

2014
annual **report**

2014 highlights

financial results

An outstanding result in a challenging investment climate

- Net profit after tax K338.0 million
- Net assets of Nambawan Super Limited (the Fund) increased to K4.8 billion
- Interest of 7% credited to Members' accounts
- Employer contributions of K450.0 million, benefit payments of K290.0 million, leaving an organic growth of K160.0 million for investments in 2014
- 13,994 Members made voluntary contributions of K36.2 million

nambawan super savings & loan society (NSLS)

Another solid result

- Strong growth after five years of operation
- 11,987 Members at end of 2014 (up 45% from 2013)
- Total Member deposits of K23.8 million (up from K18.8 million)
- Total loans to Members K4.4 million (up from K2.0 million)

member services

Continuing growth in membership

- 146,280 Members as at 31 December 2014
- Average Member account K32,567 again the highest in all Papua New Guinea-based super funds
- 279 Employer Members (191 from the private sector and 88 from the public sector)

asset management

Diversification strategy again proven effective

- International equities thrived
- Bond weighting increased

retirement savings account (RSA)

Significant progress made

- Membership grew to 3,099 with a balance of funds totalling K113.9 million as at December 2014 (up 13% from end of 2013)
- 712 exiting Members rolled over entitlements into the RSA during 2014
- Average account balance in the RSA at the end of 2014 was K36,736

Ongoing focus of Member Access and communications;

- NSL moved into a new office location in Port Moresby at Aopi Centre with a modern look and feel to serve Members better, in our ongoing focus to improve Member services at NSL
- Engaged with Members and employers throughout the country, educating them of our products and services, including induction to NSL branch staff
- Increased number of Members registered to SMS service to 37,114 and 13,994 Members making voluntary contributions

mission, vision & corporate values

Vision

Long kamap Nambawan fren bilong yu na pamili; halivim, strongim na lukautim moni gaden bilong yu nau na bihain

Mission

To provide financial security for our Members and their families

Corporate Values

Our corporate values shape our policies, guide our actions and underpin respect for our Members. Our values are:

- Innovation** Constantly seeking new and innovative ways to manage our operations while fully meeting Members' needs
- Accountability** Taking responsibility for what we say and do
- Team Work** Working together in the knowledge and understanding that collectively our decisions and actions can make a difference
- Transparency** Ensuring that our decisions are guided by policies fully endorsed and accepted by our Members
- Professionalism** Committing to continuously improving, learning and applying world's best practice in whatever we do and
- Integrity** Engendering fairness, honesty and respect for others and upholding the principles of good governance

Our Key Competencies are:

Our key competencies are:

- Operational** Effectively planning, managing, implementing and monitoring the Fund's internal and external processes and systems, including our business relationships
- Special Assets** Maximising the value of our tangible and non-tangible assets to provide a competitive advantage, including adding value to the overall performance of the Fund
- Supporting Change & Growth**
Adopting organisational management principles which are conducive to allow niche growth opportunities and
- Relationship Management**
Maintaining strong strategic partnerships to optimise growth opportunities, including challenges to pursue long-term objectives of the Fund

contents

Chairman's Statement	2
Board of Directors	4
Corporate Governance	5
Chief Executive Officer's Statement	6
Organisational Structure	8
Our People	8
Comparative Statistics Summary	9
Fund Administrator's Statement	10
Investment Manager's Statement	12
Financial Statements	16

board of directors



Mr Anthony Smare



Lady Aivu Tauvasa



Mr Leon Buskens



Mr Bruce Wilson



Professor David Kavanamur



Professor Albert Mellam



Mr Alan Kam



Mrs Lesieli Taviri



Mr Reginald Monagi

corporate governance

Nambawan Super is governed by the Board of Directors of Nambawan Super Limited, the Fund's Corporate Trustee (Trustee).

The Fund exists to invest amounts contributed by, or on behalf of, Members for their retirement. It has no purpose other than to serve the interests of its membership.

The Trustee's primary responsibility to Fund Members is to ensure the Fund is run according to the principles of good governance. To achieve this objective, the Board implements five key governance principles, across the entire operation of the Trustee and the Fund. These principles are as follows: compliance with the law, effective leadership, integrity, accountability and risk management.

Nambawan Super is an authorised superannuation fund (ASF), regulated and monitored by the Bank of Papua New Guinea (BPNG) and is subject to Prudential Standards (PS), as released by BPNG from time to time.

The BPNG Superannuation Prudential Standard 7/2012 Corporate Governance was implemented on 1 January 2013. However, given the difficulties faced by most Licenced Trustees to comply with PS 7/2012 by December 2013, BPNG extended the full implementation to 31 December 2014. The PS 7/2012, which all ASFs have to comply with from 1 January 2014, sets our specific requirements for Board Structure, as other requirements concern Board responsibilities including investment, risk management, remuneration for License Holders and its officers. This is to ensure that Licence Holders are prudently managed and that impartial decisions are made in the best interest of the Members of ASFs.

The Audit & Risk Committee is a committee of the Board and functions as an independent reviewer, working with the Board and the stakeholders, so as to provide an objective appraisal of the financial and operational activities of Nambawan Super Limited. The Committee provides the Board with information necessary for them to fulfil their responsibilities in making informed financial and operational decisions, which are in the best interest of the Company and its Members.

As of 31 December 2014 the Committee comprised Mr Bruce Wilson as chairman, Mr Leon Buskens and Mr Reginald Monagi as committee Members and Mr David Guinn as External Expert.

The Remuneration and Nomination Committee has two key roles. Firstly, to help the Board set appropriate, fair and responsible remuneration practices and secondly, to identify suitable candidates to fill vacancies on the Board, on the Standing Committees and in the Executive Management, as they arise. As at 31 December 2014 the committee comprised Professor Albert Mellam as chairman and Mr Anthony Smare, Lady Aivu Tausava and Mrs Lesieli Taviri as committee Members.

The Investment Committee is a committee of the Board with the responsibility of ensuring that all investments of NSL are made in consideration of all requirements of the BPNG and in the best interest of the Members to optimise return, relative to risk. As at 31 December 2014, the committee comprised Mr Alan Kam as chairman and



Membership Committee

Standing L-R: Mr Dumo Matata (PNG Fire Fighters Association President), Mr Martin Kenehe (PNG Teachers Association President), Mr Santee Margis (PNG Energy Workers Union President), Mr Damien Aiyebaibai (CIS Association President) and Professor Albert Mellam (Director Member)

Sitting L-R: Ms Helen Are'e (Amalgamated PNG General Workers Union President), Mrs Eimi Kaptigau (PNG Nurses Association President), Professor David Kavanamur (Chairman of Membership Committee) and Lady Aivu Tauvasa (Director Member)

Missing: Mr Reginald Monagi (Director Member), Mrs Pauline Laki (PEA Rep) and Mr Leuth Nidung (PNG Police Association President).

Mr Leon Buskens, Mr Anthony Smare and Mr Bruce Wilson as committee Members.

The Membership Committee helps the Trustee deal with Member enquiries or complaints about the operation and management of the Fund. It provides a forum for Members to give their views and recommendations on the Fund's activities and offerings. The Committee discusses and sets guidelines for benefits and advises the Trustee on Members' information and communication needs.

During the year, the Membership Committee discussed and made determinations on a wide range of issues, on behalf of Members, including timely recording of Members' contributions, reducing the State contribution arrears, benefit payments, Nambawan Savings & Loans Society and Retirement Savings Account issues, Housing Advances, Member communications, group life insurance and proposed superannuation legislative amendments.

The composition of the Committee is key to its ability to represent Fund Members' interests and give them a strong voice. As well as a Member of the Trustee Board, the Committee also includes representatives of a number of influential PNG unions and large private organisations.

At the end of December 2014 the Committee comprised of Professor David Kavanamur, Director of Nambawan Super Limited as chairman; Lady Aivu Tauvasa, Director of Nambawan Super Limited; Martin Kenehe from PNG Teachers Association; Santee Margis from PNG Energy Workers Union; Ms Helen Are'e from Amalgamated General Workers Union; Mr Dumo Mamato from PNG Fire Fighters Union; Leuth Nidung from PNG Police Association; Damien Aiyebaibai from Correctional Services Employees' Association; and Mrs Eimi Kaptigau from PNG Nurses Association and Mrs Pauline Laki from the Public Employer Association.

chief executive officer's statement

GARRY TUNSTALL | CHIEF EXECUTIVE OFFICER



The 2014 year was a challenging one for many businesses, particularly those in financial services. It was a year when Nambawan Super's philosophy, strategies, investment approach, management style and staff capabilities were all put to the test.

It has been a tremendous year of change and improvement in all that we do at NSL.

Much of this change has been predicated on serving our Members more efficiently and effectively, but also improving the strategic asset allocation of the Fund, to so as drive safer longer-term returns for Members. As you will learn reading this report, the change has been universal throughout the business, from building staff capacity, capability via training and development, to creating a platform for operational excellence in stabilising and changing technology platforms, systems and procedures.

There has been greater emphasis placed on establishing uniform modern policies that meet the prudential standards and requirements of the regulator, as well as ensuring sound and prudent governance of the Fund.

In 2014 we reported lower growth on our investments due to a number of factors. These are short-term issues that are not material for the Fund as we are a long-term investor.

Despite these challenges, I am pleased that we were still able to deliver a very good result for our Members.

I'd like to remind our Members that as a superannuation fund, our primary aim is to protect and grow Members' contributions so as to provide them with maximum retirement benefits. We at Nambawan Super Limited make sure your super contributions survive short-term negatives which will occur from time to time, and build into attractive retirement benefits, 10, 20 or 30+ years, down the line. This is achieved through the setting of a clear investment objective and having a disciplined investment strategy, which guides our investment decision-making.

Our staff are our most important asset, and we are committed to their ongoing development. In fiscal 2014, we invested more money into training and professional development so as to help ensure that our employees have the skills they need to serve our clients at the highest level.

In 2014 we also focused on improving the organisation's operations, so as to provide better service to our Members. Part of our team's focus is to respond to Members within 24 hours and while we are much improved, still have a few hurdles to clear to get it right.

We introduced a revised e-smart service which allows Members to access statements and balances on mobile phones and on the Internet. We have also worked on improving and upgrading our

website and this new site will be launched in late 2015. This is the way forward and soon mailing of statements will be a thing of past, as Members will have more access through information technology instead of having to visit our branches.

An achievement during the year was improving our technology platform and operational capability. We also improved our redundancy and recovery platforms in the event of failure or disaster. To be more accessible to our Members, NSL has installed a state-of-the-art PABX system with an improved call centre service. We have also been looking to expand our service reach, by partnering with other well-established companies that can provide the basic services to our Members in areas where branch services are limited. We have completed some trials with Post PNG and the results look promising. Discussions with other organisations regarding the extension of our branch distribution capability are continuing.

NSL has revised and upgraded our accounting package, which will greatly enhance the effectiveness of our finance department. The upgrade included month-long training for staff. The human resources department also successfully installed a new salary and people management software program. This allows staff to apply for annual and other leave online and allows NSL to better manage human capital.

In 2014 we opened a new Members' service branch at the Aopi Building in central Waigani. The opening of the new branch is part of the Nambawan Super strategy to bring our services closer to the Members' doorsteps and to help alleviate the problems they face when attempting to access our services.

Over the past 12 months NSL has been working closely to improve collections and payment allocations for Members. Our perseverance in getting employers to remit electronically has paid off and most, if not all, are now remitting electronically, meaning that both employee and employer contributions are remitted together.

Member Contributions

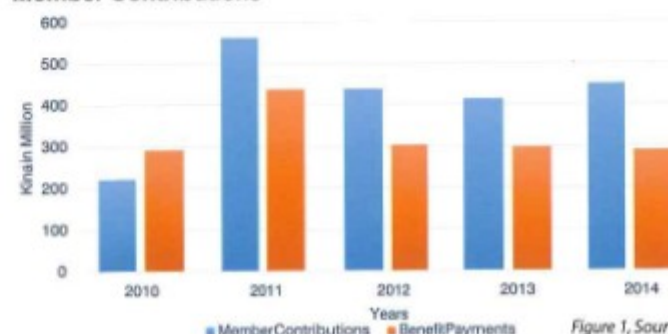
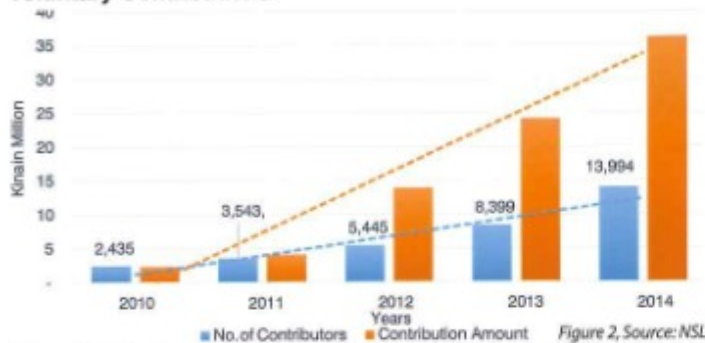


Figure 1, Source: NSL

As shown on the previous page our Member contributions have been steady for the past years.

Voluntary Contributions



It is pleasing to see that Members are making more voluntary contributions over 6%, and that has increased over the past five years. Last year it increased by 50% as shown in figure 2, above.

