



# 2018 Annual Report



**Investing into the Future!**



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Level 1 & 2 | Deloitte Haus | McGregor St  
Down Town | Port Moresby | Papua New Guinea

# Vision, Mission and Values



## Our Vision

Is to be the best superannuation fund for Papua New Guinea, serving members and living global standards.



## Our Mission

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

1. Capturing value creation for members through prudent local and global investments.
2. Engaging and providing quality products and services to meet the needs of our members.
3. Embedding a culture of innovation that empowers our members, stakeholders, and staff.



## Corporate Values

To shape our policies, guide our actions and underpin respect and service for our members.

### Service excellence

Our members are at the centre of everything we do. We are respectful and responsive to our members and other staff to deliver high quality outcomes.

### Collaboration

We support each other and work together as one team to the benefit of our members.

### Openness

We are open to new ideas and transparent in how we operate and communicate with our members.

### Trust

We all trust and respect each other to do the right thing and be accountable for our actions and outcomes.

### Innovation

We create a safe environment to think outside the square and challenge ourselves to continually improve. We focus on improving ourselves, our relationships, our services to members and our operations.



Town Hall - All staff engagement and planning 2018



Member engagement  
- 2018 Employer Conference



Choice super member



Paradise Food - announcement buying Laga Ht Hagen Board engagement

Nambawan Super is investing into the future for our members and PNG. In 2014 we started investing in Nambawan Super Plaza Precinct



Artist Impression

2018 becoming reality, doors to open May 2019



New Drone image, 2019

# Chairman's statement

ANTHONY SMARÉ | CHAIRMAN



## Financial highlights for 2018

- K274 million in after tax profit
- K6.89 billion in net assets
- 3.7% crediting rating

## Membership highlights 2018

- A total of K713.85 million in contributions allocated to member accounts
- A quarter of NSLs active membership are making voluntary contributions, with more than K140 million in voluntary savings.
- Choice super membership grew by 73% to 8,852 with an average of K485 savings per member.
- Retirement Savings Accounts membership of 4,356 with 14.5% of exiting members in 2018 opening an RSA account.

### **On behalf of the Nambawan Super Board it is my pleasure to present our 2018 Annual Report.**

As our members know, the collective interest of the members is at the core of what we do – protecting and growing their retirement savings to enable them to retire with dignity.

With that objective at its core, and at all times maintaining our high levels of corporate governance, through the last five years Nambawan Super has successfully navigated PNG's difficult economic circumstances to protect members' retirement savings from loss and then grow those savings substantially.

#### **Our continuing outstanding financial results**

As the Financial Statements in this report show, despite the economic conditions, Nambawan Super achieved a net return of K274 million of profit for its members, equating to a 3.7% crediting rate applied to members accounts. This means that we have achieved an average 7.5% crediting rate per year over the last 7 years and we have credited K2.47 billion in profit to the accounts of our 185,000 members. Over the period, the fund has grown in size from K3.74 billion to K6.89 billion, an increase of 84%.

I am delighted with this result. Everywhere I have gone in Papua New Guinea, members have sought me out to express that they too are happy with the performance of their fund and more importantly are proud to be members of Nambawan Super.

The result is due to the tremendous work of our Staff, Management, and our Board. Our members have responded by contributing more voluntary savings and retaining their savings in the Fund to benefit from the growth. All involved should rightly be proud of the role that they have played in the Fund's journey to today.

Our investment strategy remains focused on long term returns and is actively managed with the objective of providing a CPI + 2 per cent net return (known as real net return). While some short term fluctuations are expected, Nambawan Super's long term performance is on track.

Additionally we have used the challenging economic conditions to look for opportunities to build up or acquire iconic PNG brands, creating jobs and contributing to the economy as well as future sustained income growth for the Fund - as demonstrated by our support of our investee food company Paradise Foods Limited to purchase Laga Industries, makers of Gala ice cream and Highlands Meadow Cooking Oil, from Steamships.

#### **Commitment to members**

In 2018 we renewed our commitment to reimagine our engagement and linkages with our members. We are very ambitious in how the connection between the Fund, its members and their families can grow. We have continued our practice of holding Board meetings in centres outside of Port Moresby, visiting Mt Hagen and Lae where we had the opportunity to meet our members as well as the local business community. A new branch was opened in Daru. We increased our focus on supporting the informal sector to establish retirement savings through our Choice Super product by working with the agriculture sector – in particular, oil palm across the Oro Province, Milne Bay, and West New Britain followed by vanilla and cocoa growers in East Sepik. As Nambawan Super's Queen Emma chocolates continues to bring the cocoa of our farmers to the world, I look forward to this connection with the farmers to deepen as they open superannuation accounts.

Our members are the heart and soul of the Fund and Membership growth continued in 2018. The Fund now has more than 185,000 members, including Retirement Saving members, and active membership of more than 138,000. New membership outstrips exits by 2:1, with more than 12,000 new members coming on board and just 5,810 members exiting the Fund. Payments of K343.43 million were made to our members, through either full exit or our Retirement Savings Accounts.



