state of the economy. At the same time, CC Solomons is exploring opportunities to improve business performance.

1.2.5 Property Valuations

The Group adopted an approach to conduct revaluations every three years consistent with IFRS requirements. As such, the next external revaluation has fallen due in FY19. The Group has appointed Savills from Singapore to perform a valuation on all of the Group's properties. The valuation results were available in time to be taken up in the 30 June 2019 accounts. The valuation outcome saw a fair value reduction of K21m taken up in 1H19.

Despite improved occupancies across all property portfolios, the valuation position was attributed to market factors such as rental rates, property prices and yields, and average lease tenures.

Despite pressure on rental rates and reduced average market tenure, the Group still maintains its status as a preferred supplier in the market and will maintain many of the new tenants, who are coming mainly from referrals from existing tenants.

CCP expects occupancy to settle at 80% to 85% by the end of FY19.

1.2.6 Operating expenses

Operating expenses reduced by 12.8% and this was largely attributed to a lower loan impairment cost in 1H19. (The increase in impairment costs is further explained in the Asset Quality and Impairment section.)

The following expense items increased in 1H19:

- Personnel expense costs were higher as a result of all key management positions being filled for a full six months in 1H19, with additional staff being recruited
- Depreciation expense also increased by 13% and this was attributed to depreciation on leases under IFRS 16 for right of use assets. The Group has applied IFRS 16 in FY18 using the modified retrospective approach and therefore the comparative information for prior half year has not been restated and continues to be reported under IAS 17
- Other operating expenses were also lower due to various cost disciplines put in place to manage operating costs across the Group.

1.3 Key strategic priorities:

1H19 has seen a sustained effort to implement initiatives based on the new Strategic Direction. Key priorities include financial performance, customer value, core systems and processes, and people.

In 1H19, remediation work started on the Group's IT platforms. The Group engaged reputable IT firm Data#3 to carry out the remediation work. Work included an assessment of the current IT environment including key infrastructure, software, data security, cyber security and licencing arrangements. An outcome of the remediation work was the appointment of Symantec as the Group's cyber security service provider.

Planning work to upgrade the core finance platform FinPower to FinConnect 5 started in 1H19. This is a transformative project for the Group. The actual upgrade and go live is expected to take place in 2H19. The new FinConnect version will deliver improved front office and back office capability, with enhance customer interface capability.

Back office systems and processes are being streamlined using the agile method of workflow. This has enabled staff to better manage actions and outcomes. In 2H19, more focus will be on automation of key processes and the implementation of workflow systems.

A key focus in 1H19 is our work on putting in place a clear funding strategy. The Group now has a funding strategy that provides certainty on its funding profile, with a clear focus on diversifying the deposit portfolio.

The property and investment businesses continue to support the Group as key capital generating segments.

Another key business unit initiative is a review of the Group's investment portfolio, to ensure that it is optimised without capital or revenue impact, as a hedge against cyclical downtrends in other sectors. In line with this, the Group will be looking to divest low yield investments while continuing to seek growth opportunities via M&A, geographic expansion and distribution networks.

The six to twelve months will see a sustained effort to satisfy the requirements of the new Strategic Direction.

1.4 Governance and risk

The work on strengthening governance structures and processes is also evolving and maturing.

A key focus will be strengthening the Group's risk and compliance structures to meet the ongoing requirements of regulators across the Pacific as it moves towards best practice.

The Group commenced recruitment efforts for a new Chief Risk Officer and Chief Operating Officer. These roles are deemed critical for the Group to meet the changing regulatory and risk landscape regarding operations.

The Board has also progressed a number of other key focus areas since its appointment. These have included:

- Changing the way it reports, giving more transparency to the operating divisions of the Group
- Fostering a culture of accountability throughout the Group
- Setting performance benchmarks linked to strategy and budget
- Half yearly market updates supported by shareholder updates.

In line with the non-binding resolution at the 2019 AGM for the appointment of an independent firm to look at solvency testing and other considerations around distribution of BSP shares in-specie, the board has appointed PwC Australia to carry out the task. PwC Australia is deemed to be an independent firm and therefore does not pose any conflict of interest issues with regard to the terms of reference for the review.

