

Credit Corporation (PNG) Limited

Appendix 5C

Consolidated Financial Report

For the Year Ended to 31 December 2023

1. Company details and reporting period

Credit Corporation (PNG) Limited and subsidiaries

Reporting period - 12 months ended 31 December 2023

Previous corresponding period - 12 months ended 31 December 2022

2. Results for announcement to the market

2.1 Revenue from ordinary activities

		31 December 2023	31 December 2022
Revenue from ordinary activities (PGK'000)	▲ 9.3%	183,460	167,810

2.2 Profit from ordinary activities after tax

Profit from ordinary activities (PGK'000)	▲ 2.1%	89,313	87,505
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2.3 Net profit after tax for the period

Net profit after tax for the period (PGK'000)	▲ 56.8%	134,896	86,038
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2.4 Dividend (distributions)

	Amount per Security	PGK'000
Current reporting period 2023		
Interim dividend (PGK toea per share)	11.0	33,872
Final dividend (PGK toea per share)	13.1	40,339
Previous financial period 2022		
Interim dividend (PGK toea per share)	10.2	31,409
Final dividend (PGK toea per share)	12.3	37,876

2.5 Record date

Date for determining entitlements to the dividend.

	Ex date	Record date	Payment date
Current reporting period 2023			
Interim dividend	20 September 2023	25 September 2023	18 October 2023
Final dividend	22 March 2024	27 March 2024	19 April 2024
Previous financial period 2022			
Interim dividend	19 September 2022	27 September 2022	18 November 2022
Final dividend	24 March 2023	29 March 2023	5 May 2023

Credit Corporation (PNG) does not have a dividend reinvestment plan.

2.6 Earnings per security

	31 December 2023	31 December 2022
Basic EPS (Toea per share)	0.44	0.28
Diluted EPS	same as above	same as above
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	307,931,332	307,931,332

3. Consolidated profit and loss

	Dec-23 K'000	Dec-22 K'000	vs Dec-22 %
Finance Income	72,810	66,483	9.5%
Finance cost	(13,631)	(15,894)	(14.2%)
Net finance income	59,179	50,589	17.0%
Dividend income	64,919	61,536	5.5%
Rental income from property	30,030	28,780	4.3%
Interest on term deposit, treasury bills and semi-government bonds	3,849	3,830	0.5%
Other operating income	11,852	7,181	65.0%
Fair value gain on financial assets	46,342	4,167	1012.0%
Net operating income	216,171	156,083	38.5%
Impairment reversal on finance receivables	9,072	19,050	(52.4%)
Personnel expenses	(32,424)	(29,042)	11.6%
Depreciation expenses	(5,750)	(5,429)	5.9%
Loss on disposal of investment property	(500)	-	0%
Other operating expenses*	(45,095)	(43,284)	4.2%
Results from operating activities	141,474	97,378	45.3%
Share of profit of equity accounted investee	8,269	-	0.0%
Profit before tax	149,743	97,378	53.8%
Income tax expense	(14,847)	(11,340)	30.9%
Profit attributable to equity holders of the Company	134,896	86,038	56.8%

*Other operating expenses consists

<i>General administrative expenses</i>	(23,486)	(20,915)	12.3%
<i>Software licensing and other IT costs</i>	(3,052)	(2,695)	13.2%
<i>Legal Fees</i>	(35)	(84)	(58.3%)
<i>Auditors' remuneration - audit fees</i>	(1,265)	(1,114)	13.6%
<i>Professional advisory fees</i>	(10,089)	(13,283)	(24.0%)
<i>Donations</i>	(282)	(117)	141.0%
<i>Direct operating expenses for investment property that generated rental income</i>	(6,886)	(5,076)	35.7%
	(45,095)	43,284	

4. Consolidated Balance Sheet

	Dec-23 K'000	Dec-22 K'000	vs Dec-22 %
ASSETS			
Cash and cash equivalents	176,606	220,397	(19.9%)
Finance receivables	492,674	413,618	19.1%
Other receivables	11,108	11,309	(1.8%)
Interest bearing securities	52,099	36,171	44.0%
Other equity investments	34	34	0.0%
Investment in associate	15,539	8,283	87.6%
Other investments	502,553	456,210	10.2%
Inventories	1,143	1,077	6.1%
Income taxes receivable	2,611	7,503	(65.2%)
Property and equipment*	64,548	29,153	121.4%
Investment property	225,846	250,500	(9.8%)
Deferred tax assets (net)	17,571	22,752	(22.8%)
Total assets	1,562,332	1,457,007	7.2%
LIABILITIES			
Trade and other payables	13,963	19,979	(30.1%)
Employee benefits	8,917	7,322	21.8%
Deposits and borrowings	550,080	506,943	8.5%
Total liabilities	572,960	534,244	7.2%
Net assets	989,372	922,763	7.2%
EQUITY			
Share capital	21,984	21,984	0.0%
Reserves	491,446	445,069	10.4%
Retained earnings	475,942	455,710	4.4%
Total equity	989,372	922,763	7.2%

* The increase in the balance of Property and equipment in the current year pertains to the reclassification of a portion of the value of Credit House occupied by related entities, and an increase in capital expenditure relating to the Group's transformation project.