Retirement Savings Account (RSA)

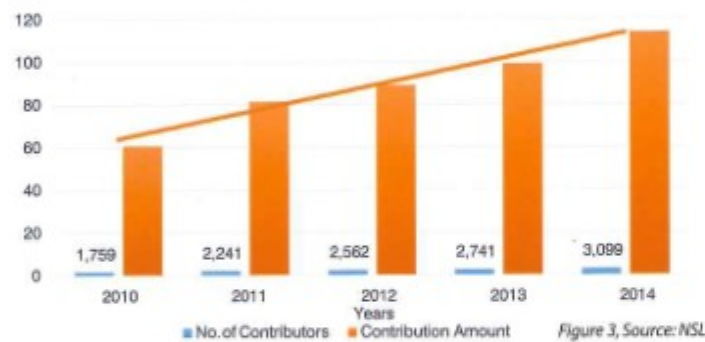
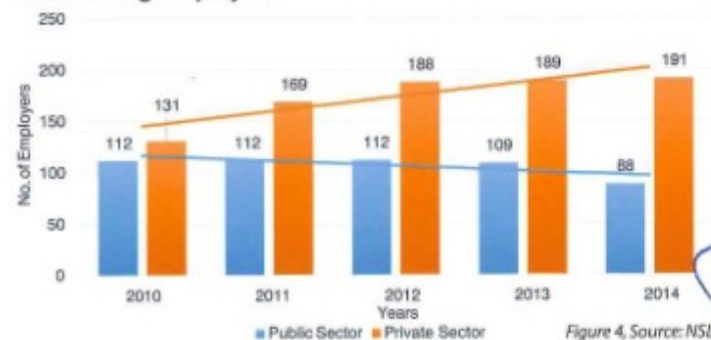


Figure 3 shows Members who exit the Fund and joined RSA. The advantage of an RSA is the continued security of funds in retirement. Our Nambawan Savings and Loans is now housed at our AOP1 Service Centre. Earlier in the year, we rolled out extra licences to our major branches to allow Members to check their balances. NSLS membership has been growing steadily each year. At 31 December 2014 NSLS had 11,987 Members, which is a 45% increase compared to the previous year. Deposits also increased from K17.8 million to K23.8 million, and loans increased from K2 million to K4.4 million.

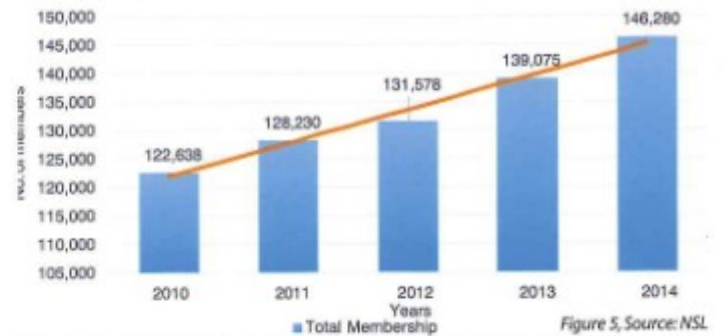
In 2014 NSL properties had increased values as a result of capital works. Leasing rates to tenants were also revised to reflect the changes in valuation. We are progressing towards divesting small and non-performing properties, in the portfolio which are not cost effective for the Fund.

Contributing Employers



NSL has diverse mix of both private and public sector employers who are contributing to the Fund.

Membership Growth



NSL has a steady growth in membership over the past couple of years as shown in figure 5, above.

The Fund has been building a close and strong rapport with trusted and experienced local, and international, contractors/project managers for property developments. Our new buildings including Old Parliament Haus, the new Treasury Building, and the Bayside apartments will be ready for occupancy during 2015.

As a Fund, we are mindful of cost associated with managing your funds. In 2014 NSL negotiated agreements that saved the Fund K5 million in costs. Management also took steps in 2014 to better control costs. This included releasing contractors, renegotiating agreements with service providers and doing more work in-house, rather than outsourcing. One of our achievements this year included producing our newsletter, *Toktok Super*, in-house which was previously outsourced.

In 2014 we held an employer conference, so as to touch base with our Members via their employers. The turnout was excellent and we received good feedback from the employers on our service levels, and we obtained an indication of areas that we need to improve.

NSL worked collaboratively with Government, the Regulator and industry to safeguard our Members' interests. It would be remiss of me not to specifically thank the Bank of Papua New Guinea staff, our fund managers and administrator, for working with us in an effort to streamline and improve Nambawan Super Limited over the past 12 months.

The Board and Management places Members' best interest at the top of our priorities, in line with our stated Mission, "to provide financial security for our Members and their families".

The ongoing success of our Fund relies on the wholehearted efforts and support from many people and organisations. On behalf of Members, I extend my sincere thanks to our Board's Chairman and Directors, Members of our committees, our Investment Manager and Fund Administrator, our service providers and above all our hardworking staff for their efforts in making sure our Members' best interests are served.


Garry Tunstall
 Chief Executive Officer

organisational structure

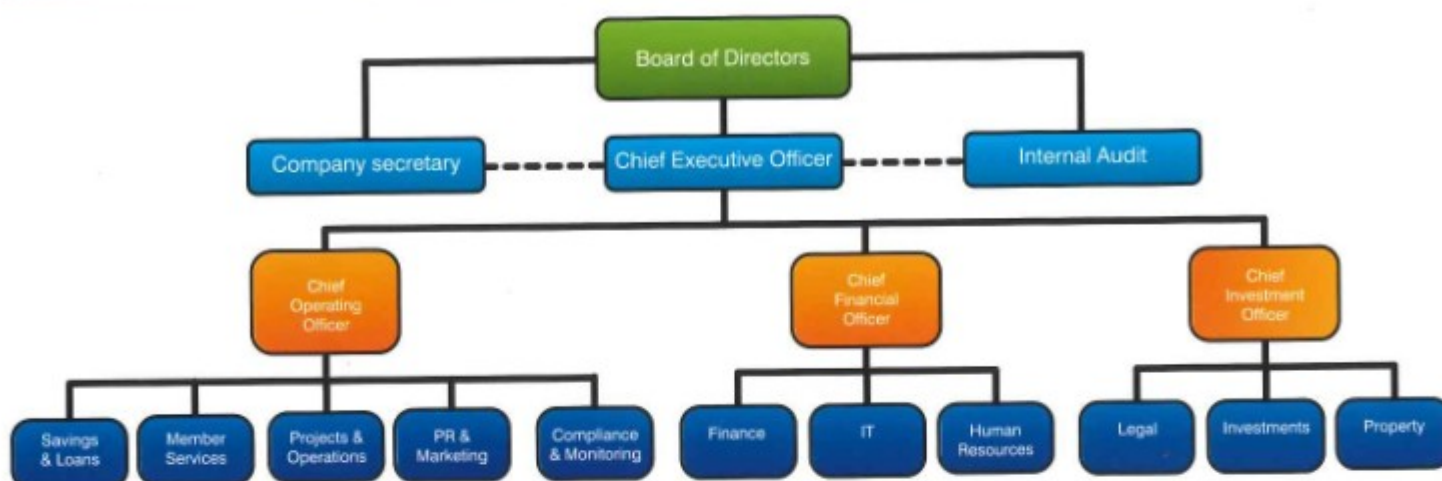


Figure 6, Source: NSL

our people

Nambawan Super exists to look after the best interests of Members. To do so we need to attract and retain people with the right qualifications, skills and abilities and provide the right work environment to allow them to reach their potential. Twenty one new employees joined Nambawan Super during 2014.

Learning and development

Nambawan Super operates in a dynamic environment. Our business is influenced by external factors, such as the current economic climate and legislative or regulatory changes. As well, we implement changes to enhance our services and offerings to Members. With change a constant factor in our operations, our people need to be equipped with the information and resources to stay in step with the demands of our operation.

Accordingly, learning and development continued to be a key priority for Nambawan Super during 2014. All NSL staff members undertook learning and development activities over the course of the year, including short courses, conference and seminar attendance, extension studies and overseas training.

Senior Management Salaries

The following table shows the number of employees in different salary bands during 2014.

Salary range	No. of employees
K100,000 – K150,000	16
K150,000 – K200,000	8
K200,000 – K250,000	1
K250,000 – K300,000	2
K300,000 – K600,000	Nil
K600,000 – K650,000	1
K650,000 – K750,000	Nil
K750,000 – K800,000	2
K800,000 – K850,000	Nil
K850,000 – K900,000	1

Figure 7, Source: NSL



Standing L-R: **Chetan Chopra**, Chief Finance Officer | **Chris Mota**, Manager Member Services | **Loka Pepena Niumatairua**, Manager Human Resources | **Dr Stephen Nash**, Chief Investment Officer | **Charlie Gilchibi**, Chief Operating Officer | **Raymond Palangat**, Manager PR & Marketing | **Rossie Kambua**, Manager Internal Audit | **George Koi**, Manager Legal Services | **Frank Lokalyo**, Manager Compliance & Monitoring
Sitting L-R: **Rebecca Habitein**, Manager Finance | **Garry Tunstall**, Chief Executive Officer | **Patricia Taureka**, Company Secretary | **Andrew Esler**, General Manager Property | **Maharlika San Valentin**, Manager Savings & Loans

comparative statistics summary

	Unit	2014	2013	2012	2011	2010	2009
PROFITABILITY							
Total Investment Income	K(m)	422	477	412	72	313	241
Total Expenses	K(m)	56	50	45	34	36	35
Income Tax Expense	K(m)	27	18	16	14	14	16
Net Profit After Tax	K(m)	338	411	351	24	263	190
BALANCE SHEET							
Net Assets	K(m)	4,764	4,268	3,743	3,235	3,093	2,830
Net Asset Growth	%	12	14	15	5	9	8
Reserves	K(m)	91	47	47	47	79	73
Reserves as a % of Net Assets	%	1.9	1.1	1.24	1.46	2.54	2.58
Retirement Savings Account Balance	K(m)	114	107	89	81	61	59
RETURN TO MEMBERS							
Rate of Return on Funds Employed	%	8	10.3	11.79	6.8	7.9	13.3
Interest Credited to Members	%	7	11.25	11	2	10	10
Headline Inflation Rate	%	6.6	4.7	1.6	6.9	7.2	5.7
Real Return to Members	%	0.4	6.55	9.4	-4.9	2.8	4.3
MEMBERSHIP							
Number of Members	No.	146,280	139,075	131,578	128,230	122,638	113,564
Average Wealth Per Member	K	32,567	30,688	28,449	25,892	25,218	24,920
Number of RSA Participants	No.	3,099	2,741	2,562	3,327	1,787	1,406
Average Number of Pensioners	No.	535	376	382	448	650	694
MEMBER CONTRIBUTION & PAYOUTS							
Contributions	K(m)	450	453	436	473	227	274
Gross Exit Payouts	K(m)	290	338	301	337	292	237
Number of Exit Payments	No.	2,944	3,328	5,291	4,502	5,238	3,513
Total Pension Payments	K(m)	2	2	2	2	3	3
TRUSTEE EXPENSES							
Management Expenses	K(m)	56	50	45	34	36	35
Management Expense Ratio (MER)	%	1.2	1.2	1.3	1	1.21	1.27
Fund Administration Fee	K(m)	6.5	5.4	7.6	4.6	3	3
Investment Management Fee	K(m)	7.3	9.5	8.9	8.6	9	9
Number of Staff	No.	142	124	121	133	119	115

Figure 8. Source: NSL

fund administrator's statement

KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED



As the Fund Administrator for Nambawan Super we are focused on delivering an efficient and high-quality service, each and every day. With 146,280 superannuation Members, customer service remains our highest priority and 2014 saw the implementation of many changes aimed at improving the Member experience.

Among our highlights for the year was the enhancement of the super text service that enabled Members to receive SMS notifications about their account balances within minutes of signing up. This saw more than 23,000 new subscribers request this service during the year, which is a 173% increase from 2013. Other highlights included the upgrading of our core Member database, so as to provide greater functionality for Members and the phasing out of paper contribution listings (in favour of electronic contribution listings). This upgrade allows us to deliver same-day uploading of contributions into Member's accounts, and the implementation of a wide range of process improvement initiatives, which are aimed at reducing completion times for Member requests.

Having highly skilled staff plays a critical role in us being able to deliver world-class service to Nambawan Super Members. We are, therefore, very pleased to advise that during the year all our Fund Administrators successfully completed formal qualifications from the Association of Superannuation Funds of Australia (ASFA). ASFA is both the peak industry body, representing all superannuation funds in Australia, as well as being recognised as a global leader in providing superannuation training. This shows our team commitment to ensuring that we maintain the highest possible standards in the industry.

FUND MEMBERSHIP

The Fund saw more than 5% growth in membership for the second consecutive year, bringing the total membership base to 146,280 as at 31 December 2014. This number consisted of 113,257 actively contributing Members, and 33,023 inactive Members, who have ceased making contributions in the past 12 months. During the year, Members were encouraged to ensure their personal details, such as date of birth, and contact details, were accurate. We were pleased to be able to process 24,000 Member updates throughout the year, and hope many more Members will check their account details and then provide updated details. In particular, we encourage the 42% (62,243) of Members who are yet to update their date of birth details to come forward with the appropriate identification so that we can update their accounts.

