



2017 Annual Report



“taking an extra step”

Vision, Mission, & Corporate Values

Vision Statement

To be the best superfund for Papua New Guinea, serving members and living global standards.

Mission Statement

To grow and protect member funds and provide financial security to and through their retirement by:

- (a) Capturing value creation for members through prudent local and global investment;*
- (b) Engaging and providing quality products and services to meet the needs of our members; and*
- (c) Embedding a culture of innovation that empowers our members, stakeholders and staff.*

Corporate Values

Our corporate values that shape our policies, guide our actions and underpin respect and service for our Members, are as follows:

Customer

Providing an excellent customer experience for our members through first-class services;

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 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

Operational

Effectively planning, managing, implementing and monitoring the Fund's internal and external processes and systems, including our business relationships;

Investing

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, Adopting & Growing

Adopting organisational management principles which are conducive to allow niche growth opportunities; and

Relationships Management

Maintaining strong strategic partnerships to optimise growth opportunities, including challenges to pursue long-term objectives of the Fund.

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Cover Page:

The theme of this year's Annual Report is Voluntary Contribution.

Members are able to increase their 6% fortnightly contribution up to maximum 15% and watch their Savings grow quicker.

Chairman's Statement



Chairman's Statement

Anthony Smaré | Chairman

On behalf of the Nambawan Super Board, it is my pleasure to present the 2017 Annual Report.

Nambawan's key highlights in 2017:

- K406 million in after tax profit,
- K6.41 billion in net assets,
- 171,714 members,
- 29,249 members doing voluntary contributions including;
- 5,116 Choice Super members,
- 4,126 members for Retirement Savings Account.

The Board of Directors are pleased with this result for Nambawan Super members considering the challenging economic conditions Papua New Guinea experienced in 2017. Nambawan Super has recorded a profit for members of K406 million after-tax which has enabled us to apply an 8% crediting rate to our members' accounts and the Retirement Savings Accounts (RSAs) of retired members. The strong results in 2017 were achieved as a result of our disciplined diversification of our investment portfolio and our focus on good governance and realised gains.

Economic conditions in PNG over the last five years has been very challenging, but in that time Nambawan Super has been able to achieve total profits for members of K1.8 billion, growing the fund by 73% from K3.7 billion in 2012 to K6.4 billion of net assets today, creating wealth for our members through the power of compound interest. As a consequence, happily, Nambawan Super has achieved its investment objectives of averaging CPI + 2% for each of the last five years.

In last year's Chairman Statement, you will remember that I mentioned that Nambawan Super needed to deepen its relationship with members and learn more about the needs and circumstances of members and their families. We want to ensure that we become a more effective partner to ensure our members financial wellbeing through new products and services. To that end, the Board made two important personnel appointments to help us achieve that strategic objective.

Firstly, Nambawan Super welcomed Karen Gibson as a Director and a member of the board's Audit & Risk Committee as well as the Transformation Committee. Karen has over 25 years' experience in financial services in Australia and Asia and has led two Australian superannuation funds as CEO. Karen has been a part of the evolution of superannuation in Australia and has particular strengths in member services, operational risk and financial education. Notably, Karen's appointment means that Nambawan Super now has three female directors on its board – an important development that other large organisations in our country should follow to improve gender diversity at board level.

Secondly, after an extensive international search, the Board appointed Mr Paul Sayer as Chief Executive Officer. A proven leader with over 25 years' experience in



Superannuation and Insurance, Paul has a wealth of experience from a range of senior positions in the industry, including CEO of TWUSUPER and Chief Operating Officer of REST Industry Super.

In those roles he was instrumental in the design and implementation of a customer centric model for servicing the membership and for the development of innovative products and services for 2 million members, which resulted in significant recognition for his fund. Nambawan Super is already seeing the benefit of the addition of the superannuation experience and leadership of Karen and Paul to our team.

We also continued making significant investments in improving membership experience and transactional efficiency in the Fund. In 2017, we opened a new branch in Kerema, Gulf province, with a new Branch in Daru to follow in early 2018. Nambawan Super's Call Centre continues to be enhanced with regional branches now able to provide call centre support to the Head Office when links are down. The

Chairman's Statement

Anthony Smaré | Chairman

Call Centre number 1599 is now popular with an increasing number of members opting to use this service for follow-ups queries rather than going to our branch offices.

It is pleasing to note that more of our members are using the SMS and online e-services with over 50,000 members signed up. These digital products for smart-phones and tablets help reduce waiting queues at our branches as members are now able to obtain up to date account balances, statements, beneficiary details and other information at the push of a button. These services were introduced so that members did not have to physically visit a branch or call Nambawan Super's Call Centre. If you have not signed up yet, please do so now to have direct access to your superannuation information in the palm of your hand.

The Board has continued our practice of conducting board meetings around the country to ensure that our directors

and management have direct personal contact with members from these areas to understand their challenges and aspirations and to identify opportunities for improvement and growth in Nambawan Super's service of its members. These visits also help us to identify and assess opportunities for investment that both stimulate, and benefit from, growth in areas outside of Port Moresby. In 2017, we had board meetings in Wewak and Alotau, meeting leaders and members in both locations. This year we will be holding board meetings in Mt Hagen, Lae and in Kimbe and my Board looks forward to meeting our members and political and business leaders in those two locations.

Unfunded Liability

The biggest challenge for Nambawan Super remains the unfunded superannuation liability that the State owes to a significant number of Nambawan Super's members. The issue has not been adequately addressed over

the past 20 years, and it ranks as the State's biggest liability issue which may become insurmountable if Nambawan Super continues its level of growth. The existing process as outlined in the Superannuation Act, whereby the State pays an existing employee the unfunded superannuation it owes them at retirement is not working as intended, as the State does not adequately prioritise its obligations to the affected employees over other demands for State resources.

As I advised you last year, Nambawan Super took legal action against the State on behalf of the exited members to whom the State owes these unfunded superannuation arrears. This court action was in accordance with the Trustee's statutory and common law duties to its Fund's members. Early this year, we obtained a decision from the National Court ordering the State to make the payment. The court ordered the State to pay K230,322,157.04 for exited members who have left the Fund since 1 December 2015. As of 31 December 2017, 4550 members



CALL CENTRE

have exited the Fund and are waiting for the state unfunded component. We are pleased that the Court’s decision unequivocally confirms the State’s obligation to pay and it is now a Court Order that officers of the Government are bound by.

Discussions continue with the Government to have these amounts settled in a timely manner in accordance with the Court order. Nambawan Super’s Management, the Fund’s Trustee Directors and I are committed to resolving the unfunded liability issue in full, one way or another, to the benefit of our affected members.

In summary, dear Members, Nambawan Super has had a solid year in 2017 despite the challenging economy and we are tracking well in our plan to build a world-class superannuation fund.

We know you and your families have struggled with the country’s tough economic situation and we hope that Nambawan Super’s performance gives you comfort knowing your retirement is more secure.

I encourage you to continue to save and put additional voluntary contributions into Nambawan Super so you can maximise your returns and build wealth from our consistent investment returns and the power of com-

pound interest.

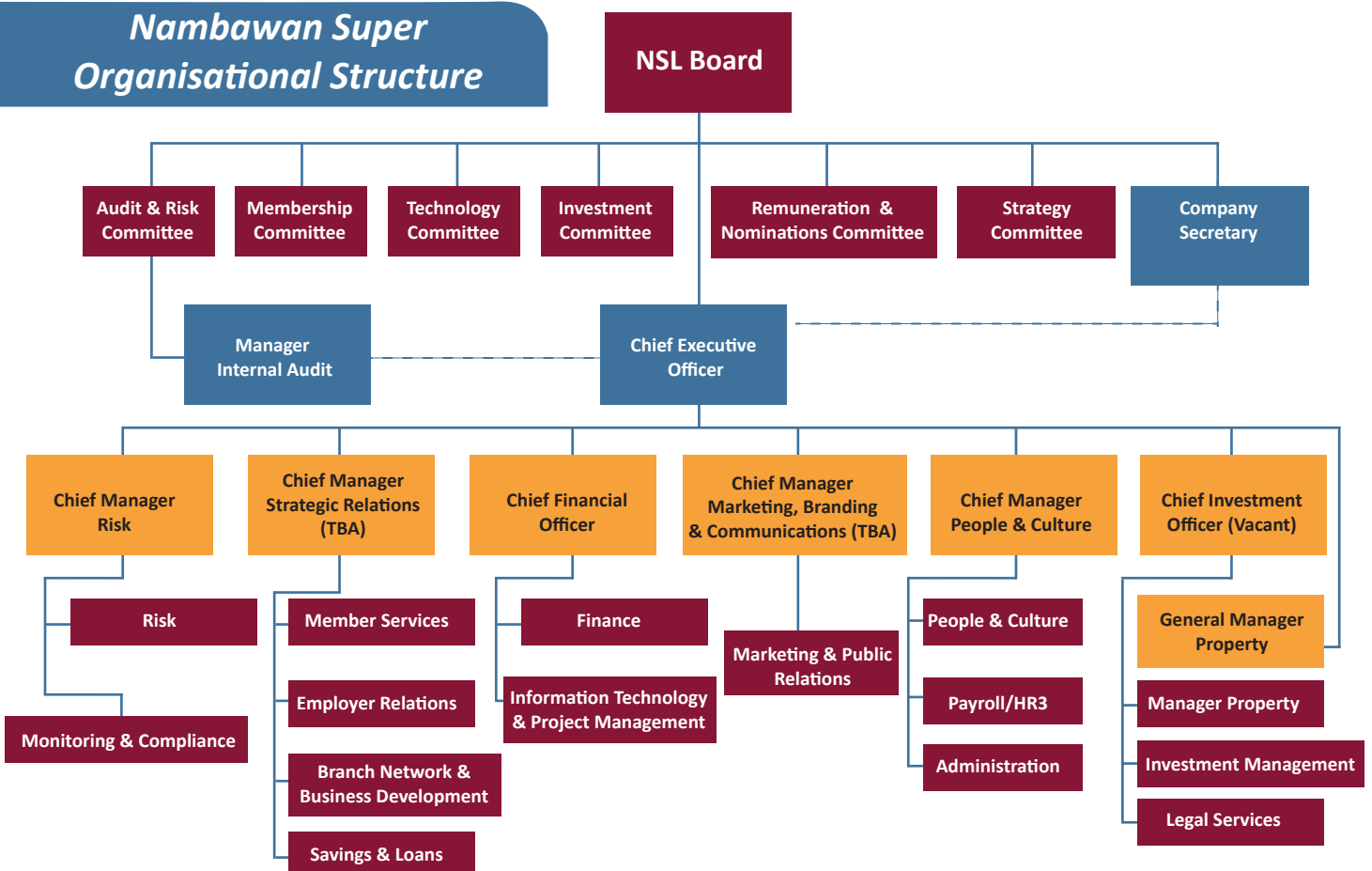
I also invite private companies and entrepreneurs in all sectors to think seriously about joining Nambawan Super to benefit from our strongly performing investment portfolio and our member services and to join now.

On behalf of my board, and the management and staff of Nambawan Super, I thank all of our Members and our stakeholders throughout the country for your continued trust and loyal support.



Anthony Smaré
Chairman of the Board

Nambawan Super Organisational Structure



Board of Directors



Board of Directors



ANTHONY SMARÉ

Chairman

Director since August 2012

Anthony Smaré has a Bachelor of Law and Bachelor of Applied Science (Geology) from the Queensland University of Technology, has studied leadership at Harvard University and Oxford University and is a graduate member of the Australian Institute of Company Directors. He is a former partner of Allens Arthur Robison lawyers specialising in mergers and acquisitions, corporate finance and natural resources law, practicing in Papua New Guinea and Australia. He is Chairman of the Board of Paradise Foods Limited and a Director of City Pharmacy Limited. Mr Smaré is also Chairman of the Kumul Foundation Inc and founder of the Kumul Game Changers Entrepreneurship Initiative. In 2014, the World Economic Forum appointed Mr Smaré a member of its Forum of Young Global Leaders for a term of 6 years. Mr Smaré is currently a member of the Investment Committee of the Board.



LADY AIVU TAUVASA

Deputy Chairperson

Non-Executive Director

Director since September 2014

Lady Aivu Tauvasa has held various key positions in the Pacific related to business, trade, export facilitation and enterprise development over the past 28 years. Lady Tauvasa was previously the Managing Director for the Investment Promotion Authority, Trade Commissioner for Pacific Islands Trade & Investment Commission, Sydney and Permanent Representative and Delegation of the Pacific Islands Forum to the WTO. Lady Tauvasa holds an MBA, Aviation Management from the Embry-Riddle Aeronautical University, Florida, USA, a Bachelor of Arts Degree from the University of Papua New Guinea and a Primary School Teacher's Certificate from Simon Fraser University in British Columbia, Canada. She is also the Chairperson of Nambawan Savings & Loan Society Limited. Lady Tauvasa is a member of the Remuneration & Nomination Committee and the Membership Committee.



LESIELI TAVIRI

Non-Executive Director

Director since September 2014

Lesieli Taviri is currently employed as the Chief Executive Officer for Origin Energy PNG Limited, an energy retail and distribution business. Prior to succeeding into the CEO's role, she served in several other senior management capacities. She is a Director (Chair) of the Business Coalition for Women and Director for Nationwide Microbank. Mrs Taviri holds a Bachelor of Science and a Masters of Business Administration from the Torrens University in Adelaide, Australia. Mrs Taviri is also a graduate of the Harvard Business School Advanced Management Program and recently completed the graduate program for the Australian Institute of Company Directors. Mrs Taviri is the Chairperson of the Technology Committee and a member of the Audit & Risk Committee and the Remuneration & Nomination Committee.

Board of Directors



REGINALD MONAGI

Non-Executive Director
Director since September 2014

Reginald Monagi has extensive private sector experience having previously worked with South Pacific Brewery Limited, Goodman Fielders International PNG, Colgate Palmolive (PNG), British American Tobacco (PNG) Limited, Fairdeal Liquors (PNG) Ltd and Shell (PNG) Ltd. Mr Monagi holds a Bachelor of Arts Degree (Psychology) from the University of Papua New Guinea, a Master of Business Administration and a Diploma of Company Directors Course (Corporate Governance), from the University of Queensland. He is a graduate member of the Australian Institute of Company Directors and a founding member of the Papua New Guinea Institute of Company Directors. Mr Monagi is currently a member of the Audit & Risk Committee, Investment Committee and the Membership Committee.



