

**KINA SECURITIES LIMITED
AND ITS SUBSIDIARIES**

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019**

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019**

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KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

The Directors of Kina Securities Limited and its Subsidiaries (the Group) submit herewith the condensed interim consolidated financial statements of the Group for the half year ended 30 June 2019.

Principal Activities

The principal continuing activities of the Group during the half year were banking services, provision of share brokerage, fund administration, investment management services, asset financing, provision of personal and commercial loans, money market operations and corporate advice.

The Directors consider there are no unusual or other matters that warrant their comments and the Group's financial position and results from operations are properly reflected in these financial statements.

Accounting Policies

Details of accounting policies are shown in note 1 (c) to the accounts.

Country of Incorporation

The Company is incorporated in Papua New Guinea on 14 October 1985 and has its principal place of business in Port Moresby, Papua New Guinea.

Registered Office

Its registered office is Level 9, Kina Haus, Douglas Street, Port Moresby, National Capital District, 121, Papua New Guinea.

Directors and Secretary

The names of the directors of the Company in office during the accounting period are:

I. Taureka, Chairman	A Carriline
G. Pawson, Managing Director & Chief Executive Officer	P. Hutchinson
K. Smith-Pomeroy	J. Thomason

The company secretary is C. Chopra.

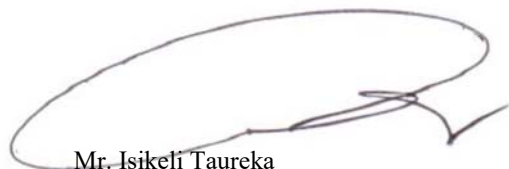
Dividends

Dividends declared for the half year amounted to K16,399,325 (and paid for the half year 2018 amounted to K16,512,800).

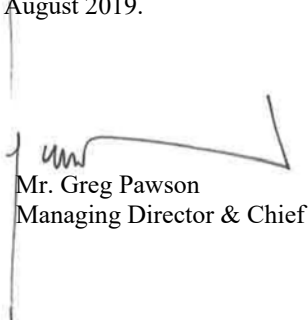
Results

The operating profit attributable to equity holders for the half year for the Group was K 23,614,000 (2018: K 20,641,000).

Signed at Port Moresby on behalf of the board on the 23rd day of August 2019.



Mr. Isikeli Taureka
Chairman



Mr. Greg Pawson
Managing Director & Chief Executive Officer

Independent Auditor's Review Report to the shareholders of Kina Securities Limited

We have reviewed the accompanying half-year financial report of Kina Securities Limited ("the Company" or "consolidate entity"), which comprises the condensed interim consolidated statement of financial position as at 30 June 2019, and the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of cash flows and the condensed interim consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Financial Reporting Standards and the *Papua New Guinea Companies Act 1997* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Papua New Guinea Companies Act 1997* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with International Accounting Standard 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997*. As the auditor of Kina Securities Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kina Securities Limited is not in accordance with the *Papua New Guinea Companies Act 1997*, including:

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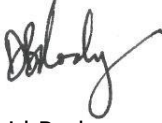
- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (b) complying with International Accounting Standard 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997*.

Other Information

We have no interest in the Company or any relationship other than that of the auditor of the Company.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



David Rodgers
Partner
Chartered Accountants
Registered Company Auditor in Australia
Brisbane, 23 August 2019

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby 23 August 2019

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

DIRECTORS' DECLARATION

FOR THE HALF YEAR ENDED 30 JUNE 2019

The directors declare that:

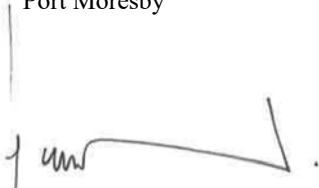
- in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- in the directors' opinion, the attached condensed interim consolidated financial statements and notes thereto give a true and fair view of the financial position and performance of the Group in compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting.

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Director
Port Moresby



Director
Port Moresby

on the 23rd day of August 2019.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME FOR THE HALF YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019	2018
		Unaudited	Unaudited
		K'000	K'000
Continuing operations			
Interest income		60,977	52,533
Interest expense		(15,246)	(10,901)
Net interest income	3	45,731	41,632
Fee and commission income		18,807	18,215
Fee and commission expense		(51)	(17)
Net fee and commission income	4	18,756	18,198
Foreign exchange income		18,688	14,067
Dividend income		115	106
Net gain from financial assets through profit and loss		70	11
Other operating income		340	4,051
Operating income before impairment losses and operating expenses		83,700	78,065
Expected credit losses on financial instruments at amortised cost	5	(2,051)	(4,336)
Other operating expenses	6	(47,798)	(45,412)
Profit before tax		33,851	28,317
Income tax expense	7	(10,237)	(7,676)
Net Profit for the period		23,614	20,641
Other comprehensive income		-	-
Total comprehensive income for the period		23,614	20,641

	2019	2018
Earnings per share - basic (toea) (Note 18 (b))	14.4	12.6
Earnings per share - diluted (toea) (Note 18 (b))	14.3	12.5

The notes on pages 9 to 28 are an integral part of these condensed interim consolidated financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2019