5. Consolidated statement of cash flow

	Consolidated year ended	
	31 Dec 2023 K'000	31 Dec 2022 K'000
OPERATING ACTIVITIES		
Charges earned on leases & loans	72,810	66,483
Commission, fees and rents	45,102	32,487
Interest payments	(13,631)	(15,894)
Payments to suppliers and employees	(75,235)	(66,023)
Operating cash flows before changes in operating assets	29,046	17,053
Net cash (advanced)/received in respect of finance receivables	(69,984)	14,976
Net cash (repaid)/received in respect of deposits	48,372	34,726
Net cash from operating activities before income tax	7,434	66,755
Income taxes paid	(4,619)	(8,521)
Cash flows from operating activities	2,815	58,234
INVESTING ACTIVITIES		
Purchase of property, & equipment	(18,797)	(5,893)
Proceeds from sale of property and equipment	247	4,066
Capital expenditure on investment property	(1,053)	(899)
Proceeds from sale of investment property	4,000	-
Dividend received	65,932	61,536
Interest from funds deposited	3,849	3,873
Net cash repaid in respect of investments in term deposits and government bonds	(15,928)	(4,395)
Cash flows from investing activities	38,250	58,288
FINANCING ACTIVITIES		
Repayment of borrowings	(5,235)	(5,560)
Repayment of interest	(2,415)	(2,436)
Dividends paid	(71,748)	(72,672)
Cash flows used in financing activities	(79,398)	(80,668)
Effect of exchange rate changes on foreign subsidiaries cash and cash equivalents	(5,458)	(4,796)
Net (decrease)/increase in cash and cash equivalents	(43,791)	31,058
Cash and cash equivalents at 1 January	220,397	189,339
Cash and cash equivalents at period ended	176,606	220,397

6. Statement of changes in shareholders' equity

	Share capital K'000	Reserves K'000	Retained Earnings K'000	Total K'000
Balance at 1 January 2022	21,984	451,406	446,922	920,312
Total comprehensive income for the year	-	-	75,123	75,123
Transfer to reserves	-	(6,337)	6,337	-
	-	(6,337)	81,460	75,123
Transactions with owners				
Dividends to equity holders	-	-	(72,672)	(72,672)
Total transactions with owners	-	-	(72,672)	(72,672)
Balance at 31 December 2022	21,984	445,069	455,710	922,763
Balance at 1 January 2023	21,984	445,069	455,710	922,763
Total comprehensive income for the year	-	-	138,357	138,357
Transfer to reserves	-	46,377	(46,377)	-
	-	46,377	91,980	138,357
Transactions with owners				
Dividends to equity holders	-	-	(71,748)	(71,748)
Total transactions with owners	-	-	(71,748)	(71,748)
Balance at 31 December 2023	21,984	491,446	475,942	989,372

7. Net tangible asset backing

	31 December 2023	31 December 2022
Net tangible asset backing per ordinary security	3.21	3.00

8. Details of entities over which control has been gained or lost during the period

There have been no changes in ownership to Group entities during the reporting period.

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

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	
	Full Year December 2023 %	Full Year December 2022 %	Full Year December 2023 PGK'000	Full Year December 2022 PGK'000
Equity accounted +associated entities				
Capital Insurance Group	25%	25%	8,269	-
Total	25%	25%	8,269	-
Other material interests	-	-	-	-
Total	25%	25%	8,269	-

10. Reports for industry and geographical segments

10.1 Information about reportable segments

At 31 December 2023	General finance, leasing and hire purchase	Property investment	Investment company	TOTAL
	K'000	K'000	K'000	K'000
Revenue	81,339	34,191	67,930	183,460
Inter-segment revenue	2,456	5,937	41,862	50,255
Finance costs	(13,631)	-	-	(13,631)
Fair value (loss)/gain	-	-	46,342	46,342
Depreciation	(2,703)	(1,918)	(1,129)	(5,750)
Reportable segment profit before income tax	38,641	12,684	98,418	149,743
Share of profit of equity-method investee	-	-	8,269	8,269
Reportable segment assets	719,766	265,843	576,723	1,562,332
Investment in associate	-	-	15,539	15,539
Reportable segment liabilities	528,069	38,206	6,685	572,960