1.5 Disclosure and context

1.5.1 Future performance, forward looking statements

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

1.5.2 Rounding

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

1.6 Profit results for the half year ended 30 June 2019

1.6.1 Statutory results

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Finance Income	51,368	48,952	43,445	41,469	32,551	18%
Finance cost	(11,679)	(10,722)	(9,685)	(9,387)	(8,256)	21%
Net Finance income	39,689	38,230	33,759	32,082	24,295	18%
Other income	61,203	36,760	54,554	29,968	46,606	12%
Fair value gain/(loss) on financial assets	29,035	9,214	18,181	(1,994)	20,585	60%
Fair value loss on investment properties	(20,935)	(8,952)	0	(20,073)	252	-
Net operating income	**108,992**	**75,253**	**106,495**	**39,984**	**91,737**	**2%**
Impairment loss on finance receivables	6,185	12,860	12,408	(109)	6,812	-50%
Personnel expenses	10,300	8,765	8,970	10,101	9,122	15%
Depreciation expense	2,514	2,714	2,221	1,655	1,654	13%
Other operating expenses	13,381	12,549	13,546	14,419	12,092	-1%
Total expenses	**32,380**	**36,887**	**37,146**	**26,066**	**29,680**	**-13%**
Results from operating activities	**76,612**	**38,366**	**69,349**	**13,917**	**62,056**	**10%**
Share of profit of equity accounted investee (net of tax)	2,225	(5,624)	2,626	(3,875)	2,095	-15%
Profit before tax	**78,836**	**32,741**	**71,975**	**10,042**	**64,151**	**10%**
Income tax expense	424	4,479	2,313	(1,801)	2,356	-82%
Profit attributable to equity holders of the company	**78,412**	**28,262**	**69,661**	**11,844**	**61,795**	**13%**

The above information reflects the reviewed half year consolidated financial results for Credit Corporation Group for the six-month period ended 30 June and 31 December financial statements. The full year results for the years ended 31 December 2017 and 2018 reflects audited results.

1.6.2 Net interest margin

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Average Interest earning assets	585,872	531,409	512,863	450,064	407,315	14.2%
Average yield on interest earning assets (%)	16.8%	18.4%	16.9%	18.4%	16.0%	-0.2%
Average interest bearing liabilities	488,578	468,892	483,816	419,251	372,799	1.0%
Average cost on interest bearing liabilities (%)	4.8%	4.6%	4.0%	4.5%	4.4%	0.8%
Interest spread (%)	12.0%	13.9%	12.9%	14.0%	11.6%	-1.0%

The net interest margin ("NIM") reduced by 100bps to 12.0% in 1H19. The reduction in margins was caused by increased competition and additional requirements to raise more funds to fund loan growth.

The increased competition in key markets has resulted in yields on average interest earning assets reducing by 20 bps. System liquidity in key markets has been tight, causing interest rates to increase. This has resulted in higher interest costs on deposits, thereby causing cost of funds to increase by 80bps.

In 2H19, cost of funds is expected to increase in key markets due to varying macro factors. Also improved foreign currency flows in key markets will have potential upward pressure on interest rates.

1.6.3 Investment fair value movement

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Property						
Residential property	(19,251)	(7,528)	-	(20,676)	252	-
Commercial Property	(1,684)	(1,423)	-	603	-	-
Total gain/(loss) on property valuation	**(20,935)**	**(8,952)**	**-**	**(20,073)**	**252**	**-**
Financial Assets						
Listed equity	29,035	9,214	18,181	(1,994)	20,585	60%
Share of profits from equity accounted investee	2,225	(5,624)	2,626	(3,875)	2,095	-15%
Total gain/(loss) on valuation of financial assets	**31,260**	**3,589**	**20,807**	**(5,869)**	**22,679**	**50%**
Total gain/(loss) on valuation of investments	**10,325**	**(5,362)**	**20,807**	**(25,942)**	**22,931**	**-50%**

Property valuations

The Group adopted an approach to undertake external revaluations on investment properties at the end of every three-year period, which is in line with IFRS.

The last property valuation was performed in FY16 and the next revaluation is due in FY19. Within the three-year period, an internal assessment of property valuations is performed with external auditors attesting to fair values of investment properties.

In 1H19, The Group appointed Savills to revalue all its properties.

The Group recorded a loss of K21m on property valuation in 1H19. Despite improved occupancies across all the property portfolios, the valuation positions were attributed to market factors such as rental rates, property prices and yields, and average lease tenures.