PROFESSOR

DAVID KAVANAMUR, PhD
Non-Executive Director
Director since August 2012

Professor David Kavanamur was Secretary of the Department of Higher Education, Research, Science & Technology. He has a Bachelor of Arts Degree with Honors from the University of Papua New Guinea, M.Phil. (Development Studies), University of Sussex and Doctor of Strategic Management, University of Western Sydney. Professor Kavanamur is a development professional and is affiliated with many institutions, both in PNG and overseas including the Australian Institute of Management. He is currently a Director on the Boards of Kumul Hotels Limited and Gazelle International Hotel Limited. Professor Kavanamur is a member of the Remuneration & Nomination Committee and Technology Committee.



PROFESSOR

ALBERT MELLAM, PhD
Non-Executive Director
Director since August 2012

Professor Albert Mellam was the Vice Chancellor and Chief Executive of the University of Papua New Guinea. He has a Bachelor of Arts Degree (Major in Psychology & Minor in International Relations), Bachelor of Arts with Honors in Psychology from the University of Papua New Guinea, Master of Science Degree in Psychology from Stirling University, Scotland and Doctor of Philosophy, Psychology from the Australian National University, Canberra. He also serves as Director of Credit Corporation (PNG) Limited, Credit Corporation Finance Limited, Era Dorina Limited, Credit House Limited, Ela Makana Development Limited and Brian Bell & Co Ltd. Professor Mellam is the Chairman of the Remuneration & Nomination Committee and a member of the Membership Committee.



ALAN KAM

Non-Executive Director
Director since March 2014
 Alan Kam is currently Principal at Libertas Company Limited, Bangkok, Thailand, a financial advisory firm focused on Family Office and Investment Banking activities. Mr Kam received his Master & Bachelor of Business Administration degrees from the University of Denver, USA. He has held a number of senior positions including CEO of Aberdeen Asset Management, Manulife Asset Management and Chairman of the Board of Krungsri Asset Management Co. Ltd. He has worked for Standard Chartered Bank and Merrill Lynch & Co. with experience in London, Los Angeles and New York. Currently, he is Independent Director & Chairman of the Audit Committee for Cal-Comp Electronics (Thailand) Public Co. Ltd., Independent Director & Chairman of the Audit Committee of Mega Life Science Public Co. Ltd., Thailand, Director of Cal-Comp Holdings (Brazil), Sao Paulo, Brazil. Mr Kam is a

Lecturer at the Faculty of Accountancy, Chulalongkorn University, Thailand. He is a Fellow Member, Chartered Director & Facilitator at The Thailand Institute of Company Directors. He is also a Member and Facilitator at The Australian Institute of Company Directors. Mr. Kam is Chairman of the Investment Committee and a member of the Remuneration & Nomination Committee.



LUTZ HEIM

Non-Executive Director
Director since July 2016
 Lutz Heim was the General Manager Portfolio Management with Kumul Consolidated Holdings. Mr. Heim has extensive experience in the financial industry having previously worked as the Partner with Deloitte from 2005 to 2015, Jacquillard Minns and Ernst & Young. He was also the Chief Assessor with the PNG Taxation Office from 1984 to 1987. Mr. Heim holds a Bachelor of Economics degree and a Post Graduate Diploma in Accounting. He is a member of CPA PNG, Fellow of CPA Australia, Fellow of Taxation Institute of Australia and member of SIA.

Mr Heim is the Chairman of the Audit and Risk Committee and a member of the Investment Committee and Technology Committee.



KAREN GIBSON

Non-Executive Director
Director since February 2017
 Karen Gibson holds a Masters in Business Administration (Professional and Bachelor of Science from the University of Queensland. She also has a Diploma for the Australian Institute of Company Directors, AICD, an Advanced Diploma of Financial Services (Superannuation) from the Association of Superannuation Funds Australia (ASFA), and an Associate Diploma of Superannuation Management from ASFA/Macquarie University. She has over 25 years' experience in financial services covering Australia and Asia. Previous roles held include Chief Executive Officer position for two Australian Super Funds, ESI Group (now Energy Super) and City Super. Mrs Gibson is a member of the Audit & Risk Committee and the Technology Committee.

Chief Executive Officer's Statement



Chief Executive Officer's Statement

Paul C Sayer | CEO

We will continue to look for opportunity to assist in crediting a positive interest rate to members.

Nambawan Super continues to deliver strong returns to members even during the past twelve months which have seen many challenges across the whole PNG economy.

We remain committed to taking action on behalf of the members to have the State meet its obligations and pay the overdue unfunded component and to make a sustainable program for those members that may retire in the future. At this point despite our efforts in working with the Government this remains frustrating by the lack of real progress.

Financial Results and Returns

The difficult economic situation have continued throughout 2017, and our members should be pleased that the Fund has credited a rate of 8% for the year. Members will always want high returns, however members should understand that this not always possible from year to year as investments can fluctuate in value at any given time.

NSL is looking to invest for the Long Term benefits of members and the more pleasing result is that the fund over the past five years

has credited members an average crediting rate of 8.1%. This represents a growth level 2.0% above the inflation rates.

Even with the continue challenges in the investment markets both within PNG and overseas, members can be rest assured that Nambawan Super will always endeavour to do what is in the members' best interest.

Member Focus

We continue to go out to meet the members, recognising that not everyone lives in Port Moresby or can easily attend our city offices.

The ability for members to call us directly on our 1599 member line means it is easy to make contact to stay in touch with us about your benefits and to update details.

Our Marketing team continue to reinforce the messages to you our members about the importance of Long Term savings and how additional contributions can make such a difference to the final amount by starting these savings plans earlier. It does not matter when you start so do not think I may retire so soon, the impact of the growth of the money through crediting rates is just as important as the contribution made.



Nambawan Savings and Loans Society

Many members look at the Superannuation account to cover many other worthwhile expenses such as your children's education or for shelter or paying off loans or debts. The main objective of Superannuation is to save for the time in your life when you no longer receive your fortnightly pay. Many people think that the money can be used for all sorts of purchases when it really is there for when you retire.

The Nambawan Savings and Loans Society (NSLS), is a separate entity to Nambawan Super and is available to help members of the Super Fund as another way to manage their savings and Loans to assist them with their overall financial needs.

Since opening its doors in 2010, NSLS has been growing significantly. In 2017 it grew by 17 per cent and its membership currently stands at 18,275 as of December 2017. I encourage all our members

Chief Executive Officer's Statement

Paul C Sayer | CEO

to become members and use their products and services which can be easily accessed at any of Nambawan Super's branches nationwide.

Service and Benefits

We are a member focused fund with our profits to members. It is also important that we also focus on educating and supporting you with appropriate and timely services and benefits.

We continue to expand our offices with new branches opened in Kerema in 2017 and we will be opening our Daru office in the coming year. Over the past years we have upgraded offices in Port Moresby, Lae, Kokopo and Goroka. NSL will also be looking at additional sites to provide better services for members.

We continue to look to improve the service offering and examples of this is that

during 2017 our branch IT and hardware was upgraded so as to improve the speed and consistency in service to all the members.

One notable improvement to our processes has been Housing Advance payment procedure which now allows funds to be paid in timely manner to suppliers so members can build, renovate or buy their homes.

We will continue to further invest in this during 2018 to improve turnaround times. Members in areas outside Port Moresby deserve to have the same exceptional service in their locations as those that live close to Head Office.

Focus for 2018

Our focus for 2018 will be to keep the pressure on the State for payments for the Unfunded and continue the legal action if required.

• We will continue to invest and look for opportunity to

assist in maintaining a positive crediting rate to members;

- We look forward to open further Branches in Daru and roll out branches; and
- Increasing our presentations to members and Employers across the country.

At Nambawan Super we have the Members' best interest at the top of our priorities. On behalf of all our Members, I extend my gratitude 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.



Paul Sayer
Chief Executive Officer

CALL CENTRE

Revamp to World Class

Choice Super

Automation Process

BRANCH

Modernisation Project

RIDING WITH THE TIDE 2017

1599

Short Code call centre number

Member Detail Update Project

Education Department

CASE 360

End to end Project

People & Culture Report



People & Culture Report



People & Culture Report

2017 HIGHLIGHTS

Our People

Remarkable Customer Service and Job satisfaction is our priority to serve the best interest of our members. As the leading Superannuation Fund in the country, we aim to retain and attract the best people with the right qualification, skills, abilities and attitude to work closely with members to ensure that they reach their potential. Nambawan Super has set a benchmark to recruit people with University Qualifications to help service our members.

Our Culture

At Nambawan Super, culture is seen as one of the most important building blocks for a highly successful work environment to ensure that employees are productive when serving members. The People & Culture Team create culture change initiatives every year to motivate employees. One of the remarkable events for 2017 was the Independence Celebration. Staff from the four (4) regions of the country dressed in their traditional attire and cooked dishes from their respective provinces which they displayed for tasting. This event expressed the true meaning of our

inheritance and tradition as Papua New Guineans. Other initiatives that got staff participating in 2017 were the Fantastic Quiz Competition, Step Up, Toastmasters and Staff Birthday Surprises.

Learning and Development

Learning and Development is an important aspect in Nambawan Super as we operate in a dynamic environment where the business is influenced by external factors. The current economic climate, legislative and regulatory changes are the factors that affect the flow of the business and our people need to be equipped with the information and resources to stay in line with the demands of our operation. In 2017 all Nambawan Super Staff in line with their individual Development Plan undertook learning and

development activities over the course of the year, including short courses, conference and seminar attendance, external studies and overseas training. In December 2017, a week-long training and information session was conducted for our branch staff from our nineteen (19) branches.

Highlights for 2017

- Commencement of new CEO – Paul Sayer
- Overall, employee engagement in 2017 was 87% compared to 77.2% in 2016.
- Benchmark for training is 6080 hours, done 36,178 hours (in-house, external, succession dev. and cross training).

Senior Management Salaries

The following table shows the number of employees in different salary bands during 2017.

Salary range	No. of employees
K100, 000 – K150, 000	19
K151, 000 – K200, 000	7
K201, 000 – K 250, 000	6
K251, 000 – K 300, 000	1
K301, 000 –K600, 000	4
K601, 000 – K 700, 000	-
K701, 000 – K 800, 000	2
K801, 000 – K 900, 000	1
K901, 000 – K 1,500, 000	1

Management Team



Paul C Sayer
Chief Executive Officer



Vere Arava
Chief Financial Officer



Patricia Taureka
Company Secretary



Loka Niumatairua
Chief Manager
People & Culture



Dennis Gouda
Manager Property



Andrew Esler
General Manager
Property



Leo Kamara
Chief Manager Risk



Chris Mota
Manager
Member Services



Salamat Chapau
Senior Finance Manager



Rebecca Habitein
Manager Finance



Presley Semi
Head of PMO & IT



Vearinama Mavu
Manager Projects



Rosemary Mase
Manager
Branch Network



Raymond Palangat
Manager
PR & Marketing



George Koi
Manager Legal



Rossie Kambua
Manager
Internal Audit

There were two (2) position vacancies in 2017;

1. Chief Investment Officer
2. Chief Manager Member Services

Corporate Governance



Corporate Governance

Nambawan Super Limited is the corporate trustee of the Nambawan Super Fund ("The Fund"). It is an Authorised Superannuation Fund (ASF), which operates as an accumulation fund. The Fund is governed by a Board of Directors, which is also the Fund's Corporate Trustee ("the Trustee"), approved by the Superannuation (General Provisions) Act 2000.

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 members.

The Trustee's primary responsibility 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 compliance with the law, effective leadership, integrity, accountability and risk management.

Nambawan Super is an Authorised Superannuation Fund (ASF), monitored and regulated by the Bank of Papua New Guinea (BPNG) and subject to Superannuation Prudential Standards released by BPNG from time to time.

The BPNG Superannuation Prudential Standard 7/2012 Corporate Governance sets out specific requirements for Board Structure, as well as Board responsibilities including investment, risk management and remuneration for License Holders and its officers to ensure that Licence Holders are prudently managed and that reasoned, informed and impar-

tial decisions are made in the best interest of the members of ASFs.

Audit & Risk Committee is a committee of the Board and functions as an independent reviewer, working with the Board and the stakeholders 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 fulfill their responsibilities in making informed financial and operational decisions in the best interest of the Company and its members.

As at 31 December 2017 the Committee comprised of Mr Lutz Heim as chairman, Mr Reginald Monagi, Mrs Lesieli Taviri and Mrs Karen Gibson as committee members.

Remuneration and Nomination Committee has two key roles: to help the Board set appropriate, fair and responsible remuneration practices and to identify suitable candidates to fill vacancies on the Board, Standing Committees and from the Executive Management as they arise.

As at 31 December 2017 the committee comprised of Professor Albert Mellam as chairman,

Lady Aivu Tauvasa, Professor David Kavanamur, Mr Alan Kam and Mrs Lesieli Taviri as committee members.

Investment Committee is a committee of the Board with the responsibility of ensuring that all investments of the Fund are made in consideration of all requirements of the BPNG and in the best interest of the members to optimise returns on risks evaluated placements.

As at 31 December 2017, the committee comprised of Mr Alan Kam as chairman, Mr Anthony Smare, Mr Reginald Monagi and Mr Lutz Heim as committee members.

Technology Committee is a committee of the Board with the responsibility of assisting the Chief Executive Officer and Senior Management identify and strategise relevant technological improvements as a key enabler for sustainable and competitive growth.

As at 31 December 2017, the committee comprised of Mrs Lesieli Taviri as chairperson, Mrs Karen Gibson, Professor David Kavanamur and Mr Lutz Heim as committee members.

Corporate Governance

Strategy Committee

The purpose of the Strategy Committee is to guide, influence and support -

- (a) the Board, the Chief Executive Officer (CEO) and Management in identifying, developing and recommending overall strategic directions of the Company and implementation protocols thereof;
- (b) the Chief Executive Officer (CEO) in cascading the Strategic Plan to the Company and relevant Stakeholders;
- (c) the Board, the CEO and Management as appropriate in assessing outputs and outcomes of the Strategic Plan deliverables to ensure relevance and continuous improvement, and
- (d) the Board, the CEO and Management in assessing environmental and any external influences that have the potential to impact the Company's strategic direction, and recommend appropriate monitoring and evaluation processes and operating ethos.