Consolidated Attributable to the equity holders of the Group	Share Capital	Share Based Payment Reserve	Retained Earnings	Total
	K'000	K'000	K'000	K'000
Balance as at 31 December 2017	142,213	1,558	112,931	256,702
Effect of adoption of IFRS 9 Financial Instruments	-	-	(3,820)	(3,820)
Balance as at 1 January 2018	142,213	1,558	109,111	252,882
Profit for the period	-	-	20,641	20,641
Other comprehensive income	-	-	-	-
Employee share scheme -vested rights	-	(346)	-	(346)
Employee share scheme - value of employee services	-	500	-	500
Dividend paid	-	-	(16,383)	(16,383)
Balance as at 30 June 2018	142,213	1,712	113,369	257,294
Profit for the period	-	-	27,452	27,452
Other comprehensive income	-	-	-	-
Employee share scheme -vested rights	-	(423)	-	(423)
Employee share scheme - value of employee services	-	1,362	-	1,362
Dividend paid	-	-	(16,416)	(16,416)
Balance as at 31 December 2018	142,213	2,651	124,405	269,269
Effect of adoption of IFRS 16 <i>Leases</i>	-	-	(1,290)	(1,290)
Balance as at 1 January 2019	142,213	2,651	123,115	267,979
Profit for the period	-	-	23,614	23,614
Other comprehensive income	-	-	-	-
Employee share scheme – vested rights	-	(109)	-	(109)
Employee share scheme – value of employee services	-	279	-	279
Dividend paid	-	-	(19,909)	(19,909)
Balance as at 30 June 2019	142,213	2,821	126,820	271,854

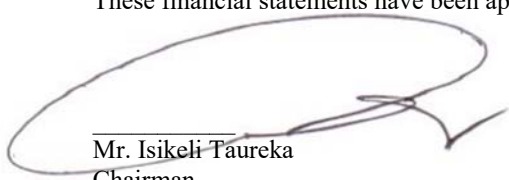
The notes on pages 9 to 28 are an integral part of these condensed interim consolidated financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

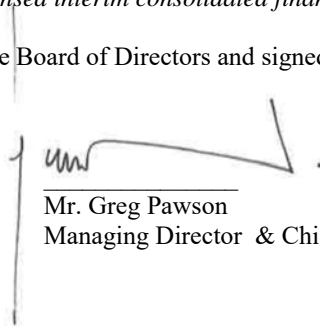
	Notes	Consolidated	
		30 June	31 December
		2019	2018
		Unaudited	Audited
		K'000	K'000
Assets			
Cash and due from banks	8	121,340	85,638
Treasury and Central bank bills	9	414,747	396,154
Regulatory deposits	10	139,938	137,494
Financial assets at fair value through profit and loss	11	4,977	4,907
Loans and advances to customers	12	865,806	851,663
Investments in government inscribed stocks	13	34,324	34,195
Deferred tax assets		10,278	7,193
Property, plant and equipment	14	45,552	12,108
Goodwill	15	92,786	92,786
Intangible assets	15	37,439	26,432
Other assets	17	10,356	13,424
Total Assets		1,777,543	1,661,994
Liabilities			
Due to other banks		78	25,065
Due to customers	16	1,417,959	1,315,460
Current income tax liabilities		12,722	8,154
Employee provisions		4,924	6,251
Other liabilities	17	70,006	37,795
Total Liabilities		1,505,689	1,392,725
Net Assets		271,854	269,269
Shareholders' Equity			
Issued and fully paid ordinary shares	18	142,213	142,213
Share-based payment reserve		2,821	2,651
Retained earnings		126,820	124,405
Total Equity		271,854	269,269

The notes on pages 9 to 28 are an integral part of these condensed interim consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors and signed on its behalf by:



Mr. Isikeli Taureka
Chairman



Mr. Greg Pawson
Managing Director & Chief Executive Officer

on the 23rd day of August 2019.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		30 June 2019 Unaudited K'000	30 June 2018 Unaudited K'000
Cash flows from operating activities			
Interest received		60,973	52,474
Interest paid		(17,092)	(10,049)
Dividend received		115	106
Fee, commission and other income received		38,432	24,132
Fee and commission expense paid		(51)	(17)
Net trading and other operating income received		411	1,375
Recoveries on loans previously written-off		1,991	770
Cash payments to employees and suppliers		(83,741)	(32,289)
Income tax paid		(4,794)	(4,999)
Cash flows from operating profits before changes in operating assets		(3,756)	31,503
Changes in operating assets and liabilities:			
- net increase in regulatory deposits	10	(2,444)	(2,797)
- net increase in loans and advances to customers	12	(17,067)	(53,195)
- net decrease/ (increase) in other assets	17	2,100	(8,604)
- net increase/ (decrease) in due to customers	16	88,063	78,460
- net decrease in due to other banks		(10,708)	-
- net increase in other liabilities	17	34,057	2,895
Net cash flows from operating activities		90,245	48,262
Cash flows from investing activities			
Payments for purchase of property, equipment and software		(16,085)	(2,945)
Proceeds from sale of property and equipment		16	-
Net movement in investment securities		(33,722)	8,674
Net cash flows from investing activities		(49,791)	5,729
Cash flows from financing activities			
Dividend payment		(19,909)	(16,384)
Net cash flow from financing activities		(19,909)	(16,384)
Net increase in cash and cash equivalents		20,545	37,606
Effect of changes in the foreign exchange rates on cash and cash equivalents		157	454
Cash and cash equivalents at 1 January 2019 (1 January 2018)		160,638	102,515
Cash and cash equivalents at 30 June 2019 (30 June 2018)		181,340	140,575
Net cash generated during the six months ended 31 December 2018		-	20,063
Cash and cash equivalents at the end of the period 30 June 2019 (31 December 2018)	8	181,340	160,638