Notwithstanding the external market factors, occupancy across all property portfolios increased to 79% in 1H19. Occupancy by properties were as follows:

- Era Dorina – occupancy increased to 65% (58% in 1H18)
- Era Matana – occupancy increased to 77% (71% in 1H18)
- Credit House – occupancy increased to 95% (92% in 1H18).

Investment valuations

The investment portfolio consists of listed equities with BSP dominating 99% of the investment portfolio. Valuation of the shares was based on closing market price as at 30 June 2019. As at the end of 1H19, the Group had 36,294,081 shares in Bank South Pacific with a fair value of K401m. This represents an increase of 11.7% in fair value movement from 1H18.

Dividend income received in 1H19 increased by 11.4% to K37m and was predominantly derived from BSP investment.

1.6.4 Share of profits from equity accounted investee

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Investments - equity accounted	14,687	12,462	18,087	15,461	19,336	-19%
Share of profit of equity accounted investee (net of tax)	2,225	-5,624	2,626	-3,875	2,095	-15%

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

The Group recorded its share of equity accounted profit of K2.2m. This represents 25% of CIG's net profit as at 30 June 2019. The Group still maintained a provision of K2.99m impairment charge that was taken up in December 2018 on this interest in CIG due to lack of visibility on the investee's financial position. The Directors have considered this a prudent approach in their consideration of the investee's impairment indicators.

During the year, there were no dividends received from Capital Insurance Group.

1.6.5 Operating expenses

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Impairment loss on finance receivables	6,185	12,860	12,408	(109)	6,812	-50%
Personnel expenses	10,300	8,765	8,970	10,101	9,122	15%
Depreciation expense	2,514	2,714	2,221	1,655	1,654	13%
Other operating expenses	13,381	12,549	13,546	14,419	12,092	-1%
Total Expenses	**32,380**	**36,887**	**37,146**	**26,066**	**29,680**	**-13%**

Operating expenses reduced by 12.8% and this was largely attributed to lower loan impairment costs in 1H19. (The decrease in impairment costs is further explained in the Asset Quality and Impairment section.)

The following expense items increased in 1H19:

- Personnel expense costs were higher as a result of key management positions being in place for a full six months, with additional staff being recruited
- Depreciation expenses also increased by 13% and this was attributed to depreciation on leases under IFRS 16 for right-of-use assets. The Group applied IFRS 16 in FY2018 using the modified retrospective approach and therefore the comparative information for prior half years have not been restated and continues to be reported under IAS 17
- Other operating expenses were also lower due to various costs disciplines put in place to manage operating costs across the Group.

1.6.6 Asset quality and impairment

Figures in PGK'000s	Half Year ended				Change %
	Jun-19	Dec-18	Jun-18	Jan-18	vs Jun 18
Loan Balance (net of unearned income)					
· Stage 1 -12 month ECL	495,235	455,812	415,662	403,739	19%
· Stage 2 - Life time ECL	80,166	75,299	96,756	71,258	-17%
· Stage 3 - Life time ECL	113,368	111,376	71,551	34,782	58%
Total loans (Net of unearned income)	688,768	642,486	583,969	509,779	18%
Loan Provisions	(61,871)	(60,547)	(39,123)	(28,900)	58%
Net loan book	626,897	581,939	544,846	480,879	15%
Loan impairment expense	6,185	12,860	12,408	6,703	-50%

In 1H19, the Group continued to focus on quality loan growth and at the same time pursued the actions to resolve legacy loans from CC Finance PNG. Impairment costs reduced by 50% or K6.2m compared to 1H18. This was largely attributed to recoveries made on legacy loans.

The efforts to resolve issues with legacy loans will continue through to 2H19. With varying macro challenges impacting on core business activities, the Group is focused managing the overall quality of the loan book. The asset management team has been strengthened with the recruitment of additional resources in the collections team.

Loans provisions increased by 58% over the last 12 months compared to 1H18. The increase was attributed to:

- Loan growth
- Impact of provisioning on legacy loans for CC Finance PNG
- Reclassification of loan arrears and delinquent loans for Solomon Islands.

The above items were provided in 2H18, however the deterioration in collateral values and a longer realisation period to clear loan delinquency in key markets have been the key variables driving the provisions increase under IFRS 9.