As at 31 December 2017, the committee comprised of Professor David Kavanamur as chairman, Mr Lutz Heim, Mr Alan Kam, Professor Albert

Mellam, Lady Aivu Tauvasa and Mrs Lesieli Taviri (co-opt) 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 member benefits and advises the Trustee on Members' information and communication needs. The Committee is also a platform for Management to network and interface with Employer groups. During the year the Membership Committee discussed a wide range of issues on behalf of Members, including timely recording of Members' contributions, reducing the State contribution arrears, benefit payments, Nambawan Savings & Loan Society and Retirement Savings Account issues, Housing Advances and Member communications.

The composition of the Committee is key to its ability to represent Fund Members' interests and to give them a

strong voice. As well as Members of the Trustee Board, the Committee also includes representatives from a number of influential PNG Associations. In 2017, the Committee reached a milestone with the Department of Personnel Management (DPM) joining the Committee. DPM is one of the largest employer groups in the Fund.

At the end of December 2017 the Committee comprised Directors of Nambawan Super Limited, Lady Aivu Tauvasa as chairperson, Professor Albert Mellam, Mr Reginald Monagi and association representatives, Kila Avei from PNG Teachers Association, Santee Margis from PNG Energy Workers' Association, Charlie Ene from Amalgamated General Workers' Association of PNG, Gena Gawa from PNG Fire Fighters' Association, Lowa Tambua from PNG Police Association, Daniel Mollen from Correctional Services Employees' Association, Fredrick Kebai from the PNG Nurses' Association, Emma Faiteli from the Public Employees' Association and John Kali and Agnes Friday from the Department of Personnel Management.



Fund Administrator's Statement

Kina Investment & Superannuation Services Limited



2017 YEAR IN REVIEW

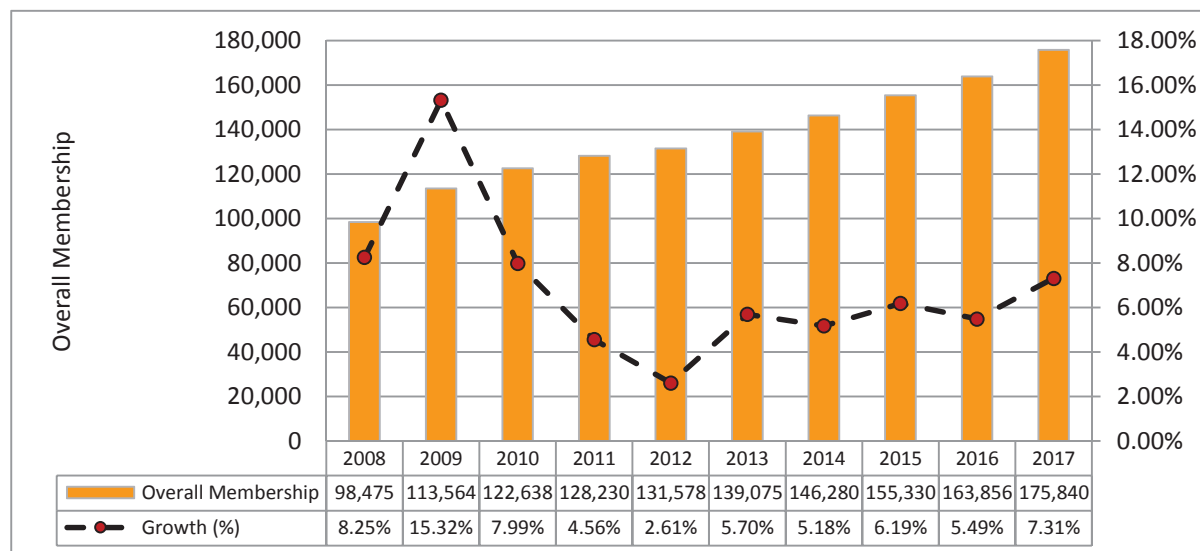
With a membership base of 175,840 members and K6.4 billion under administration, Nambawan Super has grown to be the largest superannuation fund in Papua New Guinea by fund value.

Delivering superior customer service to Nambawan Super and its members has remained the focus for the year 2017, and we are pleased to have returned a performance service level of over 98%. Kina has continued to work closely with Nambawan Super to streamline administration processes, and we've also enhanced our workflow management system to capture a full end to end process which starts and ends with members. This enables full visibility and tracking of member requests from the moment a request is lodged through to successful resolution.

One highlight during the year was the implementation of the 'Data Strength' report, an enhancement tool built into the work flow management system. The Data Strength report works off a customisable set of predetermined perimeters, and is aimed at providing Nambawan Super with statistical analysis and reporting. The use of data analytics is a game changer for the superannuation industry and Nambawan Super is leading the way.

MEMBERSHIP AND FUNDS UNDER ADMINISTRATION

As at 31 December 2017 overall fund membership was up from 163,856 to 175,840 comprising of 171,714 superannuation members and 4,126 Retirement Savings Accounts (RSA) members. The total membership represents a growth of 7.31% over the past 12 months. Funds under administration also showed a marked increase, up 13% from K5.19 billion to K6.4 billion including K126.22 million in total savings for RSA account holders. The overall membership to the fund has steadily increased at a growth rate of 6.7% per annum over the last decade.



RETIREMENT SAVINGS ACCOUNT (RSA)

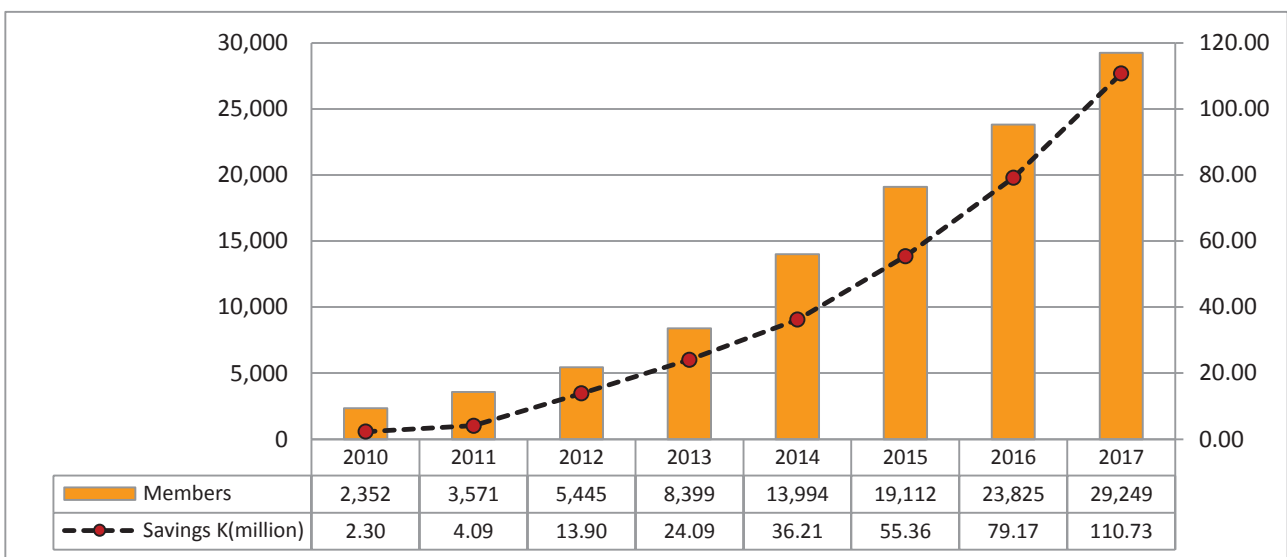
The 4,126 Retirement Savings Account (RSA) account holders represent K126.22 million in savings. This increase is up K2.42 million from 2016's figure of K123.8 million. This upward trend reflects the greater awareness members have of the advances of the RSA product. There was a reduction in overall withdrawals from RSA accounts in 2017 with K38.16 million being withdrawn by RSA members.



RSA	2015		2016		2017	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Full Benefit Payment	524	K6.50	646	K7.68	533	K5.25
Death Benefit	52	K2.82	38	K1.43	46	K2.79
Partial Payment	4,521	K30.05	5,633	K34.71	4,888	K26.66
Regular Fortnight	4,247	K3.70	7,810	K3.18	8,172	K3.46
Total	9,344	K43.07	14,127	K47.00	13,639	K38.16

VOLUNTARY CONTRIBUTIONS

It is pleasing to see an increase in the number of members opting to make additional voluntary contributions to the fund. 29,249 members made voluntary contributions in 2017 compared to 23,825 in 2016. At the end of the 2017 financial year, total voluntary savings were 39% from K79.17 million in 2016 to K110.73 million this financial year.



CHOICE SUPER

The Choice Super product increased its membership base from 3,006 members in 2016 to 5,116 members in 2017. A total of 2,110 new members representing either the informal or private sector joined the fund respectively. In the space of 12 months overall savings has increased by K800 thousand to just over K3 million.

CONTRIBUTIONS

A total of K499.71 million was received in overall fund contributions for the year 2017, with the government contributing K328.54 million on behalf of public servants and non-governmental organisations contributing K171.17 million on behalf of their employees.

HOUSING ADVANCE

A total sum of K29.61 million was paid to 1,931 members who successfully applied for housing advances 2017.

Fund Administrator's Statement



BENEFIT PAYMENTS

The table below summarises the total number of members paid their benefits from 2015 to 2017:

Withdrawals/ Exits	2015		2016		2017	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Resignation, Retrenchment, Retirement, Termination, Transfers out	5,051	323.30	3,611	174.14	3,480	203.64
Death Benefits	644	74.98	571	44.01	540	44.91
Monthly Unemployment Benefits	2,448	2.89	2,304	2.85	3,461	3.55
Overall Totals	8,143	401.17	6,486	221.00	7,481	252.10

The total amount of benefits being paid out has decreased in 2017. The overall total of the 'Unfunded State Share' component as at 31 December 2017 was K211.68 million owed to 4,908 members.

2018 AND MOVING FORWARD

The superannuation industry in Papua New Guinea is growing at a fast pace in both membership numbers and funds under administration. Nambawan Super has averaged of 5.41% in membership growth in the last five years and up to K6.41 billion in funds under administration as at 31 December 2017. This trend is expected to continue in the coming years therefore, Kina is committed to ensuring that the administration systems are up-to-date with modern technology to assist Nambawan Super in delivering the superior customer service to the members of the fund. It is our way of ensuring, a better future for Papua New Guineans.

Together it is possible.

Adam Fenech

General Manager

Kina Investment & Superannuation Services

Fund Manager's Statement

kina wealth



Fund Manager's Statement 2017

This statement is submitted by Kina Funds Management (KFM), an entity of Kina Securities Limited (KSL). KFM is the Licensed Investment Manager (LIM) for Nambawan Super Limited (NSL). This report outlines the drivers of the Fund's performance and provides the allocation breakdown of the Fund's investment holdings.

1 Legislation

The legislation governing the superannuation industry in Papua New Guinea is the Superannuation (General Provisions) Act 2000 (the Act). The Bank of Papua New Guinea (BPNG), under the Act, has ensured 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 both NSL and KFM with regular reviews, and regular reporting requirements.

Within the context of the regulatory settings, NSL and KFM are continuously working together, so as to ensure targeted returns can be achieved in the medium to long term with adequate but not excessive investment risk, and in order to be in compliance with regulations.

2 Investment Strategy

The Fund's primary purpose is to preserve and maximise the superannuation benefits of its members, through prudent investment management. The Fund's Strategic Asset Allocation (SAA) and investment strategy guides the investment decisions of the Fund.

The Fund's principle objective of the Fund is to provide a return after fees and taxes in excess of the PNG Consumer Price Index (CPI), plus 2.0% over the medium term.

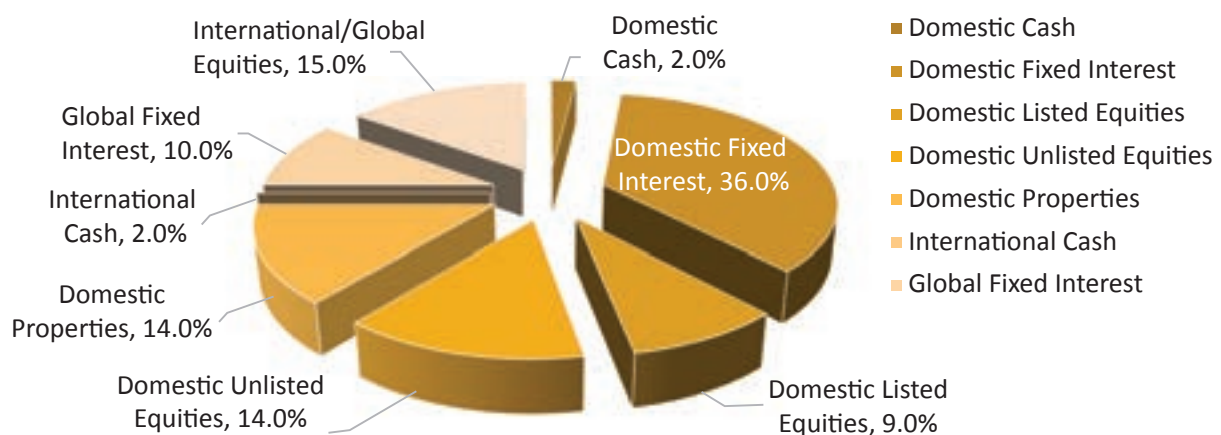
The SAA of the Fund is subject to regular review as part of the prudent management of the Fund's assets, so as to ensure the SAA remains relevant to the cash flow position and liability characteristics of the Fund, which are constantly evolving. Generally, the focus of the SAA is to diversify risks, so as to ensure an acceptable, but not excessive, level of volatility, while adding to the risk adjusted performance, and preserving the capital base of the portfolio.

Diversification is a beneficial characteristic for the Fund to have, as part of the SAA. Diversification means, among other things, that the assets of the fund are not excessively exposed to any single investment factor. Over the long term, diversification reduces the volatility of return for the Fund, all else being equal.