The notes on pages 9 to 28 are an integral part of these condensed interim consolidated financial statements.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

1. Significant accounting policies

The company and its subsidiaries are incorporated in Papua New Guinea. The Group business activities include banking services, provision of share brokerage, fund administration, investment management services, asset financing, and provision of personal and commercial loans, money market operations and corporate advice.

The company is listed on the Port Moresby Stock Exchange and the Australian Securities Exchange. The address of its operational office is Level 9, Kina Haus, Douglas Street, Port Moresby, NCD, 121, Papua New Guinea

a) Statement of compliance

These condensed interim consolidated financial statements of Kina Securities Limited and its subsidiaries (“the Group”) have been prepared in accordance with IAS 34: *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial statements.

These condensed interim consolidated financial statements have been reviewed, not audited. They were approved for issue by the Board of Directors on 23 August 2019.

b) Basis of presentation

These condensed interim consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

c) Accounting policies and disclosures

The accounting policies and methods of computation adopted are consistent with those adopted and disclosed in the Group’s annual financial report for the year ended 31 December 2018 with the exceptions of the impacts of adopting IFRS 16 – *Leases* as described in Note 1d below. The accounting policies are consistent with International Financial Reporting Standards.

d) Application of new and revised International Financial Reporting Standards (“IFRS”)

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application of K 1,290,159 is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined, at contract inception, whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee (“IFRIC”) 4: *Determining Whether an Arrangement Contains a Lease*. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019

1. Significant accounting policies (continued)

Summary of key changes to the accounting policy

The Group primarily leases commercial properties for use as office premises and branches as well as acts as a lessee in residential properties provided to eligible employees. As a lessee, the Group previously classified leases as operating leases. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases in respect of lease of residential apartments for employees. For leases of other assets, which were classified as operating under International Accounting Standards (“IAS”) 17: *Leases*, the Group recognised right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Impact on financial statements

On transition to IFRS 16, the Group recognised an additional K29,281m of right-of-use assets and K30,571m of lease liabilities, recognising the difference of K1,290m in retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 10%.

	1 January 2019 K’000
Operating lease commitment at 31 December 2018 as disclosed in the Group’s consolidated financial statements	40,698
Discounted using the incremental borrowing rate at 1 January 2019	(1,990)
Recognition exemptions for:	-
- Short-term leases	(8,137)
- Lease of low value assets	-
Extensions and termination options reasonably certain to be exercised	-
Variable lease payments based on an index or rate	-
Residual value guarantees	-
Lease liabilities recognised on 1 January 2019	30,571

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019

2. Critical accounting estimates and judgments

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 except as disclosed otherwise. Key estimates used in preparation of consolidated financial statements for the year ended 31 December 2018 and this interim financial information are as follows:

- Significant increase in credit risk;
- Recognition of deferred tax asset for carried forward tax losses;
- Estimated allowance for loans and advances to customers;
- Estimated goodwill impairment; and
- Estimated useful life of intangible asset;

3. Net interest income

	Consolidated	
	30 June 2019	30 June 2018
	Unaudited	Unaudited
	K'000	K'000
Interest income		
Cash and short-term funds	12,032	5,611
Investment in government inscribed stocks	1,537	3,621
Loans and advances to customers	47,408	43,301
	60,977	52,533
Interest expense		
Banks and customers	(15,246)	(10,901)
Net interest income	45,731	41,632

4. Net fee and commission income

	Consolidated	
	30 June 2019	30 June 2018
	Unaudited	Unaudited
	K'000	K'000
At a point in time		
Investment and portfolio management	5,122	4,145
Fund administration	8,875	7,976
Shares brokerage	216	383
Loan fees and bank commissions	3,085	3,705
Other fees (net of expense)	145	1,007
Over time		
Loan fees and bank commissions	1,313	982
Net fee and commission income	18,756	18,198

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019

5. Expected credit losses on financial instruments at amortised cost

5.1 Movement in expected credit loss (“ECL”) by class of financial instrument

Table below summarises the movement in ECL during the period by class of financial assets on which ECL has been recognised:

	Balance at 1 January 2019	ECL recognised/(reversed) during the period	Write- offs	Balance at 30 June 2019
Loss allowance by classes	K’000	K’000	K’000	K’000
Loans and advances to customers at amortised cost	18,450	2,176	(1,339)	19,287
Investments in government inscribed stocks at amortised cost	800	(125)	-	675
Other financial assets	4,038	-	-	4,038
Total	23,288	2,051	(1,339)	24,000

5.2 Movement in expected credit loss by stage

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL. On the basis of whether there is a significant increase in credit risk, the Group classifies the exposures into following stages:

- Stage 1** These exposures are regarded as performing loans and lower loss rates are applied in determining the ECL representing ECL equivalent to 12 months expected losses.
- Stage 2** Exposures are classified as Stage 2 if credit rating has worsened since initial recognition or if facility is overdue by specified number of days.
- Stage 3** Stage 3 exposures are considered in default in accordance with the definition of default above.