The Group is keeping a close focus on CC Solomons in order to ensure the asset quality is maintained at required levels given the sluggish state of the economy, while also keeping watch on opportunities to improve business performance.

1.6.7 Group Capital Adequacy

Group Capital Adequacy is based on the prudential requirements of respective Central Banks in Papua New Guinea, Fiji, Solomon Islands and Vanuatu. The prudential standards in respective jurisdictions prescribe the Capital Adequacy Ratios and Leverage Ratios to ensure the finance businesses are well capitalised.

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Total Risk Weighted Capital	219,210	188,068	198,580	201,404	189,641	10%
Tier 1 Capital	182,022	157,207	180,440	181,932	174,646	1%
Tier 2 Capital	37,188	30,861	18,140	19,472	14,995	105%
Total RWC	29%	28%	30%	34%	37%	-1%
Tier 1 RWC	26%	20%	26%	28%	36%	0%
Leverage Ratio	26%	18%	25%	25%	29%	1%

In 1H19, The Total Capital and Tier 1 Capital increased by 100bps due to improved profitability in its finance business. As at 30 June 2019, all finance subsidiaries were well capitalised and above regulatory limits, despite the IFRS 9 adjustments.

1.6.8 Lending

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
Gross balance	789,977	754,250	694,200	605,882	529,207	14%
Unearned income	(101,209)	(111,763)	(110,231)	(96,103)	(76,182)	-8%
Provision	(61,871)	(60,547)	(39,123)	(28,900)	(33,775)	58%
Net loans	626,897	581,939	544,846	480,879	419,250	15%

Compared to 1H18, loan book grew by 15% over the last 12 months.

The growth was largely attributed to renewed focus on sales across the key markets.

Improved customer partnerships and continued focus on delivering to our lending customers have improved the profile of the finance business in key markets. PNG, Fiji and Vanuatu were the key markets that experienced growth. For CC Solomons, the focus has been on managing loan book quality given the subdued economic conditions within that market.

As previously stated, loan provisions increased 58% over the past 12 months compared to 1H18.

1.6.9 Funding

Figures in PGK'000s	Half Year Ended					Change %
	Jun-19	Dec-18	Jun-18	Dec-17	Jun-17	vs Jun 18
On Call	3,782	509	139	68	2,171	2621%
1 month	31,371	25,952	51,493	35,654	46,940	-39%
2 months	57,734	35,207	66,175	59,409	51,819	-13%
3 months	55,186	75,318	71,627	50,773	45,012	-23%
6 months	86,182	137,848	79,676	96,283	76,449	8%
12 months	201,395	155,981	143,451	170,089	121,631	40%
24 months	60,173	52,617	39,723	42,076	40,126	51%
Total Deposits for Credit Corp	495,822	483,431	452,284	454,352	384,150	10%

Funding grew by 10% compared to 1H18. The growth was attributed to the need to raise more funding to grow the loan book. The Group worked on its funding plan in 1H19 and is now focused on diversification of its funding base, in order to bring more certainty around its funding profile.

The Finance business has been actively focused on ensuring it manages its liquidity in line with best practice. There also has been cost pressure on deposit pricing in order to attract new deposits. For FY19, the focus will be on ensuring that growth in the loan book is aligned with funding growth. The Group is also committed to strengthening its treasury function with additional resources and expertise to assist with meeting funding requirements, and to manage funding risk in the future.