MEMBERS AND GROWTH

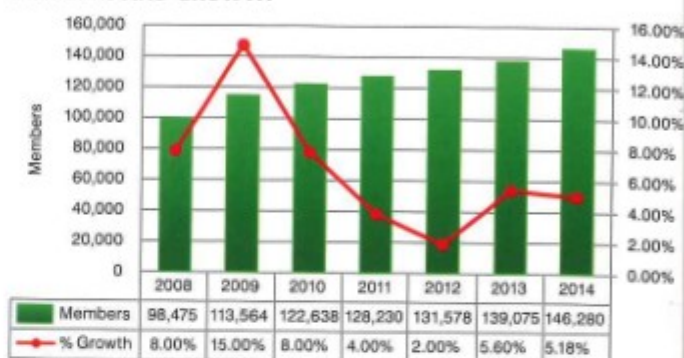


Figure 9, Source: NSL, KISS

RETIREMENT SAVINGS ACCOUNT

It is pleasing to note that there has been an increase in the number of exiting Members opting to join the Retirement Savings Account (RSA), by investing part of their entitlements back in the Fund. More than K113.5 million is currently held in the Fund on behalf of 3,099 RSA Members. There has been a significant increase in RSA membership since the inception of this product in 2006. The recent amendments to the superannuation act allows exiting superannuation Members to invest up to K250,000 in an RSA, allowing Members to enjoy their life in retirement with a fortnightly income stream. Since the funds are still with Nambawan Super, they also benefit from the same interest crediting rates as superannuation Members. In 2014 alone, 712 exiting Members opted to join RSA and we anticipate the growth rate in both membership and investment value to continue to rise in the coming years.

PAYMENTS FROM RETIREMENT SAVINGS ACCOUNTS

In 2014, a total of K33.5 million in benefit payments were processed, with this representing the highest amount of funds paid out in the past three years. The number of payments increased by approximately 13.8% compared to 2013, with a significant increase in the number of Members taking partial lump sum withdrawals and regular fortnightly withdrawals.

Type	2013		2014	
	No of Members	Amount K(million)	No of Members	Amount K(million)
Full Benefit Payment	362	5.27	330	4.9
Death Benefit	44	1.8	32	1.2
Partial Payment	2,734	21.1	3,443	24.1
Regular Fortnight	3,621	2.9	3,890	3.3

Figure 10, Source: NSL, KISS



HOUSING ADVANCE

A total of K12.6 million was allocated to 1,072 Members who applied for a housing advance throughout the year, for the purpose of building a new house, renovating or improving their existing house. This represents a significant increase in the number of Members accessing housing advances which compared to prior years.

CONTRIBUTIONS

Contributions receipts to the value of K450.0 million were received in 2014. This amount consisted of K154.9 million as employees' contributions, K202.7 million as employer contributions, and K92.5 million as state share contribution on exit payments.

VOLUNTARY CONTRIBUTIONS

It is pleasing to continue to see the number of Members making voluntary contributions grow again in 2014. An increase of 66% in the number of Members and 50% in investment value has significantly elevated the overall membership to 13,994 and the accumulative balance to K36.2 million, as at the end of 2014. Through the benefit of compound interest, these Members should enjoy a healthier account balance at retirement.

VOLUNTARY CONTRIBUTIONS



Figure 11, Source: NSL, KISS

CHOICE SUPER

Since its inception in April 2014, there has been a promising result, with a total of 804 new Members joining the Fund, through the Choice Super product with total savings balance of K385,758. The product is expected to attract more new Members in the coming years.

BENEFITS PAYMENT

The total number of payment requests for 2014 was 2,944 totalling K282.4 million where some details are in the figure 12, below;

Exit Type	2013		2014	
	No of Members	Amount K(million)	No of Members	Amount K(million)
Resignation, Retrenchment, Retirement, Termination, etc.	3,405	248.4	2,944	239.2
Death Benefits	432	47.9	362	41.0
Monthly Unemployment Benefits	1,519	2.0	2,007	2.2
State Share paid on exit		102.0		92.5

Figure 12, Source: NSL, KISS

SUPERTEXT & ONLINE SERVICE

As Fund membership grew in 2014, it is pleasing to see Member subscription to online service significantly increase. The number of Members recorded grew by 175% and this is the biggest increase since the service was first launched. This online service has provided the Members with the most efficient way to access their savings balance. The online service also provides a reliable service to the Members who are able to access the Internet.

MOVING FORWARD TOGETHER

Superannuation is a fast-growing industry and our ultimate and ongoing aim is to provide Members with the best possible service, so as to help them to enjoy their lives in retirement. We pride ourselves on our customer-first culture so as to ensure Members' savings are in good hands. My team and I are looking forward to the exciting and challenging year ahead, as we strive to exceed all expectations.

Adam Fenech

General Manager

Kina Investment & Superannuation Services

investment manager's statement

KINA FUNDS MANAGEMENT LIMITED



NSL's investment portfolio (the Fund) is constantly seeking considered, value-adding ways and initiatives, which are designed to further enhance and sustain its growth. This report outlines the drivers of the Fund's performance as well as providing the allocation breakdown of Fund investment holdings.

1. Legislation

The legislation governing the superannuation industry is the Superannuation (General Provisions) Act 2000. The Bank of Papua New Guinea (BPNG), under this Act, has the main function of ensuring the protection of the rights and interests of contributors. BPNG does this by issuing prudential standards that reinforce the guidelines in the Act, and BPNG monitors with reviews, and regular reporting requirements.

The Fund and Kina Funds Management (KFM) are continuously working together to be in compliance with regulations, as well as to ensure targeted returns can be achieved, with low to medium risk.

2. Investment Strategy

The Fund's primary purpose is to preserve and maximise superannuation benefits of its Members, through prudent investment management. The Fund's investment strategy (Investment Strategy) guides the investment decisions of the Fund, with the guidance of KFM, as the Licenced Investment Manager (LIM) for the Fund. The Fund's objective is to provide an after-tax return of at least +2% per annum, above CPI, with no more than one (1) negative return, in five (5) years. The headline CPI for Papua New Guinea for 2014 was 6.6%.

3. Investment Portfolio Performance

The Fund's investment portfolio increased to K4,658.9 million, as at 31 December 2014, an increase of K451.0 million or 10.7% from K4,207.9 million, as at end of December 2013. The increase in the portfolio value was mainly due to investment income of K443.7 million, the K97.6 million received for partial repayments for unfunded liabilities from the government of Papua New Guinea (PNG). However this increase was partially offset by the net withdrawal from the Fund. The investment income is primarily attributable to the following: (i) the gain from the valuation of listed equities, and unlisted equities, (ii) dividend and interest income, and (iii) foreign currency movement. However, the investment income was somewhat offset by the valuation loss on bonds, among other factors.

4. Portfolio Composition

The Fund continually strives to maintain its investments to be in line with the Strategic Asset Allocation. Moreover, in close collaboration with its LIM, the Fund constantly monitors its investments and reacts to the prevailing market conditions and expectations in line with the Strategic Allocation policy. Generally, the focus is to diversify risks, so as to moderate return volatility, while adding to the

risk adjusted performance, and preserving the capital base (for its Members). Figure 13 below compares the mix of investments in the portfolio as at 31 December 2014, with the asset class breakdown as at the end of the previous year.

Composition of Investment as at 31 December 2014

Asset Class	Portfolio Value ¹ (Km)		Percentage Holdings	
	31/12/14	31/12/13	31/12/14	31/12/13
Cash	88.8	327.3	1.9	7.8
Fixed Interest	1,543.2	1,158.5	33.1	27.5
Unlisted Equities	1,236.8	1,067.1	26.5	25.3
Listed Equities	626.9	714.0	13.5	17.0
Property	521.4	395.7	11.2	9.4
International	641.8	545.3	13.8	13.0
Total Portfolio	4,658.9	4,207.9	100.0	100.0

¹ Portfolio Value is inclusive of "Short-term deposits" and "Cash and Cash equivalents"

Figure 13, Source: KFM, NSL

Fund's Asset Allocation as at 31 December 2014



Figure 14, Source: KFM, NSL

Figure 15 below shows the increase in the Fund since 2003. Its value has increased more than six fold since 2003 with an average cumulative growth rate (CAGR) of 18.4% per annum.

Investment Portfolio as at 31 December 2014

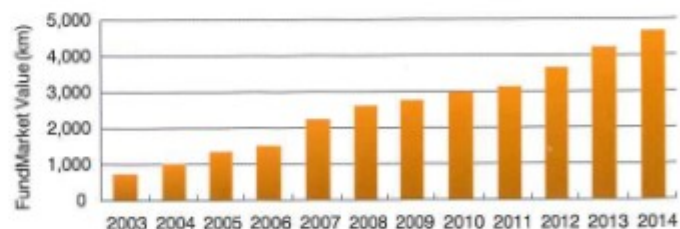


Figure 15, Source: KFM, NSL

5. Portfolio Discussion by Asset Class

5.1 Cash

The Fund's domestic cash allocation (Domestic Cash Portfolio), as at 31 December 2014, was K88.8 Million, which represents 1.9% of the total portfolio, compared to the target allocation of 3.0%, as outlined in the Investment Strategy. The Fund has been keeping its allocation to cash streamlined and focused on forecast cash flow demands, such as approaching investment activities, remittance of cash offshore,

investment manager's statement

KINA FUNDS MANAGEMENT LIMITED



government bond auctions, property project expenditures, and also to meet short-term liquidity demand. Low returns in this asset class continued in 2014, due to persistent high levels of domestic liquidity.

5.2 Fixed Interest

The Fund's fixed interest allocation (Fixed Interest Portfolio) comprises bank term deposits, government securities and loans, with term to maturity equal to or more than 182 days, at the time of issue. As at 31 December 2014, the value of Fixed Interest Portfolio was K1,543.2 million, which represented 33.1% of the total investment portfolio. This result is below the target allocation of 36.0% as outlined in the Investment Strategy, but has significantly increased by K384.7 million from the previous year. This asset class is made up mostly of government securities and the Fund continues to monitor the market for suitable opportunities to acquire additional securities. Papua New Guinea long-term interest rates became very attractive during the year, in part due to the increased issuance of long-term bonds.

5.3 Equity

The domestic equities allocation (Domestic Equities Portfolio) consists of listed and unlisted equities. As at 31 December 2014, the Fund's allocation to this asset class was at K1,863.7 million. This represents an increase of K82.6 million or 4.6% from the K1,781.1 million total from the previous year.

5.3.1 Listed Equity

As at 31 December 2014, this sub-class (Domestic Listed Equities) was valued at K626.9 million, which represented 13.5% of the Fund. The Domestic Listed Equities decreased by K87.1 million for the year, which was primarily due to the decrease in share prices of Bank of South Pacific (BSP) and City Pharmacy Limited (CPL). In contrast, a rise in the share price of Credit Corporation Limited (CCP) was evident.

The drop in BSP price also reduced its overall exposure within the Fund, and presented an opportunity to acquire more since BSP equity has an adequate yield and a robust future outlook. The Fund resolved to sell down the entire New Britain Palm Oil (NBPO) holding, due to the Sime Darby Takeover bid, which caused the price to trade at a premium.

This figure shows the Fund's Domestic Listed Equities holding within the Fund:

Domestic Listed Equities as at 31 December 2014

Listed Equities	Stock Exchange	Industry/ Sector
Bank South Pacific Ltd	POMSoX	Banking/Finance
Credit Corporation Ltd	POMSoX	Finance/Property
City Pharmacy Ltd	POMSoX	Health/Retail
New Britain Palm Oil Ltd	POMSoX	Agriculture
Oil Search Ltd	POMSoX/ASX	Oil & Gas

Figure 16, Source: KFM, NSL, POMSoX

5.3.2 Unlisted Equity

As at 31 December 2014, this sub-class (Domestic Unlisted Equities) was valued at K1,236.8 million, which represented 26.5% of the Fund. The exposure is over the target allocation of 16.0% outlined in the Investment Strategy.

The Fund is currently working on a number of strategic initiatives, which are targeted at optimising the allocation of this asset class, including the following: (i) reducing exposure risk to selected entities, (ii) crystallising the returns of those entities that have significantly appreciated and (iii) divesting those equities that are relatively small in terms of the overall portfolio, and which are not yielding robust risk-adjusted return.

Domestic Unlisted Equities as at 31 December 2014

Unquoted Ordinary Shares	Industry/Sector	Holdings as %
Alotau International Hotel Ltd	Hotel	34
Brian Bell & Co. Ltd	Wholesale/Retail/ Merchant	34
Capital Life Insurance Company Ltd	Insurance	34
Capital Way Holdings Ltd	Telecommunications	10
Gazelle International Hotel Ltd	Hotel	65
Kumul Hotels Ltd	Hotel	55
Pacific Management Services Ltd	Building Maintenance	50
Paradise Foods Ltd	Food & Snacks/ Manufacturing	85
PNG Water Ltd	Utilities	30
Post Courier Ltd	Media	21
SP Brewery Ltd	Manufacturing	20
Toyota Tsusho (PNG) Ltd	Motor Vehicle	4
Westpac Banking Corporation (PNG) Ltd	Banking/Finance	7

Figure 17, Source: KFM, NSL

5.4. Property

The Fund's properties (Domestic Properties Portfolio) is comprised of commercial, residential, industrial and land investments. As at 31 December 2014, this asset class was valued at K521.4 million, which represented 11.2% of the Fund, which is below the target allocation (partly due to the poor outlook for property value in PNG and a divestment strategy).