The table below analyses the movement of the loss allowance during the period per class of assets except for those where there have been no significant movement in the ECL since prior year or where no ECL is recognised:

	30 June 2019			
Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	K’000	K’000	K’000	K’000
Loss allowance as at 1 January	11,012	6,052	1,387	18,451
Changes in the loss allowance				
- Transfer to stage 1	24	(23)	(1)	-
- Transfer to stage 2	(3,224)	3,224	-	-
- Transfer to stage 3	(35)	(2,096)	2,131	-
- Write-offs	-	(1,339)	-	(1,339)
New financial assets originated or purchased	3,297	24	2,244	5,565
Financial assets that have been derecognised	(1,394)	(1,691)	(305)	(3,390)
Loss allowance as at 30 June 2019	9,680	4,151	5,456	19,287

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2019

5.2 Movement in expected credit loss by stage (continued)

Loss allowance – Loans and advances to customers at amortised cost	31 December 2018			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	K'000	K'000	K'000	K'000
Loss allowance as at 1 January	9,361	4,393	3,775	17,529
Changes in the loss allowance				
- Transfer to stage 1	259	(179)	(80)	-
- Transfer to stage 2	(2,327)	3,037	(710)	-
- Transfer to stage 3	(19)	(613)	632	-
- Write-offs	-	(3,734)	(859)	(4,593)
New financial assets originated or purchased	5,303	4,233	131	9,667
Financial assets that have been derecognised	(1,565)	(1,085)	(1,502)	(4,152)
Loss allowance as at 31 December	11,012	6,052	1,387	18,451

In relation to investment in government inscribed stocks and other financial assets, there have been no significant movements in the ECL during the period.

5.3 Movement in gross carrying amounts of financial assets at amortised cost

Loans and advances to customers at amortised cost	30 June 2019			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	834,061	30,400	5,653	870,114
Changes in the gross carrying amount				
- Transfer to stage 1	3,862	(3,787)	(75)	-
- Transfer to stage 2	(34,936)	34,936	-	-
- Transfer to stage 3	(520)	(2,923)	3,443	-
Write-offs	-	(1,339)	-	(1,339)
New financial assets originated or purchased	169,883	256	3	170,142
Financial assets that have been derecognised	(143,238)	(10,011)	(575)	(153,824)
Gross carrying amount as at 30 June 2019	829,112	47,532	8,449	885,093

KINA SECURITIES LIMITED AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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5.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loans and advances to customers at amortised cost	K'000	K'000	K'000	K'000
Gross carrying amount as at 01 January	684,700	44,979	15,915	745,594
Changes in the gross carrying amount				
- Transfer to stage 1	29,294	(23,730)	(5,564)	-
- Transfer to stage 2	(8,568)	13,165	(4,597)	-
- Transfer to stage 3	(1,060)	(1,564)	2,624	-
Write-offs	-	(3,734)	(859)	(4,593)
New financial assets originated or purchased	444,132	6,904	1,689	452,725
Financial assets that have been derecognised	(314,437)	(5,620)	(3,555)	(323,612)
Gross carrying amount as at 31 December	834,061	30,400	5,653	870,114

In relation to investment in government inscribed stocks and other financial assets which continue to be classified as Stage 1, there have been no significant movements in the carrying amount during the period.

5.4 Days past due status of loans and advances

The table below provides an analysis of the gross carrying amount of loans and advances to customers by **past due status**.

	Consolidated			
	30 June 2019		31 December 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Loans and advances to customers	K'000	K'000	K'000	K'000
0-29 days	848,688	10,347	841,772	12,933
30-59 days	12,859	237	8,939	438
60-89 days	2,978	78	1,285	12
90-180 days	7,616	2,102	6,416	1,209
More than 181 days	12,952	6,523	11,702	3,859
Total	885,093	19,287	870,114	18,451

5.5 Credit quality of financial assets at amortised cost

The Group uses credit risk grades as a primary input into the determination of whether there has been a significant increase in credit risk in addition to information on days past due. Following table provides how each credit grade is defined and its mapping to external credit rating:

Credit risk grades	S&P rating	Description
A	A's	Low risk. Minimum total assets of +K2,000 m and very strong repayment capacity.
B	B's	Low to fair risk Minimum total assets of +K1,000 m and strong repayment capacity.
C	B's	Moderate risk Minimum total assets of +K100 – K200 m and sound repayment capacity.
D	unrated	Acceptable risk. Sound financial history demonstrating surplus repayment capacity.
E	unrated	Watch list/special mention. Credit weaknesses are evident and repayment capacity is jeopardised.
F	unrated	Substandard
G	unrated	Doubtful

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5.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	30 June 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash and due from banks at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	121,340	-	-	121,340
Total gross carrying amount	121,340	-	-	121,340
Loss allowance	-	-	-	0
Net carrying amount	121,340	-	-	121,340