2. Consolidated profit and loss account

		Current period – K''000	Previous corresponding period - K''000
2.1	Sales (or equivalent operating) revenue	69,183	57,708
2.2	Share of +associates' "net profit (loss) attributable to shareholders"	2,225	2,626
2.3	Other revenue	51,487	58,472
2.4	**+Operating profit (loss) before abnormal items and tax**	**78,836**	**71,975**
2.5	Abnormal items before tax	-	-
2.6	+Operating profit (loss) before tax	78,836	71,975
2.7	Less tax	(424)	(2,313)
2.8	+Operating profit (loss) after tax but before outside +equity interests	78,412	69,662
2.9	Less outside +equity interests	-	-
2.10	**+Operating profit (loss) after tax attributable to shareholders**	**78,412**	**69,662**
2.11	Extraordinary items after tax	-	-
2.12	Less outside +equity interests	-	-
2.13	Extraordinary items after tax attributable to shareholders	-	-
2.14	**Total +operating profit (loss) and extraordinary items after tax**	**78,412**	**69,662**
2.15	+Operating profit (loss) and extraordinary items after tax attributable to outside +equity interests	-	-
2.16	**+Operating profit (loss) and extraordinary items after tax attributable to shareholders**	**78,412**	**69,662**
2.17	Retained profits (accumulated losses) at beginning of financial period	426,065	403,648
2.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description) Adjustment from implementation of IFRS 9	-	(2,018)
2.19	Aggregate of amounts transferred from reserves	(14,381)	(14,958)
2.20	Total available for appropriation *(carried forward)*	490,097	456,334
2.21	Dividends provided for or paid Final dividend: 10 toea per share Interim dividend: 4 toea per share	(40,031)	(33,895)
2.22	Aggregate of amounts transferred to reserves	-	-
2.23	**Retained profits (accumulated losses) at end of financial period**	**450,066**	**422,439**
2.24	+Operating profit (loss) after tax before outside +equity interests and amortisation of goodwill	78,412	69,662
2.25	Less (plus) outside +equity interests	-	-
2.26	+Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	78,412	69,662

3. Intangible, abnormal and extraordinary items

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

4. Comparison of half year profits

(Preliminary final report only)

		Current year – K''000	Previous year - K''000
4.1	Consolidated +operating profit (loss) after tax attributable to **shareholders** reported for the 1st half year (item 1.10 in the half yearly report)	78,412	69,662
4.2	Consolidated +operating profit (loss) after tax attributable to **shareholders** for the 2nd half year	N/A	N/A

5. Consolidated balance sheet

(See note 5)

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
Current assets				
5.1	Cash	135,179	93,887	123,103
5.2	Receivables – net of portfolio & specific provisions	97,575	110,585	103,332
5.3	Investments	-	5,204	932
5.4	Inventories	903	868	905
5.5	Other – (Other Debtors & Income & Dividend WTax)	940	6,039	15,153
5.6	**Total current assets**	**234,597**	**216,583**	**243,425**
Non-current assets				
5.7	Receivables – net of portfolio & specific provisions	529,322	471,354	441,514
5.8	Investments in +associates	14,687	12,462	18,087

		At end of current period K'000	As shown in last +annual report K'000	As in last half yearly report K'000
5.9	Other investments	685,508	676,628	678,723
5.10	Inventories	-	-	-
5.11	Exploration and evaluation expenditure capitalised (see para .71 of *AASB 1022*)	-	-	-
5.12	Development properties (+mining entities)	-	-	-
5.13	Other property, plant and equipment (net)	25,229	25,107	25,620
5.14	Intangibles (net)	44	56	68
5.15	Other (deferred tax asset & other debtors)	29,305	28,816	22,814
5.16	**Total non-current assets**	**1,284,095**	**1,214,423**	**1,186,826**
5.17	**Total assets**	**1,518,692**	**1,431,006**	**1,430,251**
Current liabilities				
5.18	Accounts payable	8,267	6,442	7,461
5.19	Borrowings	57,859	60,110	62,283
5.20	Provisions (Including dividend payable)	43,084	2,749	36,402
5.21	Other (deposits, income tax & IFRS 16 lease liability)	436,082	434,097	415,256
5.22	**Total current liabilities**	**545,292**	**503,398**	**521,402**
Non-current liabilities				
5.23	Accounts payable	-	-	2,271
5.24	Borrowings	-	-	-
5.25	Provisions (deferred tax liability)	17,088	24,467	24,440
5.26	Other (deposits & IFRS 16 lease liability)	63,485	51,932	38,504
5.27	**Total non-current liabilities**	**80,573**	**76,399**	**65,215**
5.28	**Total liabilities**	**625,865**	**579,797**	**586,617**
5.29	**Net assets**	**892,827**	**851,209**	**843,634**
Equity				
5.30	Capital	21,983	21,983	21,999
5.31	Reserves	420,777	403,161	399,196
5.32	Retained profits (accumulated losses)	450,067	426,065	422,439
5.33	Equity attributable to shareholders of the parent entity	892,827	851,209	843,634
5.34	Outside +equity interests in controlled entities	-	-	-
5.35	**Total equity**	**892,827**	**851,209**	**843,634**
5.36	Preference capital included as part of 4.33	-	**-**	**-**