The Fund has continued the implementation of the property strategy of divesting non-core and underperforming assets, upgrading existing key assets and remains focused on optimising profitability on core assets. This 'divestment' initiative is underway and it is expected to further streamline, and improve the composition of this asset class; leading to an improved risk-return profile for the Fund, and a diminished exposure to sub-optimal holdings.

investment manager's statement

KINA FUNDS MANAGEMENT LIMITED



Property Portfolio as at 31 December 2014

Properties	Location	Description
COMMERCIAL BUILDINGS		
Era Rumana (S20 L6&7 Champion Parade)	Port Moresby	7 level commercial office complex in the CBD
Mogoru Moto (S20 L8&9 Champion Parade)	Port Moresby	9 level commercial office complex in the CBD
Aopi Centre (S390 L12,13 & 14 Waigani Drive)	Port Moresby	A 6 level twin tower office complex on Waigani Drive. Currently leased to the Health and Lands Department
Vulupindi Haus (S405 L15 Waigani Drive)	Port Moresby	6 level commercial office complex in Waigani. Leased to the Finance & National Planning Department
Revenue Haus (S20 L11 Champion Parade)	Port Moresby	9 level commercial office complex in the CBD
Burns House (S19 L20 Champion Parade)	Port Moresby	4 level mixed office & retail space in the CBD
Port Tower (S3 L21 Hunter Street)	Port Moresby	9 level mixed use commercial/ residential complex in the CBD
Vele Rumana (S6 L19 & 20 4th Street, Top Town)	Lae	6 level commercial office complex in the CBD subject of major refurbishment.
IPI Building	Lae	7 level mixed use commercial/residential complex
INDUSTRIAL PROPERTIES		
S15, 16 & 17 L64 (Gordons – Warehouse)	Port Moresby	NSL data storage facility
S64 L41 (Huon Road)	Lae	Retail shop & service station; held for sale
Angco L5, 6, 19&20 S34 (Macdhui Street)	Lae	Industrial warehouse
L23 S50 (Milfordhaven Road)	Lae	Industrial warehouse
RESIDENTIAL APARTMENTS		
Bayside Apartments (Portion 178)	Port Moresby	42 x two- and three-bedroom residential units located at Koki; Complete refurbishment of 42 units.
Lawes Road (S7 L24) (50%)	Port Moresby	20 x two- and three-bedroom units located on Lawes Road
Pacific Vista (S42 L14)	Port Moresby	7 x three-bedroom executive apartments located on Ogoa Street
Cedar Units (S33 L11 Hibiscus Street)	Lae	8 x three-bedroom units
Hibiscus Street, Eriku (S33 L11)	Lae	6 residential units
Portion 212 (Portion 212, Boundary Road)	Lae	40 x two- and three-bedroom residential units
VACANT PROPERTY		
Kokopo Market Land (S22 L7 & 8)	Kokopo	Vacant undeveloped land
Bautama Land	Port Moresby	Vacant undeveloped land along Magi Highway
PROPERTIES IN HOLDING COMPANIES		
Coastwatcher Court Ltd	Port Moresby	Holding company that owns 31 constructed apartments on Touaguba Hill. NSL owns 65% of the company.
Hunter Ltd	Port Moresby	Holding company that owns the Defens Haus in the CBD. NSL owns 30% of the company.
Moki Ltd	Australia	Holding company that owns Cairns Conservatory Building. NSL owns 100% of the company.
Morobe Front Holdings Ltd	Lae	Holding company that owns the Lae Waterfront Land as its sole asset.
UPCOMING DEVELOPMENTS		
9 Mile Land (Portion 989, 1568, 2124, 2156 & 2159)	Port Moresby	On-going efforts and consultation with NCDC and Lands Department for a proposed "satellite town" development. Subject of a title dispute.
Old Parliament House Ltd	Port Moresby	Joint development with Lamana Development for a nine-storey commercial building. Anticipated completion 2014.
Waigani Asset Ltd (Lands Building) & Treasury Building	Port Moresby	Joint development with Lamana Development for four-storey building; Completed and progressing fitout before occupation.
Touaguba Apartments (S63 L22 Daugo Drive)	Port Moresby	New 12-unit residential construction.

Figure 18, Source: KFM, NSL

investment manager's statement

KINA FUNDS MANAGEMENT LIMITED



6. International

The Fund's international investments (International Portfolio) includes bank call accounts, term deposits, listed equities, unlisted equities and properties. The total International Portfolio holding as at 31 December 2014 was K641.8 million, which represented 13.8% of the Fund.

The Fund's strategy for the International Portfolio in 2014 has moved to a passive approach. The Fund has shifted its focus from an individual stock selection to a broader market index approach. The investments are separated into an Australian equity market exposure, and a Global exposure. The International Portfolio is structured to allow the Fund flexibility and convenient access to investments, which will benefit from economic growth outside of PNG's limited pool of available investments.

In 2014, the Bank of PNG (BPNG) imposed a regulatory band on Foreign Currency that held the PGK exchange rate relatively high and stable over the second half of 2014. The appreciation of the PGK against most major currencies, including the Australian Dollar, dampened the valuation gain in the International Portfolio.

International listed equities within the International Portfolio as at 31 December 2014 had a market value of K494.0 million, as partly detailed below:

International Listed Equities as at 31 December 2014

Listed Equities	Industry/Sector
BlackRock Wholesale Indexed Australian Equity Fund	Australia Market (ASX 300)
BlackRock Wholesale Indexed International Equity Fund	Global Fund ex Australia
Vanguard International Shares Index Fund	Global Fund ex Australia

Figure 19, Source: KFM, NSL, Black Rock, Vanguard

The International Portfolio also includes several alternative investments with a total value of K29.8 million, selected and managed by Whitehelm Capital (previously Access Capital Advisors). This is an Australia-based investment manager, specialising in alternative investments. Independent valuers conduct annual valuations of the investments, which are also subject to Whitehelm Capital's internal assessment process.

As with many alternative investments, the value of the Whitehelm Capital portfolio was significantly reduced by the Global Financial Crisis and difficult trading conditions over the last few years.

Whitehelm Capital (Access Capital Advisors) Investments as at 31 December 2014

Description	Industry/Sector
Smarte Carte	Airport trolley hire – US
Southern Water	Infrastructure, Water, Sewerage – UK
Tata Realty Initiative Fund 1	Property Trust – India

Figure 20, Source: KFM, NSL, Whitehelm Capital

The Fund is continuing to exit these investments as opportunities arise.

financial statements

FOR THE YEAR ENDED 31 DECEMBER 2014

contents

Independent Auditor's Report	17
Statement of Net Assets available for Benefits	18
Statement of Comprehensive Income	19
Statement of Changes in Net Assets available for Benefits	20
Statement of Cash Flows	21
Notes to and forming part of the Financial Statements	22-37
Declaration by Trustee and Management	38

Independent Auditor's Report to the members of Nambawan Super

Report on the financial statements

We have audited the accompanying financial statements of Nambawan Super (the Fund), which comprise the statement of net assets available for benefits as at 31 December 2014, the statement of comprehensive income, statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Trustee's responsibility for the financial statements

The directors of Nambawan Super Limited, being the Fund's Trustee, are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea, the Superannuation (General Provisions) Act 2000 and the financial statement requirements embodied in the Companies Act 1997 and for such internal controls as the Trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Fund's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements:

1. comply with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the financial statement requirements embodied in the Companies Act 1997 and other generally accepted accounting practice in Papua New Guinea; and
2. give a true and fair view of the financial position of the Fund as at 31 December 2014, and its financial performance and cash flows for the year then ended.

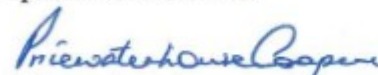
Report on other legal and regulatory requirements

We confirm in relation to our audit of the financial statements for the year ended 31 December 2014:

1. we have obtained all the information and explanations that we have required; and
2. in our opinion, proper accounting records have been kept by the Fund as far as appears from an examination of those records.

Restriction on distribution or use

This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Fund and the Fund's members, as a body, for our audit work, for this report or for the opinions we have formed.



PricewaterhouseCoopers



G E Burns
Engagement Leader

Port Moresby
3 March 2015



S C Beach
Partner

Registered under the Accountants Registration Act 1996

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT 31 DECEMBER 2014

	Note	2014 K '000	2013 K '000
ASSETS			
Investments			
Financial assets at fair value	4(a-e)	3,720,153	3,297,831
Held to maturity	4(f-g)	-	22,909
Loans	4(h)	210,622	129,110
Investment properties	4(i)	521,397	395,667
Assets held for sale	4(j)	19,745	27,721
Total investments		4,471,917	3,873,238
Property, plant and equipment	3	4,870	4,582
Income tax receivable	11(b)	7,181	12,922
Receivables	6	107,334	70,715
Short-term deposits	5	18,184	262,878
Cash and cash equivalents	7	200,684	99,515
Total assets		4,810,170	4,323,850
LIABILITIES			
Deferred income tax	11(c)	7,113	7,512
Benefits payable		1,451	1,601
Payables	8	37,352	46,431
Total liabilities		45,916	55,544
NET ASSETS AVAILABLE FOR BENEFITS		4,764,254	4,268,306

The above Statement of Net Assets Available for Benefits should be read in conjunction with the accompanying notes to the financial statements.

For and on behalf of the Board



ANTHONY SMARE

Chairman



LEON BUSKENS

Director

Dated at Port Moresby the 3rd day of March 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Note	K '000	K '000
INCOME			
Interest	9(a)	139,977	71,694
Dividends	9(b)	109,774	114,687
Property rentals	9(c)	52,292	53,190
Net gains on assets at fair value	9(d)	129,313	227,143
Foreign exchange gain	9(e)	11,986	24,319
Other income	9(f)	380	193
		443,722	491,226
EXPENSES			
Investment and administration expenses			
Property administration expenses		3,037	3,251
Direct investment property expenses		21,270	14,278
Fund administration fees		6,536	5,357
Investment manager's fees		7,349	9,497
Investment monitoring expenses		2,109	1,802
		40,301	34,185
Management expenses	10	37,433	29,873
Operating profit		365,988	427,168
Income tax expense	11(a)	27,771	17,705
Profit after income tax		338,217	409,463
Other comprehensive income			
Revaluation of property – surplus/(deficit) *		-	1,125
NET INCREASE IN NET ASSETS FROM OPERATIONS AVAILABLE FOR BENEFITS		338,217	410,588

* these may be subsequently reclassified to profit and loss

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Note	K '000	K '000
Net increase in net assets from operations available for benefits		338,217	410,588
Contributions/Transfers			
Member contributions	12(a)	450,120	413,428
Housing withdrawals repayments	12(b)	7,319	7,630
Transfer to retirement savings plan	12(d)	39,185	32,045
		496,624	453,103
Benefits expenditure			
Benefits payments	12(a)	290,123	298,414
Housing withdrawal advances	12(b)	13,004	7,068
Pension	12(c)	2,282	2,222
Retirement savings benefit payments	12(d)	33,486	31,069
		338,895	338,773
Net increase in net assets available for benefit		495,946	524,918
Net assets available for benefits – beginning of the year		4,268,308	3,743,390
NET ASSETS AVAILABLE FOR BENEFITS		4,764,254	4,268,308
Comprising			
Members accounts and pensioner funds	12(a-c)	4,597,760	4,151,045
Retirement savings account	12(d)	75,505	69,806
Reserves	12(e)	90,989	47,457
Total Members Funds		4,764,254	4,268,308

The above Statement of Changes in Net Assets Available for Benefits should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
	Note	K '000	K '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received	12(a)	357,588	310,206
State share of benefit payments received		97,549	141,924
Benefits paid		(381,908)	(306,145)
Purchase of financial assets		(1,285,291)	(964,841)
Proceeds from sale of financial assets		978,837	910,731
Loans advanced	4(h)	(101,296)	(82,190)
Proceeds from loan repayments	4(h)	35,764	10,099
Payment for investment property development and acquisition	4(i)	(42,014)	(40,107)
Proceeds from sale of investment properties		7,872	9,689
Payment for purchase of property, plant and equipment		(1,669)	(1,305)
Proceeds on sale of property, plant and equipment		156	5
Interest received		124,267	76,696
Dividends received	9(b)	109,774	114,687
Property rentals and other income received		41,870	55,769
Investment and administration expenses paid		(57,296)	(69,718)
Income tax paid	11(b)	(22,428)	(16,914)
Net cash from operating activities		(138,225)	148,585
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of housing advances	12(b)	(12,618)	(7,068)
Proceeds from housing advance repayments	12(b)	7,318	7,630
Net cash flows from financing activities		(5,300)	563
Net (decrease)/ increase in cash and cash equivalents		(143,525)	149,147
Cash and cash equivalents – beginning of the year		362,393	213,246
CASH AND CASH EQUIVALENTS – end of the year		218,868	362,393
Comprising –			
Cash on hand and at banks	7	200,684	99,515
Short-term deposits	5	18,184	262,878
		218,868	362,393

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION

Nambawan Super is an approved Fund under the Superannuation General Provisions Act 2000 ("Act"). The Fund is primarily a defined contribution (or accumulation) fund which provides benefits to its Members in accordance with the Act. The majority of the contributors are from the public sector with the "State" as the major employer, however since the introduction of the Superannuation reforms, membership now includes private sector organisations.