10. Reports for industry and geographical segments (continued)

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

	Dec-23 K'000	Dec-22 K'000
Revenues		
Total revenue for reportable segments	280,057	194,205
Finance costs	(13,631)	(15,894)
Elimination of inter-segment revenue	(50,255)	(22,228)
Net operating income	216,171	156,083

Profit or loss		
Total profit or loss for reportable segments	182,299	116,429
Elimination of inter-segment profit	(40,825)	(19,051)
Share of profit of equity-accounted investee	8,269	-
Consolidated profit before tax	149,743	97,378

	Dec-23 K'000	Dec-22 K'000
Assets		
Total assets for reportable segments	2,111,768	1,977,436
Investment in equity-accounted investee	15,539	8,283
Elimination of intercompany balance	(178,711)	(135,543)
Elimination of investment in subsidiaries	(386,265)	(393,169)
Consolidated total assets	1,562,332	1,457,007

Liabilities		
Total liabilities for reportable segments	757,155	662,612
Elimination of intercompany balances	(184,195)	(128,368)
Consolidated total liabilities	572,960	534,244

Geographical segments	Net operating income		Net assets	
	K'000	K'000	K'000	K'000
	Dec-23	Dec-22	Dec-23	Dec-22
Papua New Guinea	181,903	124,237	847,749	789,195
Fiji	24,814	25,484	104,699	94,378
Solomon Islands	4,014	2,502	13,709	15,702
Vanuatu	5,440	3,860	23,215	23,488
Total	216,171	156,083	989,372	922,763

11. Commentary on the results for the period

Credit Corporation Group has recorded a consolidated statutory net profit after tax of K134.9 million, marking a significant 57% increase compared to the prior corresponding period (PCP).

This increase in statutory net profit is attributed to the increased valuation of its listed investments and substantial growth in underlying performance.

To provide a clearer insight of the underlying business performance, the Group recalculated its financials by adjusting for fair value movements and one-off costs incurred during the period, resulting in a 7.1% increase in normalized profit before tax compared to the PCP.

Net finance income grew by 17%, primarily driven by the expansion of the loan book. The growth in the loan book is a testament to the enhanced operational efficiencies within respective teams, resulting in quicker turnaround times and increased economic activity across the Pacific. Furthermore, despite an expansion in the deposit base, a decrease in the cost of funds was achieved, largely influenced by prevailing high liquidity levels and reduced rates in the market.

The increase in personnel expenses can be attributed to the Group's strategic decision to onboard additional staff as part of the transformation of its PNG finance entity into a bank. Conversely, the decrease in the release of provisions is a result of adjustments made post-COVID, improvements in non-performing loans, and enhancements in the expected credit loss model. This year's provisions reflect the Group's relentless focus on loan monitoring and streamlined processes within the lending, credit, and asset management units.

The property business also saw a notable uptick in revenues, driven by improved occupancy rates amid the ongoing recovery of economic activities.

These positive revenue increases were partially offset by rises in personnel expenses and a reduction in the release of provisions compared to the PCP.

On the balance sheet, significant increases were observed in the loan book, with finance receivables increasing by 19% due to higher sales volumes and improved performance of listed investments.

The impact of the financial results of the Group has translated to an increase in statutory earnings per share (EPS) of 0.44 toea compared to 0.28 toea in the PCP, an increase of 56.8%. EPS calculated on normalized earnings was 7.1% higher than PCP at 0.34 toea.

The Group will pay a final dividend of 13.1 toea per share (DPS). This results in a total DPS for FY2023 of 24.1 toea, an increase of 7% against the PCP.

12. Basis of preparation

The financial information has been extracted from the consolidated financial statements which have been prepared on a going concern basis in accordance with historical cost concepts, except for financial instruments designated at fair value through profit and loss and investment property which are measured at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Papua New Guinea Kina and are rounded off to the nearest thousand Kina, unless otherwise indicated.

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

13. Compliance statement

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.

The financial information extracted from the consolidated financial statements have been prepared in accordance with IAS 1 Presentation of Financial Statements. The consolidated financial statements shall be read in conjunction with the Group's annual financial report as at and for the year ended 31 December 2023.

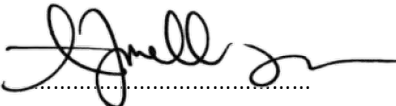
Furthermore, the Appendix 5C has been prepared in accordance with the updated PNGX listing rules which became effective from 3 July 2023.

This report is based on financial statements to which one of the following applies.

<input type="checkbox"/>	The financial statements have been audited.	<input type="checkbox"/>	The financial statements have been subject to review.
<input checked="" type="checkbox"/>	The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/>	The financial statements have <i>not</i> yet been audited or reviewed.


If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

The entity has a formally constituted audit committee.

Sign here: 

Chairman Albert Mellam

Date: 15 March 2024



Director Stephen Humphries

Date: 15 March 2024