The Fund, in conjunction with the LIM expect to undertake a review of the SAA in the early 2018 in order to ensure the relevance of the SAA is in line with medium term investment conditions, and the liability stricture of the Fund.

The SAA of the Fund is outlined in the chart below.

Figure 1: Fund's Strategic Asset Allocation (SAA) as at 31 December 2017.



Fund Manager's Statement (Continued)



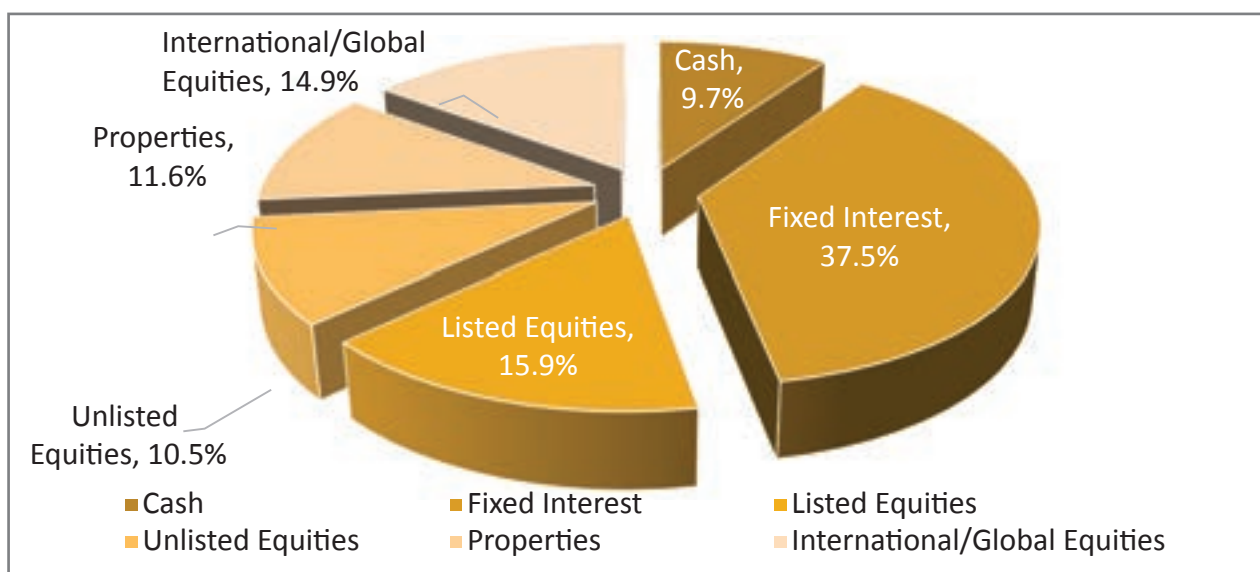
3 Investment Portfolio Performance

The Fund's investment portfolio, excluding the Retirement Savings Account (RSA) and reserves, increased to K6.38 billion as at 31 December 2017, which represent a substantial increase over the prior year. The increase in the portfolio was mainly attributed to the investment income of the Fund combined with net cash inflows from ongoing member contributions. The investment income is primarily attributable to dividend, rent, interest income, and variation in the value of international investment.

International equity markets in particular performed well over the course of 2017 adding strongly to the return achieved by the Fund. This performance shows the benefit of a diversified Fund whereby overseas assets can perform well in a time where domestic assets may not be.

The chart below presents the actual portfolio as at year end

Figure 2: Fund's Asset Weightings as at 31 December 2017



Source: KFM and NSL

4 Portfolio Composition

The Fund continually maintains its investments in line with the agreed SAA. 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 investment policy. The following table compares the actual mix of investments in the portfolio at the end of the current year and the end of the previous year.

Figure 3: Composition of Investment as at 31 December 2017

Asset Class	% Holdings	
	31-Dec-16	31-Dec-17
Cash	13.1	9.7
Fixed Interest	31.7	37.5
Unlisted Equities	17.1	15.9
Listed Equities	11.6	10.5
Property	11.3	11.6
International	15.3	14.9
Total Portfolio	100.0	100.0

Source: KFM and NSL

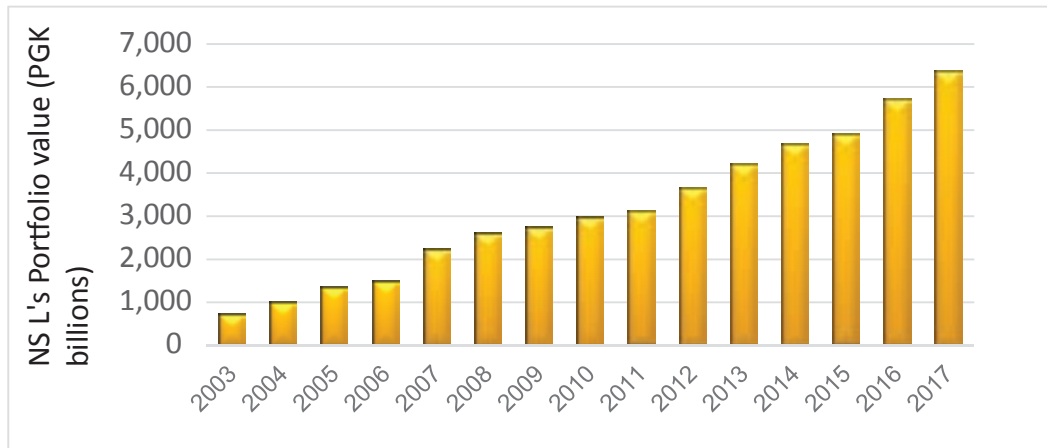


Notable changes to the portfolio over the year have been the increase in fixed interest investments and reduction in cash. This reflects a reduction in the amount of funds allocated to bank sourced deposits of less than 182 days maturity (which is the definition of cash) due to the generally low interest rates on offer and the banks reluctance to quote for deposits. Funds have instead been redirected to longer term Treasury Bill investments which have a higher

interest rate and therefore are of benefit to the Fund overall return.

Figure 4 below shows the increase in the Fund, since 2003. It is instructive to note that the net asset value of the fund has increased significantly since 2003 with an average cumulative growth rate (CAGR) of 21.87% per annum.

Figure 4: Average Cumulative Growth Rate for NSL's Investment Portfolio



Source: KFM and NSL

5 Portfolio Composition by Asset Class

5.1 Cash

The Fund's domestic cash allocation (Domestic Cash Portfolio) comprises bank and finance company at call accounts and term deposits, with a term less than 182 days to maturity at the time of issue. As at 31 December 2017, the Fund has around 9.7% of the portfolio in cash.

The Fund has achieved a significant benefit from holding substantial amounts of offshore cash, and international equity assets against a backdrop of a weakening Kina. Domestically high levels of cash reflected the following:

(i) advance planning for cash flow needs for approved investment projects that will come to fruition in the next 12 months. In particular the Fund has pre-approved property development activities that will move into the construction phase later in 2018. The Fund is also investigating some larger unlisted equity investments, which if they come to fruition will also absorb a

component of the cash held, (ii) an inability to obtain adequate foreign exchange from the controlled exchange rate scheme, as adopted by BPNG in order to further diversify the Fund's investment into international assets.

5.2 Fixed Interest

The Fund's fixed interest allocation, or fixed interest portfolio, comprises bank term deposits, government securities and corporate loans, with a term equal, or more, than 182 days to maturity, at the time of issue. As at 31 December 2017, the value of Fixed Interest Portfolio was approximately 37.4% of the total investment portfolio. This is an increase over the previous year for reasons noted above.

This asset class is made up mostly of government securities and the Fund continues to monitor the market for opportunities to acquire government bonds at suitable yield levels. The Fund remains a regular participant in auctions of both long and short term government securities, subject to the yield on offer being suitable to the Funds requirements and view of risk.

Fund Manager's Statement (Continued)



5.3 Domestic Equity

The domestic equities allocation, or the Domestic Equities Portfolio, consists of listed and unlisted equities. As at 31 December 2017, the Fund's allocation to this asset class was 26.3% of the Fund value, a modest increase on the prior year value.

share prices of Bank of South Pacific (BSP). However, these gains were partially offset by a drop in share price of Credit Corporation Limited (CCP) and City Pharmacy Limited (CPL). CPL undertook a capital rising during the year and the Fund elected not to participate.

5.3.1 Listed Equity

As at 31 December 2017, domestic listed equity was around 10.5% of the Fund. The Domestic Listed Equities increased value, compared to 2016, which was primarily due to the increase in

The figure below shows the holdings of the Fund, in terms of domestic listed equity. BSP also provided strong income to the Fund through another good dividend, a reflection of its good financial performance during the year.

Figure 5a: Domestic Listed Equities as at 31 December 2017

Listed Equities	Stock Exchange	Industry/Sector
Bank of South Pacific Limited	POMSoX	Banking/Finance
Credit Corporation Limited	POMSoX	Finance/Property
City Pharmacy Limited	POMSoX	Health/Retail

5.3.2 Unlisted Equity

As at 31 December 2017, domestic unlisted equity was roughly 15.8% of the Fund.

investees to assist the growth of those businesses through strategies to finance opportunities through activity such as mergers and acquisitions, which in turn will be of benefit to the Fund.

The Fund reviewed a number of investment proposals during the year. Lead times for unlisted investments tend to be quite long and information intensive and as such many of these proposals remained work in progress at the end of the year. In addition the Fund works closely with its

During the year the Fund acquired further holdings in both Westpac Banking (PNG) Limited and Toyota Tsusho (PNG) Ltd. Both companies have strong market positions in PNG and provide good levels of dividend income to the Fund.

Figure 5b: Domestic Listed Equities as at 31 December 2017

Unquoted Ordinary Shares	Industry/Sector
Alotau International Hotel Ltd	Hotel
Brian Bell & Co. Ltd	Wholesale/Retail/Merchant
Capital Life Insurance Company Ltd	Insurance
Gazelle International Hotel Ltd	Hotel
Kumul Hotels Ltd	Hotel
Pacific Building Services Management Ltd	Building Maintenance
Paradise Foods Ltd	Food & Snacks/Manufacturing
PNG Water Ltd	Utilities
Post Courier Ltd	Media
SP Brewery Ltd	Manufacturing
Toyota Tsusho (PNG) Ltd	Motor Vehicle
Westpac Banking (PNG) Ltd	Banking /Finance



5.4 Property

The domestic properties portfolio is comprised of commercial, residential, industrial properties and unimproved land. As at 31 December 2017, this asset class was approximately 11.6% of the Fund. The Fund has continued the implementation of the property strategy, which involves the following activities: (i) divesting non-core and under-performing assets while providing adequate maintenance to all properties, and (ii) upgrading existing key assets.

During the year, the construction of the second stage of Nambawan Plaza precinct was approximately 50.0% completed, and is on time and on budget. When complete, the precinct will consist of a word class mixed use office, residential, entertainment and retail complex with green areas for outdoor entertainment and recreation. Leasing of the first building in the complex, what is now known as Deloitte Haus, progressed well during the year. The building was approximately 60% leased at the end of December 2017 and the Fund expects it to be close to fully leased

over the first half of 2018. This building is providing excellent levels of income to the Fund.

The Rangeview Heights development, which was approved by the Fund in 2016, has made progress during the year. The mobilisation payment has been undertaken and construction is expected to commence in the latter half of 2018.

The Fund undertook extensive maintenance programs for a number of properties including Revenue Haus Morobe Haus (Vele Rumana) and Aopi Centre during the year.

Specifically, the Fund remains focussed on optimising profitability on core property asset holdings. The 'divestment' initiative, which is currently underway, is expected to further streamline, and improve the composition of this asset class. In turn, this will lead to an improved risk-return profile for the Fund, and a diminished exposure to sub-optimal holdings. During the year the Fund completed its divestment of its Cedar Apartment and Hibiscus Apartment in Lae.

Figure 6: Property Portfolio as at 31 December 2017

Properties	NSL's Ownership	Location	Description
COMMERCIAL BUILDINGS			
Era Rumana (S20 L6&7 Champion Parade)	100%	Port Moresby	7 Level Commercial Office Complex in the CBD
Mogoru Moto (S20 L8&9 Champion Parade)	100%	Port Moresby	11 Level Commercial Office Complex in the CBD
Aopi Centre (S390 L12,13 & 14 Waigani Drive)	100%	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)	100%	Port Moresby	6 Level Commercial Office Complex in Waigani. Leased to the Finance & National Planning Department
Revenue Haus (S20 L11 Champion Parade)	100%	Port Moresby	9 Level Commercial Office Complex in the CBD
Burns House (S19 L20 Champion Parade)	100%	Port Moresby	4 Level Mixed Office & Retail Space in the CBD
Port Tower (Shirn Haus) (S3 L21 Hunter Street)	100%	Port Moresby	9 level Mixed Use Commercial/ Residential Complex in the CBD
Morobe Haus (Vele Rumana) (S6 L19&20 4 th Street, Top Town)	100%	Lae	6 Level Commercial Office Complex in the CBD subject of major refurbishment.
Nambawan Super Haus (IPI Building)	100%	Lae	7 level Mixed Use Commercial/Residential Complex
INDUSTRIAL PROPERTIES			
Bowman Warehouse	100%	Port Moresby	Industrial Property
Warehouse Gordons (S15, 16& 17 L64)	100%	Port Moresby	NSL Data Storage Facility
Voco Point (L5, 6, 19&20)	100%	Lae	Industrial Property
RESIDENTIAL APARTMENTS			
Bayside Apartments (Portion 178)	100%	Port Moresby	42 x 2&3 Bedroom Residential Units located at Koki; Complete refurbishment of 42 units.
Lawes Road (S7 L24)	50%	Port Moresby	20 x 2&3 Bedroom Units located on Lawes Road. The property is 50% owned by NSL and 50% by Comrade Trustees Service
Pacific Vista (S42 L14)	100%	Port Moresby	7 x 3 Bedroom Executive Apartments located on Ogoa Street
Portion 212 (Portion 212, Boundary Road)	100%	Lae	40x 2&3 bedroom residential units
Pinnacle Apartments (Touaguba Apts) (S63 L22 Daugo Drive)	100%	Port Moresby	Residential apartment with 8 levels containing, 11 apartments and a penthouse apartment at Touaguba
VACANT PROPERTY			
9 Mile Land (portion 2156,2157 & 2159)	100%	Port Moresby	Vacant undeveloped Agricultural Land
Ex-Angco (L1 S6, L2, 3 & 5 S6 and L1 S5)	100%	Banz	The properties are located on L1 S5, Banz, L 1 S6, Banz and L 2,

Fund Manager's Statement (Continued)



			3 & 5 S 6, Banz. Vacant undeveloped land.
Ex – Post PNG (S387 L20)	100%	Port Moresby	Vacant undeveloped land
Malolo Estate (S22 L 7 & 8)	100%	Port Moresby	Housing Estate
Koki Land (portion 176)	100%	Port Moresby	Staff Housing
PROPERTIES IN HOLDING COMPANIES			
Coastwatcher Court Ltd (S25 L37)	65%	Port Moresby	Holding company that owns 31 constructed apartments on Touaguba Hill. NSL owns 65% of the company.
Moki Ltd	100%	Port Moresby	Holding company that owns WMI Land. NSL owns 100% of the company.
Morobe Front Holdings Ltd (S27, L47)	100%	Lae	Holding company that owns the Lae Waterfront Land
Old Parliament House Limited	65%	Port Moresby	Holding company that owns the new OPH building (Deloitte Haus) in down town Port Moresby. NSL owns 65% of the company.
Waigani Asset Limited	65%	Port Moresby	Holding company that owns 2 commercial properties (Treasury and Depart of Lands Building) in Waigani. NSL owns 65% of the company
UPCOMING DEVELOPMENTS			
Rangeview Heights Limited	56.72%	Port Moresby	Rangeview is a joint venture company between Lamana, Nambawan Super Limited (NSL) and National Capital District Commission (NCDC) that proposes to bring to market a mixed use commercial and apartment's development on 6,009 sqm of vacant land situated between NCDC City Hall and Savannah Heights along Waigani drive.