In 2005, the Fund introduced a new post-employment product for exiting Members in the form of Retirement Savings Accounts. This facility allows Members who exit the Fund to transfer all or part of their benefits to an RSA. The advantages of an RSA are the continued security of funds in retirement, the ability to make regular withdrawals from the account in line with retirement needs. Balances are not subject to tax where statutory levels of withdrawals are not exceeded.

The Fund is governed by a board of directors, pursuant to their responsibilities to Nambawan Super Limited ("NSL"), the Fund's Corporate Trustee.

NSL is domiciled in Papua New Guinea and the registered office is:

Level 6, Era Rumana
Champion Parade
PO Box 483
Port Moresby

The financial statements have been authorised for issue by the directors on 4 March 2015. The Board of Directors have the power to amend the financial statements after they are issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements are presented in accordance with the requirements of the Act, the Papua New Guinea Companies Act 1997, the Superannuation Prudential Standard 3/2008 and comply with generally accepted accounting practice, including applicable financial reporting standards approved for use in Papua New Guinea ("PNG") by the Accounting Standards Board ("ASB"). The ASB has approved all current International Financial Reporting Standards ("IFRS") as the applicable financial reporting standards.

All amounts are expressed in PNG Kina rounded to the nearest thousand Kina.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property and equipment and investment property at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the accounting for pensioner funds/unfunded liability and the fair value of investments.

(a) Revenue recognition

Investment income

Investment income, comprising interest on government securities, term deposits, debentures, loans and rental income, is brought to account on an accruals basis. Dividends from shares are accounted for on a cash received basis. Changes in the net market value of assets are recognised in the Statement of Comprehensive Income in the periods in which they occur.

Contribution income

Employer and Member contributions are recognised upon receipt. Transfers from other funds are recognised when received by the Fund. Contributions receivable from the State in relation to exit payments are recognised when payments are made by the Fund to exiting Members.

(b) Foreign currency translation

The financial statements are presented in PNG Kina, which is the Fund's functional and presentation currency. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Such balances are translated at year-end exchange rates at balance date. Translation differences for non-monetary items, such as financial assets held at fair value through the profit or loss are reported as part of the fair value gain or loss in relation to the financial assets.

The rates used as at 31 December 2014 were:

AUD 0.4716 (2013:0.4714)
USD 0.3930 (2013:0.4205)
GBP 0.2508 (2013:0.2567)

(c) Property, plant and equipment

Land and buildings (except for investment properties) – refer to note 2 (e) – are shown at fair value based on annual valuations by external independent registered valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognised in the Statement of Comprehensive Income, the increase is first recognised in the Statement of Comprehensive Income. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserve in the equity to the extent of the remaining reserve attributable to the asset, all other decreases are charged to the Statement of Comprehensive Income.

Land is not depreciated. Other assets are depreciated over the following estimated useful lives (reviewed annually):

Buildings	4.5%
Furniture & fittings	At rates varying from 11.25% to 30%
Office equipment	At rates varying from 11.25% to 30%
Motor vehicles	30%

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(d) Financial assets

The Fund classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those assets managed for which their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy. This includes listed and unlisted equities, debt securities, and from 1 January 2013, Government-inscribed stocks and treasury bills.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are accounted for on an amortised cost basis.

(iii) Held to maturity

Financial assets held to maturity are non-derivative with fixed or determinable receipts and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. They include Government CDOs in the nature of term deposits.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value of 'financial assets at fair value' through profit or loss, category are presented in the Statement of Comprehensive Income within 'net gains on assets at fair value' in the period they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income as part of 'dividend income' when the Fund's right to receive payments is established.

Interest on debt securities at fair value through profit or loss is recognised in the Statement of Comprehensive Income within 'interest income' based on the effective interest rate.

Foreign exchange gains and losses relating to 'financial assets at fair value' through profit or loss are presented in the Statement of Comprehensive Income within 'net gains on assets at fair value'.

The Fund's equity interests in controlled entities and entities in which it holds significant influence are treated as plan assets and the investments accounted for as 'financial assets at fair value through profit or loss'.

Loans and receivables investments are carried at amortised cost using the effective interest method.

(e) Investment properties

Investment properties are recognised initially at cost, including the transaction costs, if any. Investment properties are subsequently remeasured at each reporting date to fair value. Changes in fair value are recorded in the Statement of Comprehensive Income 'net gains/(losses) on assets at fair value'.

Rental income from investment properties is recognised in the Statement of Comprehensive Income within 'rental income' when the Funds right to receive income arises.

(f) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. The fair value of financial assets traded in active markets are based on quoted market prices at the close of business on the reporting date.

The fair value of financial assets not traded in an active market is determined using valuation techniques. A variety of techniques are used by the Fund using assumptions based on market conditions existing at the reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Fair value estimation of investment properties utilise the services of independent valuers. Fair value is the market value it is estimated

the exchange of asset would take place at valuation date between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein each party has acted knowledgeably, prudently and without compulsion. This is done considering two basis of valuation. The Discounted Cash Flow basis evaluates an IRR based on known or expected rentals adjusted for relevant factors or by comparison with similar properties capitalised using recognised market Multipliers. The Capitalisation approach adopts a Market Yield based on estimated income adjusted for costs, outgoings and future capital upgrade costs. Based on this available information, the valuers reconcile and recommend an adopted value which reflects both the IRR and the Market Yield.

(g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and a default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of provisions raised is recognised in the 'Statement of Comprehensive Income in other expenses.'

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with banks. Other short-term highly liquid investments with original maturities of three months or less are classified under other assets.

(i) Income tax

The income tax expense or revenue for the period is tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that the future taxable amounts will be available to utilise these temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases for investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(j) Benefits payable

Benefits payable are benefits attributable to Members but not paid by balance date.

(k) Employee benefits

Liabilities of the Fund for their employees' entitlements to wages and salaries, annual leave, and other employee entitlements are accrued at amounts calculated having regard to period of service, statutory obligations, and on the basis of wage and salary rates when the liabilities are expected to be settled.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued...*

(l) Payables

Payables represent liabilities for goods and services provided to the Fund prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

(m) Assets held for sale

Assets held for sale are stated at the lower of carrying amount or fair value less cost to sell when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable within 12 months. The fair market value is determined similar to investment properties.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Internal Revenue Commission. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the Internal Revenue Commission is included with other receivables or payables in the Statement of Net Assets Available For Benefits. Cash flows are presented on a gross basis. The GST component of cash flows arising from non-operating activities are recoverable from, or payable to the Internal Revenue Commission are presented as operating cash flows.

(o) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(p) Standards, amendments and interpretations effective in the year ended 31 December 2014

The following new amendments and interpretation were applicable for the first time during the accounting period beginning 1 January 2014.

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective 1 January 2014) provides an exemption to investment entities from consolidating controlled investees. Instead, they will measure them at fair value through profit and loss. The Fund has adopted the standard although it did not result to a significant change in the way it accounts for its investments.
- Narrow scope amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Fund has no such impaired assets.
- Amendments to IAS 32, "Financial instrument: Presentation" (effective 1 January 2014). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Narrow scope amendments to IAS 39, "Financial instruments: Recognition and measurement" in relation to novation of derivatives (effective 1 January 2014). These amendments provides relief from discontinued hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Fund does not have any hedge accounting transactions.
- IFRIC 21 "Levies" (effective 1 January 2014). This is an interpretation to IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

(q) Critical accounting estimates and judgements

Net gains/(losses) on assets at fair value

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of financial assets that are not quoted in an active market

Fair value of financial assets that are not quoted in an active market are determined by independent experts using valuation techniques, primarily discounted cash flows, earning multiples and net assets values. Management and the Audit & Risk Committee review these valuations used to determine fair value for appropriateness.

Valuation models use observable data, to the extent practicable. However, there are factors requiring estimation and changes in assumptions about these factors could affect the reported fair value of the financial instruments.

Fair value of investment properties

Fair value estimation of investment properties utilise the services of independent valuers. Fair value is the market value it is estimated the exchange of asset would take place at valuation date between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein each party has acted knowledgeably, prudently and without compulsion. This is done considering two basis of valuation. The Discounted Cash Flow basis evaluates an IRR based on known or expected rentals adjusted for relevant factors or by comparison with similar properties capitalised using recognised market Multipliers. The Capitalisation approach adopts a Market Yield based on estimated income adjusted for costs, outgoings and future capital upgrade costs. Based on this available information, the valuers reconcile and recommend an adopted value which reflects both the IRR and the Market Yield.

The Management and the Audit and Risk Committee review these valuations and recommendations to determine fair value and accept or adjust the recommendations. The valuation models do require estimation and assumptions on the part of the valuer and changes in estimates and assumptions about these factors could affect the reported fair values of the investment properties.

Fair value of government securities

Government Inscribed Stocks and Treasury Bills as at 31 December 2014 were valued by Kina Funds Management (KFM). KFM applies an appropriate Valuation Yield based on market-accepted discounts factors and comparatives published by BPNG and the last issued rate for the relevant terms of the Government Inscribed Stocks.

Receivable from the State

The State owes significant debts to the Fund in relation to State's share of the Members exit payments, unpaid rentals, outgoings and interest. Management continuously assesses the recoverability of these receivables considering the nature of the debt, past history, likelihood of settlement and any relevant information available to management. Based on this assessment, a provision for impairment is recognised in the financial statements for potentially uncollectable rental outgoings and interest. Directors consider the State's share of exit payments receivable and the outstanding rentals to be fully recoverable.

In addition, the State has a significant liability to the Fund for Members contributions in relation to previous years (see note 13). The Fund has not recognised this as an asset and only recognises a receivable on the Member's exit from the Fund. The receivable will be recognised when the State fully recognises the quantum of the receivable and has agreed a plan for settlement.

(r) Change in classification in 2013

During 2012 the Investment Committee reviewed the classification of Government Inscribed Stocks and Treasury Bills and reclassified them as 'financial assets at fair value through profit or loss' on the basis the market was developing for such instruments. This was a change in estimate. The impact of this was to reclassify K 446.4 million of assets at 31 December 2013 which increased the carrying value of those assets and the operating profit for the 2013 year by K11.7million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

3 PROPERTY, PLANT AND EQUIPMENT

Non-investment fixed assets used in the operations of the Fund are included in property, plant and equipment, as set out below. Property, plant and equipment associated with investment properties are included under Investments. Refer Note 4 (i)

Land and buildings are revalued annually.

	HOUSING		Land & Buildings K' 000	OFFICE BUILDINGS		VEHICLES	Total K' 000
	Land & Buildings K' 000	Plant & Equipment K' 000		Furniture & Fittings K' 000	Plant & Equipment K' 000	Motor Vehicles K' 000	
2014							
COST OR REVALUATION							
<i>At 1 January 2014</i>	1,674	446	-	274	3,065	1,783	7,242
Additions	-	85	-	21	1,044	-	1,150
Disposals	-	32	-	(8)	(341)	(324)	(641)
<i>At 31 December 2014</i>	1,674	563	-	287	3,768	1,459	7,751
ACCUMULATED DEPRECIATION							
<i>At 1 January 2014</i>	114	170	-	139	1,311	927	2,660
Depreciation	10	67	-	17	352	1	448
Disposals	-	-	-	(0)	(227)	-	(227)
<i>At 31 December 2014</i>	124	237	-	156	1,436	928	2,880
NET BOOK VALUE							
<i>At 31 December 2014</i>	1,550	326	-	131	2,332	532	4,871
2013							
COST OR REVALUATION							
<i>At 1 January 2013</i>	1,897	376	6,374	2,384	5,287	1,731	18,049
Additions	-	121	-	22	900	262	1,305
Disposals	(222)	(51)	(6,374)	(2,132)	(3,122)	(211)	(12,112)
<i>At 31 December 2013</i>	1,674	446	-	274	3,065	1,783	7,242
ACCUMULATED DEPRECIATION							
<i>At 1 January 2013</i>	236	168	457	1,813	3,703	723	7,099
Depreciation	13	45	1	61	286	319	725
Disposals	(136)	(43)	(458)	(1,735)	(2,679)	(115)	(5,166)
<i>At 31 December 2013</i>	114	170	-	139	1,311	927	2,660
NET BOOK VALUE							
<i>At 31 December 2013</i>	1,561	276	-	135	1,755	856	4,582