	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash and due from banks at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	85,638	-	-	85,638
Total gross carrying amount	85,638	-	-	85,638
Loss allowance	-	-	-	-
Net carrying amount	85,638	-	-	85,638

	30 June 2019			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Treasury and central bank bills at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	414,747	-	-	414,747
Total gross carrying amount	414,747	-	-	414,747
Loss allowance	-	-	-	-
Carrying amount	414,747	-	-	414,747

	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Treasury and central bank bills at amortised cost	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	396,154	-	-	396,154
Total gross carrying amount	396,154	-	-	396,154
Loss allowance	-	-	-	-
Carrying amount	396,154	-	-	396,154

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5.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

Regulatory deposits at amortised cost	30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	139,938	-	-	139,938
Total gross carrying amount	139,938	-	-	139,938
Loss allowance	-	-	-	-
Carrying amount	139,938	-	-	139,938

Regulatory deposits at amortised cost	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	137,494	-	-	137,494
Total gross carrying amount	137,494	-	-	137,494
Loss allowance	-	-	-	-
Carrying amount	137,494	-	-	137,494

Loans and advances to customers at amortised cost	30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	K'000	K'000	K'000	K'000
Grade A - B: Low to fair risk	-	-	-	-
Grade C - D: Moderate and acceptable risk	817,861	33,823	575	852,259
Grade E: Watchlist / special mention	3,204	1,667	-	4,871
Grade F: Substandard	618	9,774	222	10,614
Grade G: Doubtful	1	3,445	210	3,656
Grade H: Loss	-	-	4,939	4,939
Not graded	6,187	26	2,541	8,754
Total Gross Carrying Amount	827,871	48,735	8,487	885,093
Loss allowance	(9,680)	(4,151)	(5,456)	(19,287)
Carrying amount	818,191	44,584	3,031	865,806

Loans and advances to customers at amortised cost	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	K'000	K'000	K'000	K'000
Grade C-D: Moderate and acceptable risk	801,516	5,143	-	806,659
Grade E: Watchlist/ special mention	27,804	9,919	-	37,723
Grades F: Substandard	1,099	7,574	545	9,218
Grade G: Doubtful	92	2,993	1,410	4,495
Grade H: Loss	106	577	1,451	2,134
Not graded	5,432	2,207	2,246	9,885
Total gross carrying amount	836,049	28,413	5,652	870,114
Loss allowance	(11,012)	(6,052)	(1,387)	(18,451)
Carrying amount	825,037	22,361	4,265	851,663

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5.3 Movement in gross carrying amounts of financial assets at amortised cost (continued)

	30 June 2019				Total
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
Investments in government inscribed stocks at amortised cost	K'000	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	34,999	-	-		34,999
Total gross carrying amount	34,999	-	-		34,999
Loss allowance	(675)	-	-		(675)
Carrying amount	34,324	-	-		34,324

	31 December 2018				Total
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
Investments in government inscribed stocks at amortised cost	K'000	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	34,995	-	-		34,995
Total gross carrying amount	34,995	-	-		34,995
Loss allowance	(800)	-	-		(800)
Carrying amount	34,195	-	-		34,195

	30 June 2019				Total
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
Bank guarantees	K'000	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	69,368	-	-		69,368
Maximum exposure to credit risk	69,368	-	-		69,368
Loss allowance	-	-	-		-

	31 December 2018				Total
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
Bank guarantees	K'000	K'000	K'000	K'000	K'000
Grades A-B: Low to fair risk	45,933	-	-		45,933
Maximum exposure to credit risk	45,933	-	-		45,933
Loss allowance	-	-	-		-

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6. Other operating expense

	Consolidated	
	30 June 2019	30 June 2018
	Unaudited	Unaudited
	K'000	K'000
Staff costs	24,277	23,464
Administrative expenses	10,655	9,347
Depreciation and amortization (note 14 & 15)	5,327	3,370
Software maintenance and support charges	921	1,297
Auditor's remuneration	310	432
Other expenses	6,308	7,502
	47,798	45,412

Other Expenses include expenses relating to operating lease include finance cost arising as a result of unwinding of lease liabilities and lease rentals on short-term leases amounting to K1,694,479 and K2,649,238 respectively.

As at 30 June 2019 the Group had 410 (2018: 351) employees.

7. Income tax

Income tax is recognised based on management estimate of the effective annual income tax rate expected for the full financial year adjusted for the estimated non-deductible and taxable items during the period.

8. Cash and cash equivalents

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Cash on hand	4,725	4,993
Exchange Settlement Account	102,741	5,820
Placements with other banks	13,874	74,825
Cash and due from banks	121,340	85,638
Central bank bills (note 9)	60,000	75,000
Cash and cash equivalents	181,340	160,638

9. Treasury and Central bank bills

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Treasury bills	365,000	338,000
Central bank bills*	60,000	75,000
Unearned discount	(10,253)	(16,846)
	414,747	396,154

*Central bank bills are part of the cash and cash equivalents.

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10. Regulatory deposits

	Consolidated	
	30 June 2019 Unaudited	31 December 2018 Audited
	K'000	K'000
Regulatory deposits	139,938	137,494

Bank of Papua New Guinea requires a minimum cash reserve requirement of 10% against the average deposit liabilities.

11. Financial assets at fair value through profit or loss

Fair value of listed investments are measured based on the quoted market prices.