5.5 International

The Fund's international investments include international cash, international term deposits, and international listed equities. The total international Portfolio holding as at 31 December 2017 was approximately 15.1% of the Fund.

The Fund has an allocation to international assets of 25.0% as part of its SAA. Within this allocation the Trustees have 10% of the SAA allocated to international bonds and 15.0% to international equities. Due to foreign exchange controls the Fund has not been able to diversify further into international assets in line with the Fund SAA.

As advised in our statement last year the Fund altered its approach to international equity investment by use of what is known as "low volatility" investing and selected 3 global managers to implement this approach. The three (3)

new international equity managers, noted below, were introduced to the Fund in 2017 and progressively invested in during the first half of the year. The international equities allocation provided a robust return for the Fund as global markets performed strongly. In addition ongoing PGK weakness meant the international component had the added benefit of providing exchange rate gains for the Fund. Pleasingly the new funds also performed according to their mandates of having volatility lower than the market especially in falling markets, which was demonstrated with the recent market volatility early in the New Year.

Foreign exchange shortages, due to the controls imposed by BPNG, remained a constraint on the ability of the Fund to fully implement its offshore asset allocation in 2017.

Figure 7: International Listed Equities as at 31 December 2017

Listed Equities	Industry/Sector
iShare Wholesale Indexed International Equity Fund	Global Fund ex - Australian
Acadian Global Managed Volatility Equity Fund	Global Managed Volatility Funds
Lazard Global Managed Volatility Equity Fund	Global Managed Volatility Funds
Robeco Global DM Conservative Equity Funds	Global Managed Volatility Funds
Kina Securities Limited	Banking/Finance

Source: KFM, Blackrock, Acadian, Lazard, Robeco and Kina Securities Limited

Statistical Summary

2017 Annual Report Statistics

	Unit	2017	2016	2015	2014	2013	2012
PROFITABILITY							
Total Investment Income	K(m)	577	539	414	443	492	429
Total Expenses	K(m)	92	82	75	78	64	63
Income Tax Expense	K(m)	23	53	59	28	18	16
Net Profit After Tax	K(m)	406	404	280	337	410	350
BALANCE SHEET							
Net Assets	K(m)	6,415	5,779	5,171	4,764	4,268	3,743
Net Asset Growth	%	11	12	9	12	14	15
Reserves	K(m)	28	92	102	91	47	47
Reserves as a % of Net Assets	%	0.4	1.6	2.0	1.9	1.1	1.24
Retirement Savings Account Balance	K(m)	136	134	133	114	107	89
RETURN TO MEMBERS							
Rate of Return on Funds Employed	%	6	9	6	8	10.3	15
Interest Credited to Members	%	8	9	5.8	7	11.25	11
Headline Inflation Rate	%	5.1	6.8	6.4	6.6	4.7	1.6
Real Return to Members	%	2.9	2.2	-0.6	0.4	6.55	9.4
MEMBERSHIP							
Number of Members	No.	175,840	159,989	155,330	146,280	139,075	131,578
Average Wealth Per Member	K	36,482	36,121	33,290	32,568	30,688	28,449
Number of RSA Participants	No.	5,453	3,895	3,686	3,099	2,741	2,562
Average Number of Pensioners	No.	572	562	564	535	376	382
MEMBERSHIP CONTRIBUTION & PAYOUTS							
Contributions	K(m)	514	464	534	450	453	584
Gross Exit Payouts	K(m)	254	223	406	290	338	443
Number of Exit Payments	No.	3,932	3,678	3,503	2,944	3,328	5,291
Total Pension Payments	K(m)	2	2	2	2	2	2
TRUSTEE EXPENSES							
Management Expenses	K(m)	41	38	35	37	30	26
Investment and Administration	K(m)	107	44	40	40	34	37
Management Expense Ratio (MER)	%	0.64	0.66	0.68	0.79	0.70	0.69
Number of Staff	No.	145	140	120	142	124	121

Financial Statement

For the Year ended 31 December 2017

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Declaration by Trustee and Management

For the Year ended 31 December 2017

DECLARATION BY TRUSTEE

In our opinion the accompanying Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, and 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 2017, and its performance for the year.

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;
- (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



LADY AIVU TAUVASA

Deputy Chairperson

Dated at Port Moresby the 26th day of February 2018

DECLARATION BY MANAGEMENT

In our opinion the accompanying Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, and 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 the affairs of the Fund as at 31 December 2017, 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;
- (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 Nambawan Super Management.



PAUL SAYER

Chief Executive Officer

Dated at Port Moresby the 26th day of February 2018



VERE ARAVA

Chief Financial Officer

Independent auditor's report

To the members of Nambawan Super

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Nambawan Super (the Fund), which comprise the statement of net assets available for benefits as at 31 December 2017 and 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 which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- 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
- give a true and fair view of the financial position of the Fund as at 31 December 2017 and its financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm has carried out other services for the Fund in the areas of audit-related services. The provision of these other services has not impaired our independence as auditor of the Fund.

Information other than the financial statements and auditor's report

The trustee is responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the trustee for the financial statements

The directors of Nambawan Super Limited, being the Fund's trustee, are responsible, on behalf of the Fund, for the preparation of financial statements that give a true and fair view in accordance 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 for such internal control as the directors of the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the trustee are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We confirm in relation to our audit of the financial statements for the year ended 31 December 2017:

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

Who we report to

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

Stephen Beach
Partner
Registered under the Accountants Act 1996

Port Moresby
27 March 2018

Statement of Comprehensive Income

For the Year ended 31 December 2017

	Note	2017 K'000	2016 K'000
INCOME			
Interest	9(a)	191,673	203,155
Dividends	9(b)	149,941	113,568
Property rentals	9(c)	59,234	59,455
Net gains/(losses) on assets at fair value	9(d)	77,655	125,787
Foreign exchange gain, net	9(e)	98,408	31,711
Other income	9(f)	419	4,906
		577,330	538,582
EXPENSES			
Investment and administration expenses			
Direct investment property expenses		21,541	19,078
Fund administration fees		7,637	7,434
Investment manager's fees		7,207	6,467
Property administration expenses		4,041	3,678
Investment monitoring expenses		1,726	973
Loans and receivables impairment expenses	10(a)	65,805	6,369
		107,957	43,999
Management expenses	10(b)	41,051	37,698
Operating profit		428,322	456,885
Income tax expense	11(a)	22,539	52,724
Profit after income tax		405,783	404,161
Other comprehensive income		-	-
NET INCREASE IN NET ASSETS FROM OPERATIONS AVAILABLE FOR BENEFITS		405,783	404,161

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 2017

	Note	2017 K'000	2016 K'000
Net increase in net assets from operations available for benefits		405,783	404,161
Contributions/ transfers			
Member contributions	12(a)	514,274	465,058
Housing withdrawals repayments	12(b)	11,691	11,853
Transfer to retirement savings plan (RSA)	12(d)	28,780	30,011
		554,745	506,922
Benefits expenditure			
Benefits payments and transfer to RSA	12(a)	253,906	224,012
Housing advances or member withdrawals	12(b)	30,709	30,273
Pension	12(c)	2,195	2,149
Retirement savings benefit payments	12(d)	37,577	46,806
		324,387	303,240
Net increase in net assets available for benefit		636,141	607,843
Net assets available for benefits - beginning of the year		5,778,701	5,170,858
NET ASSETS AVAILABLE FOR BENEFITS		6,414,842	5,778,701
Comprising			
Members accounts and pensioner funds	12(a-c)	6,250,439	5,551,098
Retirement savings account	12(d)	135,990	134,878
Reserves	12(e)	28,413	92,725
TOTAL MEMBERS' FUNDS		6,414,842	5,778,701

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 Net Assets Available For Benefits

As at 31 December 2017

	Note	2017 K'000	2016 K'000
ASSETS			
Investments			
<i>Financial assets at fair value</i>	4(a-e)	4,730,210	3,469,796
<i>Loans</i>	4(f)	381,735	401,289
<i>Investment properties</i>	4(g)	542,994	578,019
<i>Assets held for sale</i>	4(h)	8,861	12,727
Total investments		5,663,800	4,461,831
Cash and cash equivalent	7	393,377	772,735
Short term deposits	5	279,317	486,000
Receivables	6	72,339	98,139
Property, plant and equipment	3	22,526	17,515
Income tax receivable	11(b)	26,073	459
Total assets		6,457,432	5,836,679
LIABILITIES			
Income tax payable	11(b)	-	-
Deferred income tax payable, net	11(c)	9,103	13,720
Benefits payable		1,763	1,720
Employee benefits payable		2,257	2,329
Creditors and other liabilities	8	29,467	40,209
Total liabilities		42,590	57,978
NET ASSETS AVAILABLE FOR BENEFITS		6,414,842	5,778,701

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 Smaré
Chairman



Lady Aivu Tauvasa
Deputy Chairperson

Dated at Port Moresby the 26th day of February 2018

Statement Of Cash Flows

For the Year ended 31 December 2017

	Note	2017 K'000	2016 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		529,897	470,788
State share of benefit payments received		68,602	75,000
Benefits paid		(264,856)	(242,862)
Housing advance or member withdrawals	12(b)	(30,709)	(30,273)
Repayments from Housing advances received	12(b)	11,691	11,853
Purchase of financial assets and short term deposits		(1,332,439)	(554,791)
Proceeds from sale of financial assets		294,855	724,413
Payment for investment property development & acquisition		(12,695)	(50,543)
Proceeds from sale of investment properties		10,617	17,656
Interest received		146,541	156,087
Dividends received		137,941	178,168
Property rentals and other income received		43,346	56,397
Investment and administration expenses paid		(84,596)	(62,435)
Income tax paid	11(b)	(52,771)	(65,645)
Net cash from operating activities		(534,576)	683,813
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan drawdown	4(f)	(53,075)	(53,053)
Proceeds from loan repayments	4(f)	36,452	36,083
Net cash flows from financing activities		(16,623)	(16,970)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(9,275)	(8,884)
Proceeds on sale of property, plant and equipment		-	-
Net cash flows used in Investing activities		(9,275)	(8,884)
Net increase in cash and cash equivalents		(560,474)	657,959
Cash and cash equivalents - beginning of the year		1,102,735	438,149
Unrealized foreign exchange component in cash balance		5,131	6,627
CASH AND CASH EQUIVALENTS - end of the year		547,392	1,102,735
Comprising:			
Cash on hand and at banks	7	393,377	772,735
Short term deposits (maturity within 90 days)	5	154,015	330,000
		547,392	1,102,735

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 2017

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 (RSA). 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, and 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 PNG and the registered office is:

Level 2, Deloitte Haus
McGregor Street
PO Box 483
Port Moresby

The financial statements have been authorised for issue by the directors on 26 February 2018. 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 Superannuation Prudential Standard 3/2008 and comply with International Financial Reporting Standards ("IFRS") and other generally accepted accounting practice in Papua New Guinea.

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 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, estimates and judgment are significant to the financial statements include the measurement of financial assets at fair value and investment properties, and accounting for the receivable from the State.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 accrual basis. 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. Changes in the fair value of assets are recognized 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 recognized 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 foreign exchange gain or loss.

The rates used as at 31 December were:

	<u>2017</u>	<u>2016</u>
AUD	0.3980	0.4381
USD	0.3170	0.3225
GBP	0.2324	0.2547

(c) Property, plant and equipment

All 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.

Furniture and fittings	At rates varying from 11.25 % to 30.00 %.
Office equipment	At rates varying from 11.25 % to 30.00 %.
Motor vehicles	30.00 %

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets

The Fund classifies its investments in the following categories:

- (i) *financial assets at fair value through profit or loss,*
- (ii) *loans and receivables, and*
- (iii) *held to maturity 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 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. The Fund does not hold any financial assets classified as held to maturity at balance date.

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 derecognized 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. 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 'foreign exchange gains and losses'.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Fund's equity interests in controlled entities and entities in which it holds significant influence are treated as financial assets and classified as 'financial assets at fair value through profit or loss'. Loans and receivables 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 valued at each reporting date at "fair value" (note f) once construction is complete or they are available for use. Changes in fair value are recorded in the Statement of Comprehensive Income within 'net gains/(losses) on assets at fair value'.

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.

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 is 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.