There are no conditions that indicate impairment of property, plant and equipment as at 31 December 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	K '000	K '000
4 INVESTMENTS		
(a) Financial assets – onshore		
<i>Government-Inscribed Stocks & Treasury Bills</i>		
Balance at the beginning of the year	1,006,520	-
Purchases during the year	769,650	651,762
Maturities during the year	(373,619)	(118,382)
Reclassification	-	446,641
Fair value (loss)/gain	(69,974)	26,499
Balance at the end of the year	1,332,577	1,006,520
(b) Financial assets – unlisted shares (onshore)		
Balance at the beginning of the year	1,067,090	939,942
Investments during the year	3,537	7,046
Divestments during the year	(101)	-
Fair value gain from change in net market value	166,263	120,102
Balance at the end of the year	1,236,791	1,067,090
(c) Financial assets – unlisted shares (offshore)		
Balance at beginning of year *	45,656	47,941
Investments during the year	-	798
Divestments during the year	(6,251)	(12,718)
Fair value (loss)/gain from change in net market value	(9,576)	9,635
Balance at the end of the year	29,830	45,656
(d) Financial assets – listed shares (onshore)		
Balance at the beginning of the year *	560,434	541,667
Investments during the year	117,206	-
Divestments during the year	(11,292)	(1,459)
Fair value (loss)/gain from change in net market value	(39,411)	20,226
Balance at the end of the year	626,937	560,434
(e) Financial assets – listed shares (offshore)		
Balance at the beginning of the year *	618,131	510,621
Investments during the year	398,294	136,257
Divestments during the year	(498,084)	(159,370)
Fair value (loss)/gain from change in net market value	(24,323)	130,623
Balance at the end of the year	494,018	618,131
Total financial assets at fair value	3,720,153	3,297,831
* 2013 opening balances have been adjusted to reclassify investments between financial asset categories. This did not impact on accounting treatments.		
(f) Held to maturity financial assets – onshore		
<i>Government securities (Central Bank bills)</i>		
Balance at the beginning of the year	22,909	873,701
Purchases during the year	-	149,350
Maturities during the year	(22,909)	(553,410)
Accumulated amortisation of premium	-	(91)
Reclassification	-	(446,641)
Balance at the end of the year	-	22,909
(g) Held to maturity financial assets – offshore		
Balance at the beginning of the year	-	6,245
Gain due to the effect of exchange rate movements	-	476
Impairment of financial assets	-	(6,721)
Balance at the end of the year	-	-
Total held to maturity	-	22,909

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	K '000	K '000
4 INVESTMENTS <i>continued...</i>		
(h) Loans		
Balance at the beginning of the year	129,110	58,091
Advances made	101,296	82,190
Payments received	(35,764)	(10,099)
Interest charged	15,980	-
Loan balance at the end of the year	210,622	130,182
Loans written off	-	(1,072)
Balance at the end of the year, net of provisions	210,622	129,110
The loans attract interest at an average rate of 12% (2013: 10%). Interest is repayable monthly and the principal amount is repayable in accordance with the respective loan agreements, with maturities varying between 2015 and 2018.		
(i) Investment properties		
Properties at fair value		
Balance at the beginning of the year	335,457	364,561
Additions	178	1,451
Transfer from capital work in progress	1,582	57,518
Transfer from property plant & equipment	-	7,041
Transfer to assets held for sale	-	(11,950)
Disposals and write offs	(3,258)	(1,346)
Depreciation on investment properties	(1,222)	(1,316)
Fair value gain/(loss) from change in net market value	91,016	(80,500)
Balance at the end of the year	423,755	335,457
Capital work in progress – properties under construction (at cost)		
Balance at the beginning of the year	60,210	87,690
Additions	41,835	38,657
Transfer to properties	(1,583)	(57,518)
Transfers to assets held for sale	(800)	-
Disposals and write offs	(2,020)	(8,619)
Balance at the end of the year	97,642	60,210
Total investment properties	521,397	395,667
Investment properties with fair values of K423,754,955 (2013: K335,456,732) had their fair values determined by independent valuers. The valuations were conducted by Savills Valuations Pty Ltd, Australia. All professionals used by Savills have AAPI registrations and CPV qualifications approved by the Australian Property Institute.		
(j) Assets held for sale		
Properties held for sale	19,745	27,721
Certain properties of the fund are held for the purpose of sale. These sales are expected to be completed within a period of a year.		
TOTAL INVESTMENTS	4,471,917	3,873,238
Amounts recognised in Statement of Comprehensive Income for investment properties:		
Rental income	52,292	53,190
Direct operating expenses	(21,270)	(14,278)
Net rental income	31,022	38,912

Asset Class	Portfolio Value (K million)		Percentage Holdings	
	2014	2013	2014	2013
Onshore				
Held to maturity (fixed interest)	0	23	0	1
Equities				
Listed	627	560	14	14
Unlisted	1,237	1,067	28	28
Other financial assets at fair value (Government Bonds)	1,332	1,006	30	26
Property	541	423	12	11
Loans	211	129	5	3
Offshore				
Equities				
Listed	494	618	11	16
Unlisted	30	46	1	1
Total excluding short-term deposits	4,472	3,873	100	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4 INVESTMENTS *continued...*

(k) Asset Allocation *continued...*

In accordance with the BPNG Prudential Standard 3/2008 the disclosure and listing of the investments held by Nambawan Super Limited as at 31 December 2014 are as follows

	Industry	Valuation Method
Held to Maturity (fixed interest)		
Government Securities – C Bank Bills	Banking	BPNG Rates
Value K(million) 2014		-
Value K(million) 2013		22,909
Listed Equities – onshore		
Bank South Pacific Ltd	Banking	Last Bid Price
City Pharmacy Ltd	Wholesale/retail	Last Bid Price
Credit Corporation Ltd	Finance	Last Bid Price
New Britain Palm Oil	Agriculture	Last Bid Price
Value K(million) 2014		626,937
Value K(million) 2013		560,434
Unlisted equities – onshore		
Alotau International Hotel Ltd	Hotel	Net Assets
Brian Bell & Company Ltd	Wholesale/retail	CME
Capital Insurance Group Ltd	Insurance broker	CR
Capital Way Holdings Ltd	Telecommunications	Net Assets
Coastwatchers Court Ltd	Property	Net Assets
Gazelle International Hotel Ltd	Hotel	Net Assets
Hunter Ltd	Property	Net Assets
Kumul Hotels Ltd	Hotel	Net Assets
Moki NO.10 Ltd	Real Estate	Net Assets
Morobe Front Holdings Ltd	Property – Development	Net Assets
Pacific Building Mgt Services Ltd	Building maintenance	Net Assets
Paradise Foods Holdings Ltd	Food & Snacks	DCF
PNG Water Ltd	Utilities	DCF
Post Courier Ltd	Media	CME
South Pacific Brewery Ltd	Brewery/manufacturing	DCF/MA
Toyota Tsusho (PNG) Ltd	Motor vehicle	CME
Westpac Bank (PNG) Ltd	Banking & finance	CME
OPH Ltd – Ordinary Shares **	Property	Cost
OPH Ltd – Preferential Shares**	Property	Cost
Waigani Asset Ltd – Lands Dept **	Property	Cost
Waigani Asset Ltd – Vulupindi **	Property	Cost
Value K(million) 2014		1,236.8
Value K(million) 2013		1,067.0

Net assets – net assets on a going concern

CME – current maintainable earnings

CR – Capital raising documentation

MA – Market Appraisal

DCF – discounted cash flows

* Holdings have been rounded

** Due to the incomplete status of these investments, cost is considered to be an appropriate fair value approximation for the investments.

Unlisted equities are valued at fair value at balance date, as determined generally by registered independent professional valuers. The valuations were conducted by Ernst & Young, Australia and BSP Capital. All valuers of E&Y were qualified chartered accountants. The valuation methods used as disclosed above are considered the most relevant and appropriate. The main factors used in determining fair value include a combination of dividend yield, future maintainable earnings, and net tangible assets. Current maintainable earnings method uses earnings multiples derived from market transactions of comparable entities or operational plans. The Net Assets method has been used by the valuers where the entity has significant real estate backing and earnings are limited or inconsistent. The valuation method for the Brian Bell investments has changed from Net Assets to CME since greater information is available on business operations. The valuation method for Capital Insurance Group adopted was the recent publicly available capital raising documentation for a rights issue. The valuation method for Paradise Foods was also changed to the DCF method as relevant information on future cash flows was available. Changes in fair values are recorded in the Statement of Comprehensive Income as part of net gain / (loss) on assets at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4 INVESTMENTS *continued...*

(k) Asset Allocation *continued...*

Other Financial Assets at Fair Value	Industry	Valuation Method
Government Inscribed Stocks	Banking & Finance	BPNG Rates
Treasury Bills	Banking & Finance	BPNG Rates
Value K(million) 2014		1,332,577
Value K(million) 2013		1,006,520

Property	Section/(Allotment)	Milinch
Commercial		
Aopi Centre	409 - (15)	Hohola (POM)
Vulupindi Haus	390 - (12, 13 & 14)	Hohola (POM)
Burns Haus	20 - (3, 4 & 5)	Granville (POM)
Era Rumana	20 - (12)	Granville (POM)
Mogoru Moto	20 - (13)	Granville (POM)
Revenue Haus	20 - (11)	Granville (POM)
Port Tower	3 - (21)	Granville (POM)
Vele Rumana	6 - (19 & 20)	Lae
Nambawan Super Building	49 - (41 & 23)	Lae
Hunter Land	25 - (34)	Granville (POM)
Residential		
Pacific Vista Apartments	42 - (2)	Granville (POM)
Bayside Apartments	Portion 178	Granville (POM)
Lawes Road Apartments	7 - (24)	Granville (POM)
Portion 212 Apartments	Portion 212	Lae
Cedar Apartments	11 - (33)	Lae
Hibiscus Street Apartments	41 - (3)	Lae
Malolo Estate Properties		8 Mile (POM)
Light Industrial		
Bowmans	64 - (15)	Hohola (POM)
NSL Warehaus	64 - (16)	Hohola (POM)
Ex Simkor	50 - (23)	Lae
Ex Angco	34 - (5, 6, 19 & 20)	Lae
Voco Point Warehaus	42 - (5 & 6)	Lae
Under Development		
Touaguba Apartments	63 - (22)	Granville (POM)
Ex Post PNG	387 - (20)	Boroko (POM)
Vacant Land		
9 Mile Land	2159	Bomana (POM)
Bautama Estate	1 - (6-21)	Central Province
Bautama Estate	2 - (2-14)	Central Province
Bautama Estate	3 - (2-11 & 13-28)	Central Province
Bautama Estate	4 - (1-6)	Central Province
Bautama Estate	5 - (1-27)	Central Province
Bautama Estate	6 - (1)	Central Province
Bautama Estate	7 - (1-17)	Central Province
Bautama Estate	8 - (1-8)	Central Province
Bautama Estate	9 - (1-6)	Central Province
Malolo Estate	145 - (13-26)	8 Mile (POM)
Value K(million) 2014		521,397
Value K(million) 2013		395,667

Assets Held for Sale	Section/(Allotment)	Milinch
Malolo Estate	145 - 152	8 Mile (POM)
PNG Motors	41 - (64)	Lae
Goroka Land		Goroka
Hunter Land - Defence Haus		Granville
Angco Property	5 - (1)	Goroka
Angco Property	6 - (1)	Goroka
Angco Property	6 - (2, 3 & 5)	Goroka
Value K(million) 2014		19,745
Value K(million) 2013		27,221

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4 INVESTMENTS *continued...*

(k) Asset Allocation *continued...*

Loans	Industry
PNG Power Ltd	Utilities
Coastwatchers Court Ltd	Property
OPH Ltd	Property
Waigani Asset Ltd	Property
Morobe Front Holdings Ltd	Property
Kumul Hotels Ltd	Hotel
Value K(million) 2014	210,622
Value K(million) 2013	129,110

Listed Equities – offshore	Industry	Valuation Method
Oil Search Ltd	Petroleum & Gas	Last Bid Price
Vanguard International Index Funds	Indexed Fund	Last Bid Price
Blackrock Wholesale Indexed	Indexed Fund	Last Bid Price
Blackrock Wholesale International Equity Fund	Indexed Fund	Last Bid Price
Value K(million) 2014		494,018
Value K(million) 2013		618,131

Listed Equities – offshore	Industry	Valuation Method
Smarte Carte International	Airport Trolley	Last Bid Price
Tata Realty Initiatives Fund	Property Trust	Last Bid Price
Southern Water – Project Brazil	Infrastructure	Last Bid Price
Value K(million) 2014		29,830
Value K(million) 2013		45,656

(l) Single Investments exceeding 5% of the net assets:

Investment	% holding (rounded)	% of net assets 2014	Value K(million) 2014	Value K(million) 2013
Bank South Pacific Ltd	12	8.6	411	375
Bank of PNG	N/A	28.0	1,333	1,007
SP Brewery	20	10.6	503	328

(m) Sensitivity analysis

Investment	Movement in share price by +/- 10%	Movement in exchange rates by +/- 10%	Movement in interest rate by +/- 1%
Impact to total portfolio in kina value	112.1	67.7	16.3
Impact to total portfolio in percentage	2.7	1.6	0.4

(n) Fair value estimation

The table below analyses financial instruments and other investments 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 Fund's assets and liabilities that are measured at fair value at 31 December 2014.