6. Exploration and evaluation expenditure capitalised

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

		Current period - K'000	Previous corresponding period - K'000
6.1	Opening balance	NA	NA
6.2	Expenditure incurred during current period		
6.3	Expenditure written off during current period		
6.4	+Acquisitions, disposals, revaluation, increments etc.		
6.5	Expenditure transferred to development properties		
6.6	**Closing balance as shown in the consolidated balance sheet** (item 4.11)	**NA**	**NA**

7. Development properties

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

		Current period - K'000	Previous corresponding period - K'000
7.1	Opening balance	NA	NA
7.2	Expenditure incurred during current period		
7.3	Expenditure transferred from exploration and evaluation		
7.4	Expenditure written off during current period		
7.5	+Acquisitions, disposals, revaluation, increments etc.		
7.6	Expenditure transferred to mine properties		
7.7	**Closing balance as shown in the consolidated balance sheet** (item 4.12)	**NA**	**NA**

8. Consolidated statement of cash flows

(See note 6)

		Current period - K'000	Previous corresponding period - K'000
Cash flows related to operating activities			
8.1	Receipts from customers	73,919	60,032
8.2	Payments to suppliers and employees	(14,762)	(16,445)
8.3	Dividends received from +associates	-	-
8.4	Other dividends received	36,657	33,027
8.5	Interest and other items of similar nature received	-	-

		Current period - K'000	Previous corresponding period - K'000
8.6	Interest and other costs of finance paid	(11,679)	(9,685)
8.7	Income taxes paid	(3,128)	(2,315)
8.8	Other (provide details if material) – movements in loans advanced and deposits by finance entities	(39,311)	(76,617)
8.9	**Net operating cash flows**	**41,695**	**(12,003)**
Cash flows related to investing activities			
8.10	Payment for purchases of property, plant and equipment	(2,709)	(5,904)
8.11	Proceeds from sale of property, plant and equipment	482	796
8.12	Payment for purchases of equity investments	-	-
8.13	Proceeds from sale of equity investments	-	3,699
8.14	Loans to other entities	-	-
8.15	Loans repaid by other entities	-	-
8.16	Other (provide details if material) - (short term investments & interest income from funds deposited, including acquisition of investment property, interest income from other investments)	5,787	(515)
8.17	**Net investing cash flows**	**3,560**	**(1,924)**
Cash flows related to financing activities			
8.18	Proceeds from issues of +securities (shares, options, etc.)	-	-
8.19	Proceeds from borrowings	-	5,000
8.20	Repayment of borrowings	(2,251)	(2,236)
8.21	Dividends paid	-	-
8.22	Other (provide details if material)	(1,829)	(2,741)
8.23	**Net financing cash flows**	**(4,080)**	**23**
8.24	**Net increase (decrease) in cash held**	**41,175**	**(13,904)**
8.25	Cash at beginning of period *(see Reconciliation of cash)*	93,887	137,537
8.26	Exchange rate adjustments to item 7.25.	116	(530)
8.27	**Cash at end of period** *(see Reconciliation of cash)*	**135,179**	**123,103**

9. Non-cash financing and investing activities

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

10. Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period - K'000	Previous corresponding period - K'000
10.1	Cash on hand and at bank	135,178	123,103
10.2	Deposits at call	-	-
10.3	Bank overdraft	-	-
10.4	Other (provide details)	-	-
10.5	**Total cash at end of period** (item 7.26)	**135,179**	**123,103**

11. Ratios

		Current period - K'000	Previous corresponding period - K'000
11.1	**Profit before abnormals and tax / sales** Consolidated +operating profit (loss) before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1)	114%	125%
11.2	**Profit after tax / +equity interests** Consolidated +operating profit (loss) after tax attributable to shareholders (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.33)	9%	8%

12. Earnings Per Security (EPS)

		Current period - K'000	Previous corresponding period - K'000
12.1	Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
	(a) Basic EPS	0.25	0.23
	(b) Diluted EPS (if materially different from (a)	Same as above	Same as above
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	307,936,332	308,206,404

13. NTA backing

(See note 7)

		Current period - K'000	Previous corresponding period - K'000
13.1	+Net tangible asset backing per +ordinary security	K2.90	K2.74