(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.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Receivables (continued)

The amount of provisions raised is recognised in the Statement of Comprehensive Income.

(h) Cash and cash equivalents

Cash and cash equivalents include 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 from the Fund 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.

(l) Creditors and other liabilities

Creditors and other liabilities 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.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 twelve 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) Impairment

A provision for impairment of loans and 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 loans and receivables. Significant financial difficulties of the loan recipient/debtor, probability that the loan recipient/debtor will enter bankruptcy or financial reorganization, and a default or delinquency in payments are considered indicators that the loan and receivable is impaired. Management makes an assessment of impairment of all loans and receivables at every reporting period based on facts and circumstances prevailing at the time.

(p) Comparative figures

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

(q) Adoption of new or revised standards and interpretations

(i) Standards, amendment and interpretations effective in the year ended 31 December 2017

There following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2017.

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual improvements 2014 – 2016 - IFRS 12. This amendment clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Adoption of new or revised standards and interpretations (continued)

(ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 October 2017 or later periods, but the entity has not early adopted them:

- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Amendments to IAS 40, 'Investment property' (effective 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Adoption of new or revised standards and interpretations (continued)

- (ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early (continued)*

IFRS 9, 'Financial Instruments';

Nature of change

IFRS 9 is effective 1 January 2018 and replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.

Impact

Management has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018;

The majority of the Company's debt instruments are currently classified as Fair Value Through Profit or Loss account. The Company holds these debt instruments in a business model of hold to collect contractual cash flows. All the cash flows also meet the requirement of Solely Payment of Principal and Interest (SPPI). It is thus expected that these assets will be classified as 'Held at Amortised cost' on adoption of IFRS 9 as at 1 January 2018. The impact of the change in accounting policy will be adjusted against retained earnings as at 1 January 2018. Management have quantified the impact as being a reduction in value of K27 million.

The other financial assets held by the Company include;

- Unquoted shares held at Fair Value Through Profit or Loss
- Quoted shares at Fair Value Through Profit or Loss
- Loans and receivables
- Cash and cash equivalents
- Short term deposits

Based on the nature and current classification of these assets, the Company does not expect the new guidance to affect the classification and measurement of these financial assets.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Adoption of new or revised standards and interpretations (continued)

(ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early (continued)*

IFRS 9, 'Financial Instruments' (continued) ;

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Company's assets in scope for impairment will be the financial assets held at amortised cost which will include loans and receivables and debt instruments held at amortised cost.

Based on the assessments undertaken to date, the group expects an insignificant increase in the loss allowance for loan and receivables and in relation to debt investments held at amortised cost.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of adoption of the standard.

The Company plans to apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated, and adjustments arising on adoption of IFRS 9 will be done through retained earnings.

IFRS 15 'Revenue from contracts with customers';

Nature of Change

The standard is effective 1 January 2018 and is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The entity will have to adopt a new 5-step process for the recognition of revenue:

- identify contracts with customers
- identify the separate performance obligations
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Adoption of new or revised standards and interpretations (continued)

- (ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early (continued)*

IFRS 15 'Revenue from contracts with customers' (Continued);

Impact of Change

The Company derives its revenue from interest income, dividend income and property rental. Interest and dividend income will be within the scope for IFRS 9. The Company is currently in the process of reviewing its existing rental contracts in order to assess the likely impact of IFRS 15.

Based on the impact assessment procedures carried out so far, the Company does not expect any significant changes in the current revenue recognition pattern.

IFRS 16, 'Leases' ;

Nature of Change

The standard is effective 1 January 2019 and replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact of Change

The Company is predominantly a lessor of property and accordingly it will continue to account for its leases in accordance with IAS 17 as either operating leases (predominantly) or finance leases.

The Company also has a few agreements in which it is the lessee eg for office equipment. Management is in the process of reviewing these agreements to ensure appropriate accounting as per IFRS 16 requirements. It is therefore not yet possible to assess the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and cash flows going forward.

The standard is effective for financial years on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Adoption of new or revised standards and interpretations (continued)

(ii) *Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early (continued)*

Annual improvements 2014 – 2016 makes minor changes to IFRS 1 and IAS 28 (effective 1 January 2018).

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.

IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Annual improvements 2015 – 2017 makes minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective 1 January 2019).

(r) Critical accounting estimates, judgments and disclosures

(1) Fair Value of Assets

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, Audit & Risk Committee and the Investment 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 how these factors could affect the reported fair value of the financial instruments.

Fair value of Government Inscribed Stock and Treasury Bills

Fair value measurement of Government inscribed stocks and Treasury Bills is Marked to Market as measured by the Licensed Investment Manager. Marked to Market accounting values an asset or liability based on the current market price instead of book value or historical cost. In the case of Government Securities market price is based on regular public tenders of GIS and TBills where information on the yield of these securities is publically available, and is used to mark these securities to market. Where an individual asset does not have a recent tender result, then an interpolation is performed. In the case of TBills, the security length is

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical accounting estimates, judgments and disclosures

Fair value of Government Inscribed Stock and Treasury Bills (Continued)

determined at the valuation date, and the interpolated yield is applied, where yields from the most recent tender is used, and then the security is re-valued, based on that interpolated yield.

Fair value of investment properties

Fair value estimation of investment properties utilise the services of independent valuers. Fair value is the market value estimated at which the exchange of asset would take place at valuation date between a willing buyer and a willing seller in an arm's 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 internal rate of return (IRR) based on known or expected rentals adjusted for relevant factors or by comparison with similar properties capitalised using recognise 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 valuation models adopted by the valuers 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.

Management reviews these estimates and assumptions and the valuations to determine fair value and accepts or adjusts the valuations. The management then makes a recommendation to the Audit & Risk Committee and the Investment Committee who then review and agree on the valuations. These committees then recommend the valuations to the Board.

(2) Receivable from the State

The State owes significant debts to the Fund in relation to:

- (1) State's share of the members exit payments,
- (2) Unpaid rentals and outgoings, and
- (3) 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.

As at 31 December 2017, the State owes the Fund Knil (2016: K66.6 m) in respect of the State's share of exit payments made by the Fund.

Directors consider the Interest receivable and the outstanding rentals to be fully recoverable.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical accounting estimates, judgments and disclosures (Continued)

(2) Receivable from the State

In addition, the State has an unrecognized liability to members (but not the Fund) arising from unfunded members contributions in relation to previous years which will become due as the members retire (See Note 13). Accordingly, this is not an asset of the Fund.

(3) Impairment of loans

The Fund has a significant interest of 65% in an investment entity (unlisted – OPH Limited) to which it has been lending funds to support its capital expenditure program. This significant capital program is currently ongoing as at balance date with the aim to reach practical completion by end of 2018 financial year. However, as at 31 December, 2017 the recoverable value of the investment and loans to OPH Limited was significantly below its carrying value. The investment has been fully impaired to nil in prior years. Management has performed an assessment of recoverable amount of the loan receivables utilising an independent external expert fair value assessment for the completed OPH 1 (Deloitte Haus) development together with internal cash flow forecast model for the incomplete OPH 2 development. Based on these assessments, management has recognised an additional impairment charge of K56 million against the loan receivables.

The fund also has rental debtors of K34m as at 31 December 2017. A significant portion of these debtors are from state related tenants. The fund has performed an impairment assessment of total rental debtors which includes both debtors from corporate clients and state related entities. The provision includes both specific and general provision. A total provision of K13m was carried against the rental debtors.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

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 (Note 4g).

2017	Housing		Office Buildings		Vehicles		Total K'000
	Land & Buildings K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	
COST							
At 1 January 2017	-	326	2,860	10,899	4,571	1,169	19,825
Additions		27	6,974	8	782	1,484	9275
Transfers			-				
Disposals		(8)		(102)	(966)	(773)	(1,849)
At 31 December 2017		345	9,834	10,805	4,387	1,880	27,251
ACCUMULATED DEPRECIATION							
At 1 January 2017	-	131	-	440	806	933	2,310
Depreciation		52	-	2,278	841	283	3,454
Disposals		(2)	-	(47)	(439)	(551)	(1,039)
At 31 December 2017		181	-	2,671	1,208	665	4,725
NET BOOK VALUE							
At 31 December 2017		164	9,834	8,134	3,179	1,215	22,526
2016							
	Land & Buildings K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	Total K'000
COST							
At 1 January 2016	33	499	6,686	957	3,723	1,459	13,357
Additions	-	84	2,403	3,895	2,502	-	8,884
Reclassification	-	-	(6,229)	6,229	-	-	-
Disposals	(33)	(257)	-	(182)	(1,654)	(290)	(2,416)
At 31 December 2016	-	326	2,860	10,899	4,571	1,169	19,825
ACCUMULATED DEPRECIATION							
At 1 January 2016	11	236	-	253	1,641	1,087	3,228
Depreciation	-	40	-	324	320	105	789
Disposals	(11)	(145)	-	(137)	(1,155)	(259)	(1,707)
At 31 December 2016	-	131	-	440	806	933	2,310
NET BOOK VALUE							
At 31 December 2016	-	195	2,860	10,459	3,765	236	17,515

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS

	2017 K'000	2016 K'000
(a) Government Inscribed Stocks & Treasury Bills - onshore		
Balance at the beginning of the year	1,402,155	1,346,933
Purchases during the year	709,421	46,434
Maturities during the year	(192,296)	(73,423)
Increase in accrued Interest receivable	22,342	10,758
Fair value gain/(loss) from change in net market value	27,302	71,453
Balance at the end of the year	1,968,924	1,402,155
(b) Financial assets - unlisted shares (onshore)		
Balance at the beginning of the year	1,101,825	1,135,855
Investments during the year	43,789	-
Conversion of debt to equity (Note 4f)	-	18,200
Divestments during the year	-	(1,550)
Fair value gain/(loss) from change in net market value	53,641	(50,680)
Balance at the end of the year	1,199,255	1,101,825
(c) Financial assets - unlisted shares (offshore)		
Balance at the beginning of the year	-	26,584
Divestments during the year	-	(26,584)
Fair value gain from change in net market value	-	-
Balance at the end of the year	-	-
(d) Financial assets - listed shares (onshore)		
Balance at the beginning of the year	661,610	600,022
Investments during the year	-	-
Divestments during the year	(18)	(537)
Fair value gain/(loss) from change in net market value	7,144	62,125
Balance at the end of the year	668,736	661,610
(e) Financial assets - listed shares (offshore)		
Balance at the beginning of the year	304,206	547,026
Investments during the year	579,229	115,131
Divestments during the year	(102,541)	(364,492)
Foreign Exchange gain/(loss) during the year	83,675	13,090
Fair value gain from change in net market value	28,726	(6,549)
Balance at the end of the year	893,295	304,206
Total financial assets at fair value	4,730,210	3,469,796

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

	2017 K'000	2016 K'000
(f) Loans		
Balance at the beginning of the year	401,289	370,693
Drawdowns made	53,075	53,053
Payments received	(36,452)	(36,083)
Conversion of debt to equity (Note 4b)	-	(18,200)
Provision for Impairment	(56,369)	-
Interest charged	20,192	31,826
Balance at the end of the year	381,735	401,289

The loans attract interest at an average rate of 10.5% (2016: 10.05 %). Interest is repayable monthly and the principal amount is repayable in accordance with the respective loan agreements, with maturities varying between 2018 and 2021. The majority of this interest is on construction loans given to related companies – Waigani Assets Limited (K89m) and OPH Limited (K340m)

(g) Investment properties

Properties at fair value

Balance at the beginning of the year	522,699	454,097
Additions	-	3
Transfer from capital work in progress	39,147	47,700
Transfer to assets held for sale	-	(4,432)
Disposals and write-offs	(5,317)	(9,314)
Fair value gain/(loss) from change in net market value	(41,900)	34,645
Balance at the end of the year	514,629	522,699

Capital work in progress - properties under construction (at cost)

Balance at the beginning of the year	55,320	55,175
Additions	12,695	50,540
Transfer to investment properties	(39,650)	(47,700)
Disposals and write-offs	-	(2,695)
Balance at the end of the year	28,365	55,320
Total investment properties	542,994	578,019

Investment properties with fair values of K542 million (2016: K578 million) had their fair values determined by independent valuers. The valuations were conducted by Savills Valuations Pty Ltd, Australia and The Professional Valuers of PNG.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

	2017 K'000	2016 K'000
(h) Assets held for sale		
Properties held for sale	8,861	12,727

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	5,663,800	4,461,831
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(i) Asset Allocation

Asset Class	Holding Interest (%)		Value Portfolio (K'000)	
	2017	2016	2017	2016
<u>Onshore</u>				
Equities				
Listed	12	15	668,736	661,610
Unlisted	21	25	1,199,255	1,101,825
Other financial assets at fair value	35	31	1,968,924	1,402,155
Property	10	13	542,994	578,019
Assets held for sale		-	8,861	12,727
Loans	7	9	381,735	401,289
<u>Offshore</u>				
Equities				
Listed	16	7	893,295	304,206
Unlisted		-	-	-
Total excluding short-term deposits		100	5,663,800	4,461,831

Listed Equities - onshore	Industry	Valuation Method	Value (K'000) 2017	Value (K'000) 2016
Bank South Pacific Ltd	Banking	Last Bid Price		
City Pharmacy Ltd	Wholesale/Retail	Last Bid Price		
Credit Corporation Ltd	Finance	Last Bid Price		
Total			668,736	661,610

Other Financial Assets at Fair Value	Industry	Valuation Method	Value (K'000) 2017	Value (K'000) 2016
Government Inscribed Stock	Banking & Finance	BPNG Rates		
Treasury Bills	Banking & Finance	BPNG Rates		
Total			1,968,924	1,402,155

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation (continued)

Unlisted Equities - onshore	Industry	Valuation Method	Value (K'000) 2017	Value (K'000) 2016
Alotau International Hotel Ltd	Hotel	Net Assets		
Brian Bell & Company Ltd	Wholesale/Retail	COE		
Capital Insurance Group Ltd	Insurance Broker	COE		
Coastwatchers Court Ltd	Property	Net Assets		
Gazelle International Hotel Ltd	Hotel	Net Assets		
Kumul Hotels Ltd	Hotel	DCF		
Moki No. 10 Ltd	Real Estate	Net Assets		
Morobe Front Holdings Ltd	Property development	Net Assets		
Pacific Building Mgt Svcs Ltd	Building Maintenance	Net Assets		
Paradise Foods Holdings Ltd	Food & Snacks	COE		
PNG Water Ltd	Utilities	COE		
Post Courier Ltd	Media	COE		
South Pacific Brewery Ltd	Brewery	COE		
Toyota Tsusho (PNG) Ltd	Motor Vehicle	COE		
Westpac Bank (PNG) Ltd	Banking	COE		
OPH Ltd - Ordinary shares*	Property	Net Assets		
Waigani Asset Ltd	Property	Net Assets		
Rangeview Heights Ltd	Property	Net Assets		
Total			1,199,255	1,101,825

Net assets - net assets on a going concern **COE** – capitalization of future maintainable earnings **DCF** - discounted cash flow

CR – capital raising documentation **^^** - method of valuation changed from prior year

* OPH Limited has two major properties. OPH1 achieved practical completion in February 2016 while OPH2 is still under construction with an expected completion date of end of 2018. As at 31 December 2017 the Investment was fair valued of which the cost of investment exceeded its fair value. This resulted in a fair value loss for this investment.