Investment	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Assets				
Government-inscribed stocks and treasury bills	-	1,332,577	-	1,332,577
Listed securities	1,120,955	-	-	1,120,955
Unlisted securities	-	-	1,266,620	1,266,620
Assets held for sale	-	-	19,745	19,745
Investment properties	-	-	423,755	423,755
Total Assets	1,120,955	1,332,577	1,710,120	4,163,652
Liabilities	-	-	-	-
Total Liabilities	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

4 INVESTMENTS *continued...*

(n) Fair value estimation *continued...*

The following table presents the Fund's assets and liabilities that were measured at fair value at 31 December 2013.

	K'000	K'000	K'000	K'000
Assets				
Government-inscribed stocks and treasury bills	-	1,006,520	-	1,006,520
Listed securities	1,178,565	-	-	1,178,565
Unlisted securities	-	-	1,112,746	1,112,746
Assets held for sale	-	-	27,721	27,721
Investment Properties	-	-	335,457	335,457
Total Assets	1,178,565	1,006,520	1,475,924	3,661,009
Liabilities	-	-	-	-
Total Liabilities	-	-	-	-

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily POMSOX or ASX equity investments. The GIS Bonds are valued at Level 2 as explained above. There were no reclassifications between levels during the year.

Specific valuation techniques used to value other than Level 1 investments include:

* Quoted market prices, central bank bid prices or dealer quotes for similar assets or instruments

* Other techniques such as multiples of future maintainable earnings, net asset values or discounted cash flow analysis are used to determine value of the remaining financial instruments.

Investment properties are valued by registered independent professional valuers, Savills (NSW) Pty Limited using discounted cash flows of future expected rentals adjusted for any anticipated major expenditure to maintain the rental levels.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

	2014	2013
	K'000	K'000
5 SHORT-TERM DEPOSITS		
Term deposits (maturities within 90 days) – onshore	6,000	238,697
Term deposits (maturities within 90 days) – offshore	12,184	24,181
	18,184	262,878

6 RECEIVABLES

Rental debtors	14,369	17,440
Less: Provision for doubtful debts	(2,694)	(2,440)
	11,675	15,000
Staff housing scheme and advances	258	707
Sundry debtors	1,768	18,534
Share of Member withdrawal benefits owing by the State	80,600	24,732
Prepayments and GST refundable	11,105	9,545
Accrued interest income	1,926	2,197
	107,334	70,715

(i) Impaired rental debtors

As at 31 December 2014, K2.694 million (2013: K2.440 million) relating to rental debtors were considered impaired and were provided for.

The ageing of these receivables is as follows:

3 to 12 months	1,275	2,244
Over 12 months	1,419	196
	2,694	2,440

Movement in the provision for impairment of trade receivables is as follows:

Opening balance	2,440	2,958
Receivables impaired during the year	2,242	1,109
Bad debts write off	(1,694)	(1,493)
Recoveries	(293)	(134)
	2,694	2,440

The creating and releasing of provision for impaired receivables is included in other expenses in the statement of comprehensive income. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	K '000	K '000
7 CASH AND CASH EQUIVALENTS		
Cash on hand	14	12
Banks – onshore	82,737	88,588
Banks – offshore	117,933	10,915
	200,684	99,515
8 PAYABLES		
Creditors	8,267	23,673
Other creditors	2,840	2,315
Deposits on sale of properties	2,112	1,540
Rental bond fees	4,534	4,428
Member insurance payable	5,995	5,995
State-share received in advance	4,367	3
State pension liability	6,644	6,644
Employee-related liabilities	2,594	1,834
	37,352	46,431
9 INCOME		
(a) Interest		
Government-inscribed stock and treasury bills	108,396	57,635
National Government loan	5,018	4,095
Loans	22,284	3,756
Short-term deposits	4,279	6,208
	139,977	71,694
(b) Dividends		
Listed equities	47,542	47,874
Unlisted equities	62,232	66,813
	109,774	114,687
(c) Property rental		
Gross rental income	52,292	53,190
(d) Net gains/(losses) on assets at fair value		
Unrealised fair value gains/(losses)		
Listed equities	(63,734)	150,849
Unlisted equities	156,687	129,738
Investment properties	91,016	(80,500)
CDOs	-	(6,720)
Government inscribed stock and treasury bills	(69,974)	11,977
Realised fair value gains/(losses)		
Listed equities	17,332	28,132
Unlisted equities	(1,407)	245
Investment properties	(607)	(6,578)
Net fair value gains	129,313	227,143
(e) Foreign exchange gains	11,986	24,319
(f) Other income		
Directors' fees received	51	111
Gain on disposal of property, plant and equipment	44	-
Other income	286	82
	380	193

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	K '000	K '000
10 MANAGEMENT EXPENSES		
Advertising	204	137
Auditor's remuneration – statutory audit services	350	379
Auditor's remuneration – other services	88	70
Bad and doubtful debts and loans *	3,470	(116)
BPNG license fees	3,732	2,120
Contributor expenses	460	1,054
Loss on disposal of property plant and equipment	-	1,283
Depreciation on property plant and equipment	687	725
Directors' fees and expenses	1,823	1,913
Donations	25	41
Office expenses	6,808	6,768
Professional fees	2,888	2,131
Staff remuneration	14,019	10,870
Staff housing and other benefits	2,363	1,542
Other	516	956
	37,433	29,873

* The bad and doubtful debts includes a provision for fraudulent benefit payments of K1.474m and bad rental debtors written off in the year for K1.995m.

11 INCOME TAX

The income tax charged on operating profit is determined as follows:

(a) Income tax expense

Operating profit	365,988	427,168
Prima facie tax at 25%	91,497	106,792
Tax effect of:		
Fair value changes in investments	(32,832)	(53,791)
Dividend rebate	(27,236)	(28,672)
Depreciation on investment properties	(980)	(574)
Foreign exchange gain – capital account	(2,996)	(6,080)
Other	318	29
Income tax expense for the year	27,771	17,705

(b) Income tax receivable/(payable)

Opening balance receivable	12,922	7,429
Current income tax	(28,169)	(11,421)
Tax payments	22,428	16,914
Closing balance	7,181	12,922
<i>Current year income tax expense comprise:</i>		
Current income tax	28,169	11,421
Deferred income tax	(398)	6,284
	27,771	17,705

(c) Deferred income tax

Opening balance at the beginning of the year	7,512	1,228
Movement during the year	(398)	6,284
Closing balance (receivable)	7,113	7,512
Comprising:		
Interest receivable	271	5,732
Rent receivable	3,070	4,360
Pre-paid insurance	(95)	179
Depreciation	1,265	(3)
Fixed assets	15	2,197
Employee benefits	(760)	(459)
Doubtful receivables and loans	(254)	(610)
Insurance claims	-	(1,336)
Losses	(1,474)	-
Other accruals	5,075	(2,548)
	7,113	7,512

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	K '000	K '000
12 MEMBERS FUNDS		
<p>Members Funds are represented by contributor funds, contributor housing withdrawals, pensioner funds and retirement savings accounts, together with a reserve. Contributor funds are credited with contributions on a cash received basis. For 2014, interest allocated to contributor funds was determined on Member balances at a rate of 7% – K294.6 million (2013 : 11.25% – K409.6 million) based on a daily time-weighted basis. Contributor housing withdrawals comprise of withdrawals from contributor funds, which are repaid by way of additional contributions at a minimum rate of 2% and from Member's entitlements at the time of exit where the advance is not fully restored at the time of exit.</p>		
(a) Contributor funds		
Opening balance	4,207,629	3,682,921
<i>Add</i>		
Members' contributions received during the year	154,919	135,529
Employers' contributions received during the year	199,488	174,677
Unallocated contributions *	1,961	1,217
Transfers from other funds	1,220	-
State contribution on exit payments	92,532	102,005
	450,120	413,428
Interest allocation	294,685	409,694
	4,952,434	4,506,043
<i>Deduct</i>		
Member benefits paid during the year **	(195,325)	(200,707)
State Share paid – on exit	(92,532)	(102,005)
Prior year benefits payments	-	6,483
Unemployment benefits paid	(2,266)	(2,185)
	(290,123)	(298,414)
Closing balance	4,662,311	4,207,629
*Unallocated contributions arise because of incomplete Member information provided by employers when remitting fortnightly contributions.		
** Benefit payment details:		
Retirement	(166,167)	(169,203)
Death	(29,158)	(31,504)
	(195,325)	(200,707)
(b) Contributor housing withdrawals		
Opening balance	(67,996)	(68,558)
Advances or Member withdrawals	(12,618)	(7,068)
Repayments received	7,318	7,630
Prior year adjustment	(385)	-
Closing balance	(73,681)	(67,996)
(c) Pensioner funds		
Opening balance	11,412	13,634
Payments during the year	(2,282)	(2,222)
Closing balance	9,130	11,412
Total Members accounts and pensioner funds	4,597,760	4,151,045
(d) Retirement savings account		
Opening balance	69,806	68,830
Transfers during the year	39,185	32,045
Payments during the year	(33,486)	(31,069)
	75,505	69,806
Interest allocation for RSA is included in Note 12(a).		
TOTAL CONTRIBUTOR FUNDS	4,673,266	4,220,851
(e) RESERVES		
Retained earnings and general reserve	68,264	24,732
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve – property	1,447	1,447
	90,989	47,457
TOTAL MEMBERS FUNDS	4,764,254	4,268,308

The amounts held in the above reserve account are unallocated benefits for the Members. These reserves may be allocated to the Members at the discretion of the Trustee after considering the necessary prudential and statutory requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13 FUNDING ARRANGEMENTS

The future unfunded liability of the State to Members as at the end of 2014 is estimated to be K2,070.0 million (2013: K2,026.0 million), which is not included in the 'Net assets available for benefits' as the amount has not been agreed with the State and there are no arrangements in place for settlement.

(a) Exiting Members

As Members exit the Fund, the State is legally obliged to match the benefit accruing to the Member from the Member's contributions in the ratio of 8.4% to 6%. The total benefit is paid to the Member by the Fund, with the State reimbursing the Fund for its share. During 2014 the State's obligations for such benefits paid totalled K80.6 million (2013 K24.7 million).

(b) Employer contributions

From 2003, employers commenced remitting directly to the Fund the full 8.4 % employer contributions on behalf of their Members. The State was only required to contribute 25 % of the 8.4 % employer contribution for 2003 and 2004, 50% for 2005 and 2006, 75 % for 2007 and 2008 and 100% from 2009 onwards. In 2012 the State started remitting the 8.4% employer contributions on a fortnightly basis and therefore did not owe the Fund at year ended 31 December 2014 for such contributions but remains liable for the unpaid portions in relation to earlier years.

14 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) and credit risk. The Trustee has appointed an Investment Committee with a charter to maintain and manage the investments of the Fund. The Investment Committee has appointed a Licensed Investment Manager.

The investments of the Fund (other than cash held for liquidity purposes) are managed on behalf of the Trustee by Kina Funds Management Limited ("KFM"). The investment manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate. The trustee has determined that appointment of this manager is appropriate for the Fund and is in accordance with the Fund's investment strategy. The trustee obtains regular reports from the investment manager on the nature of the investments made on its behalf and the associated risks.

(a) Market risk

(i) Foreign exchange risk

The Fund is exposed to foreign exchange risk in relation to international investments and deposits. The Fund does not have any specific hedging policies to mitigate this risk but the Fund does monitor the impact of this risk on an ongoing basis. Approximately 12% (2013:12%) of investments are offshore investments subject to foreign exchange risk.

(ii) Price risk

The Fund is exposed to equity securities price risk. These arise from investments held by the Fund and are classified on the Statement of Financial Position as financial assets at fair value.

The Fund's investment manager generally does not use derivative financial instruments to reduce risks in the share and currency markets and to increase or decrease the Fund's exposure to particular investment classes or markets.

(iii) Cash flow and interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its Members. The Fund's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to rental customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Fund has no significant concentrations of credit risk with the exception of the Government of Papua New Guinea.

(c) Fair value (gain) on financial assets

The Fund's financial assets and liabilities, including derivative instruments, are included in the Statement of Financial Position at amounts that approximate net fair value.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full or can only do so on terms that are materially disadvantageous. The Fund manages this risk by ensuring that it has sufficient liquidity in cash and short term readily convertible cash equivalents to meet financial obligations as and when they fall due.

The table below shows the Fund's financial liabilities in relevant maturity grouping(K'000):

Particulars	Less than	1-2	2-5	Over 5	Total
	1 year	years	years	years	
31 December 2014	1,451	-	-	-	1,451
Benefit payable	37,352	-	-	-	37,352
Creditors and other liabilities	38,803	-	-	-	38,803
31 December 2013	1,601	-	-	-	1,601
Benefit payable	46,431	-	-	-	46,431
Creditors and other liabilities	48,032	-	-	-	48,032

15 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to the balance sheet date, the listed equities portfolio in both the domestic and international market experienced some volatility in the share price and the net result of these movements are summarised as follows:

28 February 2015 – K79.1 million favourable movement (Domestic: Gain K4.9 million and International gain K84.0 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

16 RELATED PARTY DISCLOSURES

- (a) The Trustee of the Fund throughout the year was Nambawan Super Limited ("NSL"). The names of persons who were directors of the trustee company at any time during the financial year and up to the date of this report were:

Mr Anthony Smare	Mr Alan Kam (Appointed 5 March 2014)
Professor Albert Mellam	Lady Aivu Tauvasa (Appointed 1 October 2014)
Professor David Kavanamur	Mrs Lesieli Taviri (Appointed 1 October 2014)
Mr Leon Buskens	Mr Reginald Monagi (Appointed 1 October 2014)
Mr Bruce Wilson (Appointed 28 January 2014)	

- (b) Directors' remuneration comprises an annual stipend and sitting fees. No bonus or other monetary benefits were paid during the year. Airfares and motor vehicles are provided for non-Port Moresby residents when meetings are conducted in Port Moresby.