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

		Current period - K'000	Previous corresponding period - K'000
14.1	Interest revenue included in determining item 1.4	51,368	43,445
14.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
14.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	(11,679)	(9,781)
14.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
14.5	Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	-	-
14.6	Depreciation and amortisation (excluding amortisation of intangibles)	(2,514)	(2,221)

15. Control gained over entities having material effect

(See note 8)

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

16. Loss of control of entities having material effect

(See note 8)

16.1	Name of entity (or group of entities)	NA
16.2	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	K
16.3	Date to which the profit (loss) in item 14.2 has been calculated	
16.4	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	K
16.5	Contribution to consolidated +operating profit (loss) and extraordinary items from sale of interest leading to loss of control	K

17. Reports for industry and geographical segments

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

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

18.1	Date the dividend (distribution) is payable	23 August, 2019
18.2	+Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrable transfers received up to 5.00 pm	1 July, 2019
18.3	If it is a final dividend, has it been declared? *(Preliminary final report only)*	Yes

19. Amount per security

			Amount per +security	K'000s
19.4	*(Preliminary final report only)* **Final dividend:**	Current year	Toea 13 per share	40,031
19.5		Previous year	Toea 11 per share	33,895
19.6	*(Half yearly and preliminary final reports)* **Interim dividend:**	Current year	-	-
19.7		Previous year	Toea 6 per share	18,460

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

(Preliminary final report only)

		Current year	Previous year
20.8	+Ordinary securities	K0.13	K0.17
20.9	Preference +securities	-	-

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

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

		Current period - K'000	Previous corresponding period - K'000
22.10	+Ordinary securities	40,031	33,895
22.11	Preference +securities	-	-
22.12	**Total**	**40,031**	**33,895**

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

-

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

Any other disclosures in relation to dividends (distributions)

-

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

Entity's share of associates'		Current period - K'000	Previous corresponding period - K'000
23.1	+Operating profit (loss) before income tax	3,178	3,752
23.2	Income tax expense	(953)	(1,126)
23.3	+Operating profit (loss) after income tax	2,225	2,626
23.4	Extraordinary items net of tax	-	-
23.5	Net profit (loss)	2,225	2,626
23.6	Outside +equity interests	-	-
23.7	Net profit (loss) attributable to shareholders	2,225	2,626

24. Material interests in entities which are not controlled entities

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 1.14)	
24.1 Equity accounted +associated entities	**Current period**	**Previous corresponding period**	**Current period – K'000**	**Previous corresponding period – K'000**
Capital Insurance Group	25%	25%	2,225	2,626

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to +operating profit (loss) and extraordinary items after tax (item 1.14)	
24.2 Total			2,225	2,626
24.3 Other material interests	-	-	-	
24.4 Total			2,225	2,626

25. Issued and quoted securities at end of current period

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

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

26. Comments by Directors

Comments on the following matters are required by PNGx (Formerly POMSoX) or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the Directors' report (as required by the Companies Act 1997) and may be incorporated into the Directors' report. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.

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

NIL

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

NIL

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

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

NIL

27. Additional disclosure for trusts

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

28. Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:	
Place	
Date	
Time	
Approximate date the +annual report will be available	

Compliance statement

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

Identify other standards used	None

2. This report, and the financial statements prepared under the Companies Act 1997 (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed (see note 2).
4. This report is based on financial statements to which one of the following applies.
(Tick one)

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

5. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available*.
6. The entity has a formally constituted audit committee.

Sign here: .... Date: 10/09/2019
(Chairman)

Print name: SYDNEY YATES, OBE

Notes

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

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

3. **Consolidated profit and loss account**

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

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

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

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

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

5. **Consolidated balance sheet**

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

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

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

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

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

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

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

11. **Comparative figures when equity accounted information first included in the accounts** There will be a lack of comparability in the figures for the previous corresponding period when equity accounted information is first included if this information has a material effect on the consolidated accounts. If it does have a material effect, attach a note providing a better comparison by restating "+Operating profit (loss) after tax attributable to shareholders" (item 1.10) and "Investments in +associates" (item 4.8) for the previous corresponding period to incorporate equity accounted information. In addition, as required by Note 1, no directional or percentage changes in profit are to be reported in the "For announcement to the market" section. Where the disclosures were not previously required in Appendix 4B, no comparatives need be shown.

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

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