Unlisted equities are valued at fair value at balance date, as determined generally by registered independent professional valuers except for Moki No. 10 Ltd, Morobe Front Holdings Ltd and Rangeview Heights Limited. The valuations were conducted by Ernst & Young Australia and KPMG PNG. The valuation methods used as disclosed above are considered the most relevant and appropriate. Three main valuation methods are used: (1) Capitalisation of Earnings (COE), which estimates a sustainable level of future maintainable earnings and applies an appropriate earnings multiples derived from market transactions of comparable entities or operational plans to derive a value, (2) The Net Assets method which has been used by the valuers where the entity has significant real estate backing and earnings are limited or inconsistent, and (3) The Discounted Cash Flow method where net present value is determined from estimated future cash flows. There was no change in valuation methods from prior period.

The valuation of Moki No. 10 Ltd, Morobe Front Holdings Ltd and Rangeview Heights companies with minimal transactions during the year were assessed by management based on The Net Assets method as the entities have significant real estate backing and earnings.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation (continued)

Changes in fair values are recorded in the Statement of Comprehensive Income as part of the fair value gain/(losses).

Property	Section/ Allotment	Milinch	Value (K'000) 2017	Value (K'000) 2016
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)		
Morobe Haus (Vele Rumana)	6 – (19 & 20)	Lae		
Nambawan Super Building	49 – (41 & 23)	Lae		
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	Sold	
Hibiscus Street Apartments	41 – (3)	Lae	Sold	
Malolo Estate Properties		8 Mile (POM)		
Light Industrial				
Bowmans	64 – (15)	Hohola (POM)		
NSL Warehaus	64 – (16)	Hohola (POM)		
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)		
Malolo Estate	145 – (13-26)	8 Mile (POM)		
Kokopo Market		East New Britain		Sold
Koki Land		Koki (POM)		
Total			542,994	578,019

Loans	Industry	Value (K'000) 2017	Value (K'000) 2016
PNG Power Ltd	Utilities		
OPH Ltd	Property		
Waigani Asset Ltd	Property		
Paradise Foods Limited	Manufacturing		
Total		381,735	401,289

The above includes loans to other related companies namely: Waigani Assets Limited K89m (2016: K95m) , OPH Ltd K284m (2016: K 292m) and Paradise Foods K4.8m (2016: nil) and PNG Power is a syndicated loan arrangement K4.1m (K9.4m). The loan receivable for OPH is stated net of impairment.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation (continued)

Assets Held For Sale	Section/Allotment	Milinch	Value (K'000) 2017	Value (K'000) 2016
Malolo Estate	145 – 152	8 Mile (POM)		
Angco Property	5 – (1)	Goroka		
Angco Property	6 – (1)	Goroka		
Angco Property	6 – (2, 3, 5)	Goroka		
Korobosea House				
Lawes Road Property				
Total			8,860	12,727

Listed Equities - offshore	Industry	Valuation Method	Value (K'000) 2017	Value (K'000) 2016
Vanguard International Index Fund	Indexed Funds	Last Bid Price	Sold	
Blackrock Wholesale Index	Indexed Funds	Last Bid Price	Sold	
Blackrock Wholesale International Equity Fund	Indexed Funds	Last Bid Price		
Kina Securities	Financial Services	Last Bid Price		
Acadian Global Managed Volatility	Indexed Funds	Last Bid Price		
Lazard Global Managed Volatility Fund	Indexed Funds	Last Bid Price		
Robeco Global DM Conservative Equities Fund	Indexed Funds	Last Bid Price		
Total			893,295	304,206

(k) Single investment exceeding 5% of the net assets:

Investment	Type	% Holding	% of Net Assets 2017	Value (K'000) 2017	Value (K'000) 2016
Bank of South Pacific	Listed equity	12.32	8.5	547,126	518,330
Bank of PNG	GIS/T Bills	N/A	30.2	1,935,824	1,391,397
South Pacific Brewery	Unlisted equity	19.99	7.9	507,700	490,352

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

(l) Sensitivity analysis

Particulars	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

(m) Fair Value Hierarchy

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.

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2017				
<i>Financial assets</i>				
Government inscribed stocks and treasury bills	-	1,968,924	-	1,968,924
Listed securities	1,562,031	-	-	1,562,031
Unlisted securities	-	-	1,199,255	1,199,255
<i>Non-financial assets</i>				
Assets held for sale	-	-	8,861	8,861
Investment properties	-	-	542,994	542,994
	1,562,031	1,968,924	1,751,110	5,282,065
2016				
<i>Financial assets</i>				
Government inscribed stocks and treasury bills	-	1,402,155	-	1,402,155
Listed securities	965,816	-	-	965,816
Unlisted securities	-	-	1,101,825	1,101,825
<i>Non-financial assets</i>				
Assets held for sale	-	-	12,727	12,727
Investment properties	-	-	578,019	578,019
	965,816	1,402,155	1,692,571	4,060,542

There were no transfers between levels during the year.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

4. INVESTMENTS (CONTINUED)

(m) Fair value Hierarchy (Continued)

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. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

- Quoted market prices, results of Bank of PNG auction 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.

	2017 K'000	2016 K'000
5. SHORT TERM DEPOSITS		
Term deposits (maturities within 90 days) - onshore	154,015	330,000
Term deposits (maturities within 3 to 5 months) - onshore	125,302	156,000
	<u>279,317</u>	<u>486,000</u>
6. RECEIVABLES		
Rental debtors	34,910	18,902
Less: Provision for doubtful debts	(13,201)	(5,702)
	21,709	13,200
Share of member withdrawal benefits owing by the State	-	66,605
Sundry debtors	256	126
Related party receivable	31,746	10,173
Provision for doubtful debts on related parties	(1,638)	-
Dividend receivable	12,603	-
Accrued interest income	1,260	658
Prepayments and GST refundable	5,884	7,025
Staff housing scheme	519	352
	<u>72,339</u>	<u>98,139</u>

(i) Impaired rental debtors

As at 31 December 2017, K13.2 million (2016: K5.7 million) relating to rental debtors were considered impaired and were provided for. The ageing of these receivables is as follows:

Over 6 months	7,048	3,201
Over 12 months	6,153	2,501
	<u>13,201</u>	<u>5,702</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

6. RECEIVABLES (CONTINUED)	2017	2016
	<u>K'000</u>	<u>K'000</u>
<i>(i) Impaired rental debtors (continued)</i>		

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

Opening balance	5,702	2,694
Receivables impaired during the year	7,499	6,369
Write-offs during the year	-	(3,361)
	<u>13,201</u>	<u>5,702</u>

Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The property manager, Five D continues to follow up the debts that have been provided for.

(ii) Past due but not impaired

At 31 December 2017, rental debtors of K21.3 million (2016: K12.8 million) were past due but not impaired. These relate to a number of independent tenants for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

3 to 6 months	11,520	12,291
Over 6 months	9,818	570
	<u>21,338</u>	<u>12,861</u>

The other classes within receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The total exposure to state debtors in relation to '**Past due but not impaired**' balances is K17m. The Fund does not hold any collateral as security.

7. CASH AND CASH EQUIVALENTS		
Banks – offshore	56,042	513,096
Banks – onshore	337,328	259,627
Cash on hand	7	12
	<u>393,377</u>	<u>772,735</u>

8. CREDITORS AND OTHER LIABILITIES		
Creditors	9,478	13,745
Members' deposits	2,172	8,253
State pension liability	6,644	6,644
Member insurance payable	5,980	5,980
Rental bond fees	4,077	4,228
Deposits on sale of properties	1,116	1,359
	<u>29,467</u>	<u>40,209</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

9. INCOME	2017 <u>K'000</u>	2016 <u>K'000</u>
(a) Interest		
Government inscribed stock and Treasury bills	161,859	147,546
Loans	20,192	38,117
Short-term deposits	7,625	11,518
Share of member withdrawal benefits owing by the State	1,997	5,974
	<u>191,673</u>	<u>203,155</u>
(b) Dividends		
Listed equities	76,822	67,100
Unlisted equities	73,119	46,468
	<u>149,941</u>	<u>113,568</u>
(c) Property rentals		
Gross rental income	<u>59,234</u>	<u>59,455</u>
(d) Net gains/(losses) on assets at fair value		
Unrealised fair value gains/(losses)		
Listed equities	35,870	55,576
Unlisted equities	53,641	(50,680)
Investment properties	(41,900)	34,645
Government inscribed stock & treasury bills	27,302	71,453
Realised fair value gains/(losses)		
Listed equities	1,812	(3,373)
Unlisted equities	-	12,109
Investment properties	930	6,186
Government inscribed stock and treasury bills	-	(129)
Net fair value gains/(losses)	<u>77,655</u>	<u>125,787</u>
(e) Foreign exchange gains	<u>98,408</u>	<u>31,711</u>
(f) Other income		
Bad debts recovered	-	3,384
Insurance proceeds	-	754
Other income	416	586
Management fees received	3	182
	<u>419</u>	<u>4,906</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

10(a) Loans and receivables impairments expense

	2017 <u>K'000</u>	2016 <u>K'000</u>
Provision for Impairment expense – OPH loan (Note 4(f))	56,369	-
Provision for doubtful debt expense – rental debtors (Note 6)	7,499	5,702
Provision for doubtful debt expense –related parties (Note 6)	1,638	-
Other bad debt expense	299	667
	<u>65,805</u>	<u>6,369</u>

10(b) Management Expenses

Staff remuneration	16,830	15,554
Office expenses	9,674	6,202
Professional fees	3,769	5,988
Directors' fees & expenses	2,364	2,164
BPNG license fees	372	2,068
Staff housing and other benefits	694	983
Depreciation on property plant and equipment	3,453	789
Loss on disposal of fixed assets	917	709
Advertising	1,076	1,738
Travel expenses	983	628
Auditor's remuneration - statutory audit services	455	435
Vehicle expenses	248	180
Auditor's remuneration - other services	-	141
Conferences and workshop	87	96
Donations	16	23
Other expenses	113	-
	<u>41,051</u>	<u>37,698</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

11. INCOME TAX

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

(a) Income tax expense

	2017 K'000	2016 K'000
Operating profit	428,322	456,885
Prima facie tax at 25%	107,081	114,221
Tax effect of:		
Fair value changes in investments	(19,414)	(32,731)
Dividend rebate	(37,485)	(33,717)
Depreciation on investment properties	-	(318)
Foreign exchange gain - capital account	(21,757)	(2,967)
Other	1,261	111
Prior estimation adjustments	(7,147)	8,125
Income tax expense for the year	<u>22,539</u>	<u>52,724</u>

Current year income tax expense comprises of:

Current income tax	27,157	47,871
Deferred income tax	(4,618)	(3,272)
Prior estimation adjustments	-	8,125
	<u>22,539</u>	<u>52,724</u>

(b) Income tax receivable/(payable)

Opening balance	459	(9,190)
Current income tax	(27,157)	(47,871)
Prior estimation adjustments	-	(8,125)
Tax payments	52,771	65,645
Closing balance	<u>26,073</u>	<u>459</u>

(c) Deferred income tax payable, net

Opening balance at the beginning of the year	(13,720)	(16,992)
Movement during the year	4,617	3,272
Closing balance	<u>(9,103)</u>	<u>(13,720)</u>

Comprising

Investment properties	(10,231)	(10,039)
Interest receivable	(8,590)	(2,854)
Rent receivable	(8,727)	(4,725)
Foreign exchange gain - non capital	-	(1,657)
Dividend receivable	(3,151)	-
Prepaid insurance	1,110	1,131
Fixed assets	310	117
Employee benefits	564	582
Doubtful receivables and loans	17,802	1,425
Losses	325	325
Other accruals	1,485	1,975
	<u>(9,103)</u>	<u>(13,720)</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

12. MEMBERS FUNDS

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 2017, interest allocated to contributor funds was determined on member balances at a rate of 8% (2016: 9%) 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.