Name of director	Role	Total Remuneration	Board meetings attended	Audit & Risk Committee meetings attended	Remuneration & Nomination Committee meetings attended	Investment Committee meetings attended	Membership Committee meetings attended
Anthony Smare	Chairman	K190,793	6/6	4/4	7/7	n/a	n/a
Leon Buskens	Director	K149,310	5/6	4/4	n/a	9/11	n/a
Bruce Wilson	Director	K184,089	5/6	3/4	6/7	n/a	n/a
David Kavanamur	Director	K149,310	5/6	n/a	1/7	5/11	3/5
Albert Mellam	Director	K147,310	6/6	n/a	5/7	n/a	1/5
Alan Kam	Director	K149,793	4/4	n/a	n/a	10/11	n/a
Lady Aivu Tauvasa	Director	K37,483	1/1	n/a	1/1	n/a	1/1
Lesieli Taviri	Director	K34,328	1/1	n/a	1/1	n/a	n/a
Reginald Monagi	Director	K33,328	1/1	n/a	n/a	n/a	n/a

(c) Directorship disclosure

The remuneration package for the Managing Director, is determined by the Board of Directors while senior management packages are determined by the Managing Director having regard to, among other factors, current market data.

Name	Role	Nature of Interest	Company
Garry Tunstall	CEO	Independent Director	Air Niugini Ltd
		Director as NSL Nominee	Brian Bell Ltd
Andrew Esler	General Manager Properties	Director as NSL Nominee	Coastwatchers Court Ltd
			Fernvale Ltd
			Gazelle International Hotel Ltd
			Hunter Ltd
			Moki No.10 Ltd
			Morobe Front Holdings Ltd
			Nambawan Savings & Loans Society Ltd
			OPH Ltd
Patricia Taureka	Company Secretary	Director as NSL nominee	Pacific Building Management Services Ltd
			Waigani Asset Ltd
			Coastwatchers Court Ltd
			Fernvale Ltd
			Hunter Ltd
			Moki No.10 Ltd
			Morobe Front Holdings Ltd
			Nambawan Savings & Loan Society Ltd
OPH Ltd			
Pacific Building Management Services Ltd			
Waigani Asset Ltd			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
		K '000	K '000
16 RELATED PARTY DISCLOSURES	<i>continued...</i>		
(c)	Directorship disclosure <i>continued...</i>		
Any directors fees paid to Members of the executive management for being directors as NSL nominees on certain boards are paid to NSL.			
Compensation			
The compensation paid to key management for employee services is shown below.			
	Salaries	2,614	1,668
	Leave accruals	204	419
		2,818	2,087

The key management have accommodation provided for by the Fund, as do many staff.
The following table shows the number of employees in different salary bands during 2014.

Salary range	No of employees
K100,000 – K150,000	16
K150,000 – K200,000	8
K200,000 – K250,000	1
K250,000 – K300,000	2
K300,000 – K600,000	Nil
K600,000 – K650,000	1
K650,000 – K750,000	Nil
K750,000 – K800,000	2
K800,000 – K850,000	Nil
K850,000 – K900,000	1

(d) During the year the Fund engaged Kina Funds Management Limited as its Investment Manager and Kina Investment & Superannuation Services Limited as its Fund Administrator.

(e) Nambawan Super holds controlling equity interests and associated Director positions in the following unlisted entities based in Papua New Guinea.

Coastwatchers Court Ltd	Nambawan Savings & Loan Society Ltd
Gazelle International Hotel Ltd	OPH Ltd
Kumul Hotels Ltd	Pacific Building Management Services Ltd
Moki No. 10 Ltd	Paradise Foods Holdings Ltd
Morobe Front Holdings Ltd	Waigani Asset Ltd

These entities are not consolidated into the financial statements of Nambawan Super and all transactions with these entities are in the ordinary course of business at arms' length.

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(a) Related interest on pensions over invoiced to the State

The Fund over-invoiced the Independent State of Papua New Guinea ("the State") for its share of pension payments and therefore a provision based on management's best estimates of K6.6 million was made as at 31 December 2003. This liability is included in note 8 to the financial statements.

The Fund has a present obligation to repay the State the related interest that has been earned by it, arising from its over-invoicing of the pension payments. As the amount of the interest earned by the Fund from over-invoicing the State can only be determined subsequent to a full review of all pension payments received from the State, no further provision has been made as at balance sheet date.

		2014	2013
		K '000	K '000
(b)	Commitments for Capital Expenditure		
Amounts with firm commitments, and not reflected in the accounts		38,290	59,128

(c) Litigation Claims

The Fund was served a number of litigation claims, including claims relating to Member withdrawals and compensation from former employees and post-employment benefit claims. The board of directors have reviewed these cases and will take the appropriate course of actions to defend them. In the Board's view, none of these claims are expected to result in significant losses to the Fund.

(d) Commitments for Investment Expenditure

The Fund has committed to invest in an Offshore Fund which makes capital calls on an as-needs basis. Committed but uncalled amounts in relation to this equity investment are \$US7.9 million at 31 December 2014 (2013: \$US8.2 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. DIRECTORS' DISCLOSURE

Name	Nature of Interest	Companies
Mr Anthony Smare	Shareholder	Airlines PNG Ltd
	Director	Barrick Gold PNG Subsidiaries
	Director/Shareholder	City Pharmacy Ltd
	Shareholder	Credit Corporation (PNG) Ltd
	Director/Shareholder	Smare Family Enterprises
	Director	Kumul Foundation Inc.
	Director	Nationwide Microbank Ltd
	Director (NSL Nominee)	Paradise Food Ltd
	Director (NSL Nominee)	Paradise Food Holdings Ltd
Lady Aivu Tauvasa	Shareholder	South Pacific Brewery Ltd
	Shareholder	Kina Asset Management Ltd
	Director/Shareholder	PNG Drums
	Shareholder	Post Courier Ltd
	Director/Shareholder	Teisaki Ltd
Alan Kam	Director/Shareholder	Tuakana Advisory Services
	Director	Libertas Company Ltd, Bangkok, Thailand
	Director	Krungsri Asset Management Company Ltd, Thailand
	Director	Mega LifeScience Public Company Ltd, Thailand
	Director	Cal-Comp Holdings Brazil Company Ltd
	Director	Cal-Comp Electronics Thailand Public Company Ltd
	Director	Thailand Institute of Directors
Leon Buskens	Director	Confere de La Chaine des Rotisseurs, Bangkok, Thailand
	Director	Australia & New Zealand Banking Group (PNG) Ltd
	Director	Capital Insurance Group Ltd
	Director	Investment Promotion Authority
	Director/Shareholder	Kopkop College
	Shareholder	Oil Search Ltd
	Director	South Pacific Brewery Ltd
Bruce Wilson	Director	Toyota Tsusho (PNG) Ltd
	Shareholder	Amalgamated Holding Ltd
	Shareholder	Als Ltd
	Shareholder	Australian Stock Exchange Ltd
	Shareholder	Alumina Ltd
	Shareholder	BHP Billiton Ltd
	Shareholder	Brickworks Ltd
	Shareholder	Boral Ltd
	Shareholder	Computershare Ltd
	Shareholder	Caltex Australia Ltd
	Shareholder	Echo Entertainment Group Ltd
	Shareholder	FKP Ltd
	Shareholder	Iress Market Technology
	Shareholder	Milton Corporation Ltd
	Shareholder	Origin Energy Ltd
	Shareholder	QBE Insurance Group
	Shareholder	Resmed Inc
	Shareholder	Silver Lake Resources Ltd
	Shareholder	Santos Ltd
	Shareholder	Monash IVF Group Ltd
	Shareholder	Sydney Airport
	Shareholder	Westfield Group
	Shareholder	Wesfarmers Ltd
	Shareholder	Woolworths
Shareholder	Silver Lake Resources Ltd	
Shareholder	Santos Ltd	
Shareholder	Sydney Airport	
Shareholder	Trade Me Group Ltd	
Shareholder	Transpacific Industries Group Ltd	
Shareholder	The Reject Shop Ltd	
Shareholder	Virtus Health Ltd	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

18. DIRECTORS' DISCLOSURE *continued...*

Name	Nature of Interest	Companies
Professor Albert Mellam	Shareholder	Airlines PNG Ltd
	Director (NSL Nominee)	Brian Bell & Co Ltd
	Director (NSL Nominee)	Credit Corporation (PNG) Ltd
	Director	Investment Promotion Authority
Professor David Kavanamur	Shareholder	Kina Securities Ltd
	Shareholder	Bank South Pacific Ltd
	Director (NSL Nominee)	Credit Corporation (PNG) Ltd
	Director	Gazelle International Hotel Ltd
	Director (NSL Nominee)	Institute of National Affairs
	Director (NSL Nominee)	KHL Subco Ltd
	Director (NSL Nominee)	Kumul Hotels Ltd
Reginald Monagi	Shareholder	Oil Search Ltd
	Director	Rabaul Microfinance
Lesieli Taviri	Director	City Mission
	Director	Heduru Moni Ltd
Lesieli Taviri	Shareholder	Airlines PNG Ltd
	Shareholder	3 Keys Ltd
	Shareholder	GPS Malaponi Ltd
	Director/Shareholder	People Connexions PNG Ltd

Except for the Chief Executive Officer, any directors' fees paid to Directors for being Directors as NSL nominees on certain boards are paid direct to the Directors.

19 CAPITAL MANAGEMENT

The Capital of the Fund is represented by the Members funds. The amount of the Members Fund can change significantly depending on the valuation of the assets and liabilities of the Fund. The Fund's objective in managing capital is to safeguard the Fund's ability to continue as a growing concern in order to provide return to Members and maintain a strong capital base to support the development of the investment activities of the Fund. The Investment Committee, directors and management monitor capital on a regular basis. The Fund is subject to interest credit and reserving requirements of the Bank of Papua New Guinea and Superannuation Act 2000.

DECLARATION BY TRUSTEE AND MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

DECLARATION BY TRUSTEE

In our opinion the accompanying Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members Funds, Statement of Cash flows, together with the Notes to and forming part of the Financial Statements, are drawn up so as to present a true and fair view of the state of affairs of the Fund as at 31 December 2014, and its performance for the year then ended.

The Trustee has satisfied itself that the Nambawan Super Board has:

- (a) identified the key financial and operating risks;
- (b) established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes; and
- (c) satisfied itself that the risk management systems are operating effectively and are adequate in regard to the risk they are designed to control; and
- (d) there are no apparent conflicts of interest with respect to Nambawan Super's engagement of an external auditor which may compromise the independence of the auditor's performance

The Financial Statements have been drawn up in accordance with the requirements of the Superannuation (General Provision) Act 2000 and the requirements of the Trust Deed of Nambawan Super dated 24 December 2002.

For and on behalf of the Board of Directors of the Trustee.



ANTHONY SMARE

Chairman



LEON BUSKENS

Director

Dated at Port Moresby the 3rd day of March 2015

DECLARATION BY MANAGEMENT

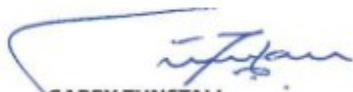
In our opinion the accompanying Statement of Net Assets Available for Benefits, Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits and Statement of Cashflows, together with the Notes to and forming part of the Financial Statements, are drawn up so as to present a true and fair view of the state of the affairs of the Fund as at 31 December 2014, and its performance for the year then ended.

The Management have satisfied themselves that the Nambawan Super Board has:

- (a) Identified the key financial and operating risks;
- (b) established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes; and
- (c) satisfied itself that the risk management systems are operating effectively and are adequate in regard to the risk they are designed to control; and
- (d) there are no apparent conflicts of interest with respect to Nambawan Super's engagement of an external auditor which may compromise the independence of the auditor's performance.

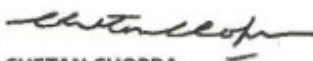
The Financial Statements have been drawn up in accordance with the requirements of the Superannuation (General Provision) Act 2000 and the requirements of the Trust Deed of Nambawan Super dated 24 December 2002.

For and on behalf of Nambawan Super Management



GARRY TUNSTALL

Chief Executive Officer



CHETAN CHOPRA

Chief Financial Officer

Dated at Port Moresby the 3rd day of March 2015

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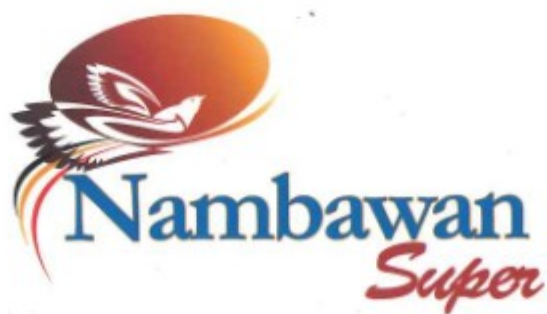
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