12. Loans and advances to customers

	Consolidated	
	30 June 2019 Unaudited	31 December 2018 Audited
	K'000	K'000
Loans to individuals	253,526	208,487
Loan to corporate entities	631,567	661,627
Gross loans and advances to customers	885,093	870,114
Expected credit losses	(19,287)	(18,451)
	865,806	851,663

Details of gross loans and advances to customers are as follows:

	Consolidated	
	30 June 2019 Unaudited	31 December 2018 Audited
	K'000	K'000
Overdrafts	55,784	60,719
Property mortgage	136,959	118,541
Asset financing	20,626	22,475
Insurance premium funding	185	2,515
Business and other loans	671,539	665,864
	885,093	870,114

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13. Investments in government inscribed stocks

	Consolidated	
	30 June 2019 Unaudited K'000	31 December 2018 Audited K'000
GIS principal	33,000	33,000
Unamortised premium	506	573
Unamortised discount	(41)	(74)
Accrued interest	1,534	1,496
	34,999	34,995
Expected credit losses	(675)	(800)
	34,324	34,195

The movement in investments in government inscribed stocks is as follows:

	Consolidated	
	30 June 2019 Unaudited K'000	31 December 2018 Audited K'000
Balance at beginning of year	34,195	79,878
Maturities	-	(45,000)
Accrued interest	(35)	(91)
Amortized premium / (discount)	39	208
Expected credit loss (recognised) / reversed during the period	125	(800)
	34,324	34,195

Investments in government inscribed stocks are measured at amortized cost.

14. Property and equipment

	Note	30 June 2019 K'000	31 December 2018 K'000
Property and equipment owned	14.1	13,821	12,108
Right of use assets	14.2	31,731	-
		45,552	12,108

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14.1 Property and equipment owned

Consolidated	Furniture & Fittings	Building improvements	Motor Vehicles	Office Equipment	Land & Building	Work in Progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Cost							
Balance 31 December 2017	1,123	9,855	4,120	15,721	11,746	1,070	43,635
Additions	115	191	819	868	-	1,360	3,353
Disposals	-	(2,711)	(160)	-	(9,617)	-	(12,488)
Transfer in (out)	-	-	-	110	-	(110)	-
Balance 31 December 2018	1,238	7,335	4,779	16,699	2,129	2,320	34,500
Additions	-	36	1,432	1,416	-	234	3,118
Disposals	-	-	(239)	(3)	-	-	(242)
Transfer in (out)	-	-	-	26	-	(26)	-
Adjustments	-	-	(587)	-	-	-	(587)
Balance 30 June 2019	1,238	7,371	5,385	18,138	2,129	2,528	36,789
Accumulated depreciation							
Balance 31 December 2017	(876)	(4,552)	(3,428)	(11,451)	(218)	-	(20,525)
Charge during the year	(137)	(934)	(508)	(2,004)	(54)	-	(3,637)
Disposals	-	1,338	160	-	272	-	1,770
Adjustments	-	-	-	-	-	-	-
Balance 31 December 2018	(1,013)	(4,148)	(3,776)	(13,455)	-	-	(22,392)
Charge during the year	(52)	(299)	(430)	(911)	-	-	(1,692)
Disposals	-	-	239	-	-	-	239
Adjustments	-	-	603	274	-	-	877
Balance 30 June 2019	(1,065)	(4,447)	(3,364)	(14,092)	-	-	(22,968)
Book value 30 June 2019	173	2,924	2,021	4,046	2,129	2,528	13,821
Book value 31 December 2018	225	3,187	1,003	3,244	2,129	2,320	12,108

14.2 Right of use assets

	Total K'000
Cost	
Balance as at 1 January 2019	31,731
Additions during the period	4,421
Balance as at 30 June 2019	36,152
Accumulated depreciation	
Balance as at 1 January 2019	(2,450)
Depreciation charge for the period	(1,971)
Balance as at 30 June 2019	(4,421)
Right of use assets at 30 June 2019	31,731

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14.1 Property and equipment owned (continued)

Details of associated lease liabilities recognised in respect of the right of use assets are presented below:

Lease liabilities

	30 June 2019 K'000
Maturity analysis – contractual undiscounted cash flows	
Less than one year	6,019
One to five years	15,785
More than five years	35,049
Total undiscounted lease liabilities at 30 June 2019	56,853
Lease liabilities included in statement of financial position at 30 June 2019	
Current	2,638
Non-current	31,292
	33,930
Amounts recognised in statement of comprehensive income	
Interest on lease liabilities	1,694
Expense relating to short-term leases	2,649
	4,344
Amounts recognised in statement of cash flows	
Total cash outflow for leases	2,757

Total cashflows for leases is recorded under Cash payments to employees and suppliers in the statement of cash flows