	2017 K'000	2016 K'000
(a) Contributor funds		
<i>Opening balance</i>	5,650,089	4,964,692
<i>Add</i>		
Members' contributions received during the year	216,735	206,916
Employers' contributions received during the year	287,225	255,517
Unallocated contributions	5,650	-
Transfers from other funds	4,664	2,625
State contribution on exit payments	-	-
	<u>514,274</u>	<u>465,058</u>
Interest allocation	460,185	444,351
	<u>6,624,548</u>	<u>5,874,101</u>
<i>Deduct</i>		
Member benefits paid during the year *	(221,173)	(190,720)
State Share paid - on exit	-	-
Transfers to RSA during the year	(28,780)	(30,011)
Unemployment benefits paid	(3,953)	(3,281)
	<u>(253,906)</u>	<u>(224,012)</u>
Closing balance	<u>6,370,642</u>	<u>5,650,089</u>
*Benefit payment details		
Retirement	(175,437)	(145,965)
Death	(45,736)	(44,755)
	<u>(221,173)</u>	<u>(190,720)</u>
(b) Housing Advances		
Opening balance	(103,770)	(85,350)
Advances or member withdrawals	(30,709)	(30,273)
Repayments received	11,691	11,853
Closing balance	<u>(122,788)</u>	<u>(103,770)</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

12. MEMBERS FUNDS (CONTINUED)	2017 K'000	2016 K'000
(c) Pensioner funds		
Opening balance	4,779	6,928
Payments during the year	(2,195)	(2,149)
Closing balance	2,584	4,779
Total members accounts and pensioner funds	6,250,438	5,551,098
(d) Retirement savings account		
Opening balance	134,878	140,541
Transfers from contributor funds during the year	28,780	30,011
Interest allocation	9,909	11,132
Payments during the year	(37,577)	(46,806)
	135,990	134,878
TOTAL CONTRIBUTOR FUNDS	6,386,428	5,685,976
(e) Reserves		
Retained earnings and general reserve	5,689	70,000
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve - property	1,447	1,447
	28,414	92,725
TOTAL MEMBERS FUNDS	6,414,842	5,778,701
<p>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.</p>		
(f) Movement in retained earnings and general reserves		
Beginning balance	92,725	144,047
Net increase in net assets from operations available for benefits	405,783	404,161
Interest allocated to contributor funds	(470,094)	(455,483)
	28,414	92,725

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

13. FUNDING ARRANGEMENTS

(a) Unfunded Liability of the State

At the end of 2017 the future unfunded liability of the State to members is estimated to be K2.2 billion (2016: K2.069 billion). This is not an obligation of the Fund.

(b) Exiting members

As members exit the Fund, the State is legally obliged to make its outstanding employer contributions for the years 2009 and prior plus interest on this unpaid amount based on the interest credit rate for each prior year till the year of exit. The State is also required to pay fortnightly the employer contribution of 8.4% from 2010 onwards.

Up until December 2015, the statutory total benefit was paid to the exiting members by the Fund voluntarily, including the unfunded portion that was the State's responsibility, regardless of arrears in payments by the State. At the end of each month the Fund invoiced the state the State for these exit payments made on behalf of the State.

Since December 2015, the Fund has only been paying exiting members the funded portion of the members' total benefits, being the accumulated contributions received and interest within the Fund to the time of exit.

As at 31 December, 2017 the State's unpaid obligations for such benefits paid prior to December 2015 by Nambawan Super on behalf of the State is Knil (2016: K66.6 million). The State settled its debt in relation to this balance in the year ending December 2017.

In December 2015, the Board of the Fund reviewed the quantum and age of the members exit debt receivable from the State. Since the receivable was in excess of 12 months and based on member equity and commercial considerations, the Board made a decision not to pay the State's employer debt or obligation, until such time as the State made up arrears and started paying for exiting members again. The Fund is still paying exiting members all accumulated funds that the Fund has actually received and holds on account for the member but will not use existing members' funds to cover the States obligation. The Board believes that it is inequitable for the current members for their funds to be used to meet the States obligation. Therefore Nambawan Super Limited's Board and Management has taken the decision to pay only what the Fund holds for the exiting member, which is the 6% employee contribution plus the interest earned by the Fund over time, plus part of the 8.4% contributed up to 2008 and contributions received from 2009 to the time of their exit. The contribution by the State since 2003 is explained in paragraph (c) below.

The accumulated liability of the State for unfunded contribution of members who have exited the Fund subsequent to the 31 December 2015 amounts to K217 million (2016: 96m). The Fund has instated legal proceedings against the State on behalf of exited members for payment of unfunded liability together with interest due. On the 18 January 2018, the Courts held judgement against the State.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

13. FUNDING ARRANGEMENTS (CONTINUED)

(c) State's Obligations on Employer contributions

From 2002, the State was allowed to adopt a phased catch up of remitting the full 8.4% component of Employer Contributions on a continuous future basis under the Provisions of the Superannuation Act, as detailed below:

- 0% of the 8.4% employer contribution for 2002,
- 25 % for 2003 and 2004,
- 50% for 2005 and 2006,
- 75 % for 2007 and 2008, and
- 100% from 2009 onwards

The balance of the amounts due for each of the above years (other than 2009 onwards) is payable by the State on retirement of the employee.

From 2012, the State has been remitting the full 8.4% employer contributions on a fortnightly basis and therefore did not owe the Fund at year ended 31 December 2017 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 in accordance with Section 8 of the Superannuation (General Provisions) Act 2000.

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 14% (2016:7%) 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 Net Assets Available For Benefits as financial assets at fair value. The Fund's investment manager 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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) 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. The Fund has no significant concentrations of credit risk with the exception of the Government of PNG

(c) Fair value gain on financial assets

The Fund's financial assets and liabilities, 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:

	Less than 1 year K'000	1-2 years K'000	2-5 years K'000	Over 5 years K'000	Total K'000
31 December 2017					
Benefits payable	1,763	-	-	-	1,763
Employee benefits payable	2,257	-	-	-	2,257
Creditors and other liabilities	29,467	-	-	-	29,467
	<u>33,487</u>	-	-	-	<u>33,487</u>
31 December 2016					
Benefits payable	1,720	-	-	-	1,720
Employee benefits payable	2,329	-	-	-	2,329
Creditors and other liabilities	40,209	-	-	-	40,209
	<u>44,258</u>	-	-	-	<u>44,258</u>

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

15. POLICIES REQUIRED UNDER THE PRUDENTIAL STANDARDS.

As part of Prudential Standard 1/2014, Issued by the Bank of Papua New Guinea and effective from 31 December 2015, an Authorised Superannuation Fund (ASF) must review annually a variety of policies and publish some of these on its website and in their annual report.

(a) Sections 17, 18 & 19 (PS 1/2014): the "Crediting Rate Policy" Please refer to the policy on the Nambawan Super website.

b) Section 14d (PS 1/2014: The "Reserving Management Policy" Please refer to the policy on the Nambawan Super website.

The Board is in the process of reviewing these policies as part of its annual policy review calendar and to have signed documents uploaded.

16. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

As at the date of signing these Financial Statements management was not aware of any subsequent events of significance that would have a material impact on the financial statements as at 31 December 2017.

As disclosed at Note 13(b), the Fund filed the judicial review proceedings on behalf of its exited and exiting members on 2nd of February 2017 seeking declaratory orders which were found in the Fund's favour on the 12th of January, 2018.

The National Court has found that the State has breached its statutory obligations under the Superannuation General Provisions Act 2000 when it failed to pay its component of the retirement contributions for members upon exit since December 2015 which as at 12 January 2018 is K230m and accruing.

17. RELATED PARTY DISCLOSURES

(a) The Trustee of the Fund throughout the year was Nambawan Super Ltd ("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	Professor David Kavanamur
Mr Alan Kam	Mr Reginald Monagi
Professor Albert Mellam	Mrs. Karen Gibson (appointed 27 th February, 2017)
Lady Aivu Tauvasa	Mr. Lutz Heim
Mrs Lesieli Taviri	

(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. The details are as per the succeeding table:

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

17. RELATED PARTY DISCLOSURES (CONTINUED)

Name of director	Role	Total Remuneration	Main Board meetings attended	Audit & Risk Committee meetings attended	Remuneration & Nomination Committee meetings attended	Investment Committee meetings attended	Membership Committee meetings attended	Technology Committee meetings Attended
Anthony Smare	Chairman	K186,793	5/5	n/a	n/a	8/11	n/a	n/a
Aivu Tauvasa	Director	K168,931	5/5	n/a	5/6	n/a	5/5	n/a
Karen Gibson	Director	K188,536	5/5	5/5	n/a	n/a	n/a	6/6
David Kavanamur	Director	K153,310	5/5	n/a	3/6	n/a	n/a	3/8
Albert Mellam	Director	K154,310	5/5	n/a	6/6	n/a	5/5	n/a
Alan Kam	Director	K188,639	3/5	n/a	3/6	10/11	n/a	n/a
Lesieli Taviri	Director	K163,310	5/5	7/7	5/6	n/a	n/a	8/8
Reginald Monagi	Director	K158,310	5/5	7/7	n/a	9/11	4/5	n/a
Lutz Heim	Director	K164,310	4/5	7/7	n/a	10/11	n/a	7/8

(c) Directorship disclosure – key management

The remuneration package for the Chief Executive Officer (CEO) is determined by the Board of Directors while senior management packages are determined by the Chief Executive Officer in collaboration with the Remuneration Committee having regard, to among other factors, current market data.

Name	Role	Nature of interest	Company
Paul Sayer	Chief Executive Officer	Director Sole Director and Shareholder Director and CEO Director	PCFS Nominees Pty Ltd Silverstream Australia Pty Ltd Mallard Enterprises Pty Ltd White Plume Pty Ltd
Vere Arava	Chief Financial Officer	None	None
Andrew Esler	General Manager Properties	Director as NSL Nominee	Coastwatchers Court Ltd Fernvale Ltd Moki No.10 Ltd Morobe Front Holding Ltd OPH Ltd Waigani Asset Ltd
Patricia Taureka	Company Secretary	Director as NSL Nominee	Fernvale Ltd Moki No.10 Ltd Morobe Front Holding Ltd
Leo Kamara	Chief Manager Risk	None	None
Loka Niumatairua	Chief Manager People and Culture	None	None
Chris Mota	Acting Chief Manager Member Service	None	None

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

17. RELATED PARTY DISCLOSURES (CONTINUED)

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.

	2017 K'000	2016 K'000
Salaries	5,365	4,442
Leave accruals	511	343
	5,876	4,785

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 2017.

Salary Range	Number of Employees	
	2017	2016
K100,000 – K150,000	19	21
K151,000 – K200,000	7	5
K201,000 – K250,000	6	2
K251,000 – K300,000	1	2
K301,000 – K600,000	4	4
K601,000 – K700,000	-	1
K701,000 – K800,000	2	2
K801,000 – K900,000	1	1
K901,000 – K1,500,000	1	1
K1,500,000 +	-	-

During the financial year the Fund earned interest on term deposits of K804k (2016: K162,411) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management Limited.

- (a) The Kina group also provides Investment Management and Fund Administration services, related fees paid to the Kina group amounted to K7.2 million (2016: K6.4million) and K7.6 million (2016: K7.43 million) respectively.
- (b) Nambawan Super holds controlling equity interests and associated Director positions in the following unlisted entities based in PNG.

Coastwatchers Court Limited
Gazelle International Hotel Limited
Kumul Hotels Limited
Moki No. 10 Limited
Morobe Front Holdings Limited
Fernvale Limited

Nambawan Savings & Loan Society Limited
OPH Limited
Pacific Building Management Services Limited
Paradise Foods Limited
Rangeview Heights Limited

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

18. CONTINGENT ASSETS, 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.

(b) 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.

(c) Commitments for Capital Expenditure

Amounts with firm commitments and not reflected in the financial statements in relation to investment properties under construction

2017	2016
<u>K’000</u>	<u>K’000</u>
<u>111,003</u>	<u>14,075</u>

(d) Commitments for investment expenditure

The Fund has committed to invest in an Offshore Fund which makes capital calls on an as needs basis. There were no committed amounts in relation to this equity investment at 31 December 2017 (2016: nil).

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

19. DIRECTORS' DISCLOSURE

Name	Nature of interest	Companies
Mr Anthony Smare	Shareholder Director Director/Shareholder Shareholder Trustee Director/Shareholder Shareholder Director Director Director (NSL Nominee) Director (NSL Nominee)	Airlines PNG Limited Barrick Gold PNG Subsidiaries City Pharmacy Limited Credit Corporation (PNG) Ltd Halivim Wantok Disaster Fund Smare Family Enterprises Kina Asset Management Ltd Kumul Foundation Inc. Nationwide Microbank Limited Paradise Food Limited Paradise Food Holdings Limited
Lady Aivu Tauvasa	Shareholder Shareholder Shareholder Director/Shareholder Director/Shareholder	Kina Asset Management Limited PNG Drums Reconditioning Limited Post Courier Limited Teisaki Limited Tuakana Advisory Services
Mr Alan Kam	Director Director Director Director Director Director Chairman	Libertas Company Limited Mega Life Science Public Co Cal-Comp Holdings Brazil Co Cal-Comp Electronics Thailand Public Company Ltd Confere de La Chaine des Rotisseurs, Bangkok Thanakorn Vegetable Oil Products Co. Ltd Ticket Melon Co. Ltd
Professor Albert Mellam	Shareholder Director (NSL Nominee) Director (NSL Nominee) Shareholder	Airlines PNG Limited Brian Bell & Co Limited Credit Corporation (PNG) Ltd Kina Securities Limited
Mr Reginald Monagi	Director Director	City Mission Heduru Moni Limited
Mrs Lesieli Taviri	Shareholder Director Director Shareholder Shareholder Director/Shareholder Director/Shareholder	Airlines PNG Limited Business Coalition for Women Nationwide Microbank 3 Key Limited GPS Malaponi Limited Marjicka Limited People Connexions PNG Limited

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2017

19. DIRECTORS' DISCLOSURE (continued)

Name	Nature of interest	Companies
Professor David Kavanamur	Shareholder Shareholder Shareholder Director (NSL Nominee) Director Director (NSL Nominee) Director (NSL Nominee) Shareholder Director	Bank South Pacific Limited Credit Corporation (PNG) Limited Kina Securities Limited Gazelle International Hotel Ltd Institute of National Affairs KHL Subco Limited Kumul Hotels Limited Oil Search Limited Rabaul Microfinance
Mrs Karen Gibson (appointed: 27th of February 2017)	Non-Executive Director Director Director	OneVue Wealth Services Limited OneVue Services Limited Praxton Group Pty Ltd
Mr Lutz Heim	Director/Shareholder Director/Shareholder Director	Yunkimp Pty Limited Arkaba Professional Services PNG Limited Equito Pty Limited This two entities are registered in Australia and associated with an Australian family trust and has no investments in PNG. They hold real estates and do not trade in shares.

Any directors' fees paid to Directors for being Directors as NSL nominees on certain boards are paid direct to the Directors.

20. CAPITAL MANAGEMENT

The Capital of the Fund is represented by the Members' Funds. The amount of the members' funds 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 going 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.

21. COMPARATIVES

There was no change in comparatives in this financial year that would require a restatement of the Statement of Comprehensive Income, Statement of Changes in Net Assets available for Benefits or Statement of Net Assets Available for Benefits.

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