15. Intangible assets

Consolidated	Software	Customer deposits relationship	Work in progress	Total
	K'000	K'000	K'000	K'000
Cost				
Balance 31 December 2017	12,992	3,780	4,721	21,493
Additions	-	-	11,646	11,646
Disposals	-	-	-	-
Transfer in (out)	353	-	(353)	-
Balance 31 December 2018	13,345	3,780	16,014	33,139
Additions	33	-	12,933	12,966
Disposals	-	-	-	-
Transfer out - WIP	391	-	(391)	-
	-	-	-	-
Balance 30 June 2019	13,769	3,780	28,556	46,105
Accumulated amortisation				
Balance 31 December 2017	(1,885)	(1,701)	-	(3,586)
Charges during the period	(2,365)	(756)	-	(3,121)
Disposals	-	-	-	-
Balance 31 December 2018	(4,250)	(2,457)	-	(6,707)
	(1,311)	(378)	-	(1,689)

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15. Intangible assets (continued)				
Charges during the period				
Adjustment	(270)	-	-	(270)
Balance 30 June 2019	(5,831)	(2,835)	-	(8,666)
Book value 30 June 2019	7,938	945	28,556	37,439
Book value 31 December 2018	9,095	1,323	16,014	26,432

Customer deposits relationship was recognised when Maybank (PNG) Limited was acquired on 30 September 2015. The value of the customer deposits relationship was derived on the present value of the expected benefit from existing funds coming from depositors. The intangible asset was estimated to have a useful life of five years based on the expected length of the customer deposits relationship.

The value of work in progress additions relate to software system upgrades and new software system implementation to support the acquisition of ANZ.

16. Due to customers

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Corporate customers	942,115	1,045,850
Retail customers	475,844	269,610
	1,417,959	1,315,460

17. Other Assets and Other Liabilities

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Prepayments	6,863	5,495
Security deposits and bonds	1,483	962
Other debtors	6,048	11,005
Total Other Assets	14,394	17,462
Less: expected credit loss	(4,038)	(4,038)
Total Other Assets	10,356	13,424

Movement of expected credit loss on other assets is as follows;

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Balance at beginning of year	4,038	4,052
Reversal during the year	-	(14)
Balance at end of the year	4,038	4,038

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17. Other Assets and Other Liabilities (continued)

	Consolidated	
	30 June 2019 Unaudited K'000	31 December 2018 Audited K'000
Accruals	4,148	13,472
Unclaimed money and stale cheques	3,463	3,770
Bankers cheques	5,860	4,484
Accounts payable	3,220	4,018
Unearned commission	1,413	2,352
Lease liabilities	33,930	-
Other liabilities	17,972	9,699
Total Other Liabilities	70,006	37,795

18. Issued and paid ordinary shares

a. Share capital

The Company does not have authorized capital and all ordinary shares have no par value.

	Number of shares '000	Share capital K'000
Ordinary shares		
Balance at 31 December 2018	163,993	142,213
Balance at 30 June 2019	163,993	142,213

b. Earnings per share (EPS)

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The group has dilutive potential ordinary shares in the form of performance rights issued to senior management. However it does not have any material impact on the EPS calculation. Consequently, basic earnings per ordinary share equals diluted earnings per share.

	Consolidated	
	30 June 2019 Unaudited	30 June 2018 Unaudited
Net profit attributable to shareholders	23,614	20,641
Weighted average number of ordinary shares basic earnings	163,993	163,993
Weighted average number of ordinary shares diluted earnings	165,073	164,810
Basic earnings per share (in toea)	14.4	12.6
Diluted earnings per share (in toea)	14.3	12.5

c. Share-based payment reserve

In July 2015, after the Company was listed on the Australian Securities Exchange and Port Moresby Stock Exchange, Kina established various incentive arrangements to assist in the attraction, motivation and retention of management and its employees. Share options were granted to the Chief Executive Officer (“CEO”) and other senior executive employees. These included short term incentive plan (“STI Plan”), long term incentive plan (“LTI Plan”) and retention plan (“RI Plan”). The share based payment expense recognized for the period ended 30 June 2019 is K 1,441,560 (2018: K615, 992). Current provision in the reserve account is sufficient.

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19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or where there are common directors and shareholders. Kina Securities Limited (incorporated in Papua New Guinea), is the parent entity of the Group which owns 100% of the ordinary shares of its subsidiaries, unless otherwise stated.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions and provision of certain services to the Group by companies where there is common directorship. These transactions were carried out on normal commercial terms and at normal market rates.

From time to time during the year, Directors and Senior Management of the Parent and subsidiaries had deposits in Kina Bank Limited accounts on normal terms and conditions. Brokerage rates for buying and selling shares for the Senior Management and staff are discounted.

Total remunerations (including benefits) paid to key management personnel during the period

	Consolidated	
	30 June	30 June
	2019	2018
	Unaudited	Unaudited
	K'000	K'000
Salary	3,781	3,167
Benefits	1,396	1,202
	5,177	4,369

20. Investment under trust

The Group acts as trustee holding or placing of assets on behalf of superannuation funds and individuals. These assets are not assets of the Group and, therefore, are not included in its balance sheet. The Group is also engaged in investing client monies. A corresponding liability in respect of these monies is also excluded from the balance sheet. Investments under trust at balance sheet are:

	Consolidated	
	30 June	31 December
	2019	2018
	Unaudited	Audited
	K'000	K'000
Shares clients funds	4,372	29,924
	4,372	29,924

21. Segment reporting

The segment information provided to the Chief Executive Officer for the reportable segments for the period ended 30 June 2019 is as follows:

	Banking	Wealth Management	Corporate	Total
	K'000	K'000	K'000	K'000
Interest income	60,957	5	15	60,977
Interest expense	(14,390)	-	(856)	(15,246)
Foreign exchange income	19,029	(5)	(336)	18,688
	4,398	14,187	171	18,756

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21. Segment reporting (continued)				
Fee and commission income				
Other revenue	127	323	75	525
Total external income	70,121	14,510	(931)	83,700
Other operating expenses	(19,911)	(6,112)	(16,447)	(42,470)
Provision for impairment	(2,247)	196	-	(2,051)
Depreciation and amortisation	(2,402)	-	(2,926)	(5,328)
Total external expenses	(24,560)	(5,916)	(19,373)	(49,849)
Profit before inter-segment revenue and expenses	45,561	8,594	(20,304)	33,851
Inter-segment income	959	447	20,361	21,767
Inter-segment expenses	(17,561)	(3,308)	(898)	(21,767)
Profit before tax	28,959	5,733	(841)	33,851
Income tax expense	(8,717)	(1,667)	147	(10,237)
Profit after tax	20,242	4,066	(694)	23,614
Total assets	1,621,552	17,003	138,988	1,777,543
Total liabilities	(1,489,112)	(2,528)	(14,049)	(1,505,689)

The segment information provided to the Chief Executive Officer for the reportable segments for the period ended 30 June 2018 is as follows:

	Banking & Finance	Wealth Management	Corporate	Total
	K'000	K'000	K'000	K'000
Interest income	52,504	5	24	52,533
Interest expense	(10,901)	-	-	(10,901)
Foreign exchange income	14,424	(38)	(319)	14,067
Fee and commission income	4,687	13,521	(10)	18,198
Other revenue	103	531	3,534	4,168
Total external income	60,817	14,019	3,229	78,065
Other operating expenses	(18,676)	(8,604)	(14,762)	(42,042)
Provision for impairment	(4,427)	91	-	(4,336)
Depreciation and amortisation	(1,725)	-	(1,645)	(3,370)
Total external expenses	(24,828)	(8,513)	(16,407)	(49,748)
Profit before inter-segment revenue and expenses	35,989	5,506	(13,178)	28,317
Inter-segment income	1,514	264	17,670	19,448
Inter-segment expenses	(15,664)	(3,070)	(714)	(19,448)
Profit before tax	21,839	2,700	3,778	28,317
Income tax expense	(6,547)	(885)	(244)	(7,676)
Profit after tax	15,292	1,815	3,534	20,641
Total assets	1,245,509	23,024	135,405	1,403,938
Total liabilities	(1,131,780)	(4,585)	(10,278)	(1,146,643)

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22. Contingent liabilities

Litigations and claims

Contingent liabilities exist in respect of actual and potential claims and proceedings that have not been determined. An assessment of the Group's likely loss has been made on a case by case basis for the purposes of the financial statements and specific provisions are made where appropriate. As at 30 June 2019, the Group is a party to some litigation before the courts, however, management does not believe these will result in any material loss to the Group. There was no litigation matter of a material nature that is not already provided for in the consolidated financial statements

Other contingent liabilities

The Bank guarantees the performance of customers by issuing guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements applied to customers applying for loans. As the facilities may expire without being drawn upon, the notional amount does not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount but as it cannot be accurately determined, the credit risk has been taken as the contract notional amount.

	Consolidated	
	30 June 2019	31 December 2018
	Unaudited	Audited
	K'000	K'000
Performance Guarantee	69,830	45,933

23. Capital commitments

There was a total of K7,333,942 relating to commitments under contracts for capital expenditure at reporting date.

24. Fair value estimation

There is no material difference between the fair value and carrying value of the Group's financial assets and liabilities.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at;

30 June 2019

Assets	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets at fair value through profit or loss				
Investment in shares – Listed	4,751	-	-	4,751
Investment in shares – Unlisted	-	-	227	227
Total assets	4,751	-	227	4,978

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24. Fair value estimation (continued)

31 December 2018

	Level 1	Level 2	Level 3	Total
	K'000	K'000	K'000	K'000
Financial assets at fair value through profit or loss				
- Investment in shares – Listed	4,681	-	-	4,681
- Investment in shares – Unlisted	-	-	62	62
- Investment in convertible notes – Unlisted	-	-	165	165
Total assets	4,681	-	227	4,908

Unlisted investments are classified as Level 3. There is no material movement in value of unlisted investments since the last reporting period.

25. Financial risk factors

The group's activities expose it to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all the financial risk management information and disclosure required in the annual financial statements. They should be read in conjunction with the group's annual financial statements at 31 December 2018. There have been no material changes in the risk management department or in any risk management policies since the year end.

26. Liquidity risk

Compared to year-end, there was no material change in the contractual undiscounted cash flows for financial liabilities.

27. Events after the balance sheet date

Subsequent to the financial reporting date, the directors declared a dividend of AUD 4 cents / PGK 10 toea per share (K16.4m). Furthermore, the acquisition of ANZ PNG's retail, commercial and SME banking businesses is expected to be completed late this year. It involves deposits and loans from retail customers (including credit cards), commercial and SME, 15 branches and offices, ATMs and EFTPOS terminals and relevant employees.