### Unfunded State Share

I am pleased to report that we have made significant progress with the prolonged issue of the Unfunded State Share in 2018. Public Servants who retired between 2016 and 2018 had a considerable portion of their employer contributions owed to them by the State, without a lot of progress on the part of the State. Following court action taken by Nambawan Super on behalf of the members, it has now been formally recognised that the State must meet its obligation to make payment of owed contributions for their former employees when they formally leave the State's employment. Through sustained dialogue and the dedicated effort of Directors and Management, particularly CEO Paul Sayer and CFO Vere Arava, we are pleased to report the recent progress on settling the outstanding unfunded amounts. At the close of 2018, K151 million had been received from the State and 3,219 former unfunded members had been called forward for payment. At the time of writing this report, following further payments of K146 million received from the State in January 2019, we have been able to allocate funds to a total of 6,699 former public servants accounts with an unfunded amount owing to them who exited up to September 2018. I thank the Government for honouring their obligations to the impacted retired public servants.

Furthermore, if commitments made by the State during 2018 for payments in 2019 are met, by the close of 2019 the State will have address the backlog. The Board will continue to engage with the State to resolve this issue fully. We want to ensure public servants, who served during the period that the unfunded State Share was accrued, can retire with certainty that their entitlements are fully paid.

### The year ahead

Usually each year, I mention some themes of focus for the year ahead. Early in my tenure as Chair, the focus was on righting the organisation and dealing with legacy issues. The last few years have been about

protecting the Fund in a challenging economic environment and from outside interference. In that time we have also made significant investment and focus on technology to better serve our members.

This next year will see significant work undertaken in reimagining our relationship with members - focusing on becoming more relevant to members and their families, helping members and families maximise their ability to grow retirement savings and looking at how to build an intergenerational approach to superannuation savings and wealth creation.

We will also continue to work on building the organisational cultural approach we call 'The Nambawan Way' – encouraging our employees, contractors and investee companies to interact with members and others in a manner that is accountable, open, empathetic and emphasises service to our members and the community, and in so doing represents our best values. It is a work in progress but we can see that culture emerging within the Nambawan Super ecosystem.

In closing, Nambawan Super continues to work hard for all our members, their families and the country. Despite challenging economic times, we hope our members can see that their superannuation savings continue to grow to provide a comfortable retirement. I also hope that they continue to feel pride that they are part of Nambawan Super. I encourage members to consider boosting their savings through making Voluntary Contributions, and if nearing retirement, I recommend you consider the benefits of a Retirement Savings Account.

On behalf of the Board, Management, and staff of Nambawan Super, I thank all our Members and stakeholders for their continued support.

**Anthony Smaré**  
Chairman of the Board



Chairman, Mr Anothy Smaré with Highland Regional Manager and Members at the 2018 Mt Hagen Board and Member Engagement

# 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 Robinson 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. 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.

## LADY AIVU TAUVASA

- Deputy Chairperson

Non-Executive 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, 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 Chair 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 and Bachelor of Business Administration degrees from the University of Denver. 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. Limited. 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. Limited., Independent Director & Chairman of the Audit Committee of Mega Life Science Public Co. Limited., Thailand, Director of Cal-Comp Holdings (Brazil), Sao Paulo, Brazil, Independent Director & Chairman of the Audit Committee at TATA Steel (Thailand) Public Co. Limited, Director at Thanakorn Vegetable Oil Co. Limited and Chairman of the Board at Ticketmelon Co. Limited.

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.

## 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 Transformation Committee and a member of the Audit & Risk Committee and the Remuneration & Nomination Committee.

## LUTZ HEIM

- Non-Executive Director  
Director since July 2016



**Lutz Heim** Lutz started his career in taxation authorities in Australia and Papua New Guinea (PNG), where he acted as Chief Assessor for the Papua New Guinea Taxation Office, prior to moving into professional services firms. Mr Heim held positions of taxation consulting partner for Ernst & Young (in Australia and PNG) and Deloitte (in PNG), before managing Deloitte's corporate finance practice in PNG. In his final years with Deloitte he served as Country Managing Partner PNG.

Mr Heim was then Acting Chief Operating Officer for State Owned Entities with Kumul Consolidated Holdings Limited, which is the entity that owns the major PNG state owned and corporatised commercial entities, including Air Niugini, PNG Ports Corporation, PNG Power, Telikom and National Development Bank.

Mr Heim holds a Bachelor of Economics 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 STIA, PNGID and AICD.

He serves as chairman of the Audit and Risk Committee and as a member of the Investment and Transformation Committees. He has been appointed as a Director of PNG companies Kumul Hotels Limited and First Investment Finance Limited.

## KAREN GIBSON

- Non-Executive Director  
Director since February 2017



**Karen Gibson** was Chief Executive Officer for two Australian Super Funds, and is now a non-executive Director on the subsidiary Boards of an Australian listed company providing superannuation services. She holds a Masters in Business Administration and Bachelor of Science from the University of Queensland. She has a Diploma from the Australian Institute of Company Directors, and 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. Mrs Gibson is a member of the Audit & Risk Committee, the Transformation Committee and the Remuneration & Nomination Committee.

## PROFESSOR

### ALBERT MELLAM, PhD

- Executive Director of the  
PNG Chamber of Mines and  
Petroleum and formerly the  
Vice Chancellor  
Director since August 2012



**Professor Albert Mellam** is Executive Director of the PNG Chamber of Mines and Petroleum and the former 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 Limited. Professor Mellam is the Chairman of the Remuneration & Nomination Committee and a member of the Membership Committee.

## 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) Limited and Shell (PNG) Limited. 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 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 Transformation Committee.

# Chief Executive Officer's statement

PAUL C SAYER | CHIEF EXECUTIVE OFFICER



It is with great pleasure I join Anthony Smaré Chairman of the Board, to present Nambawan Super's 2018 Annual Report .

This year, Nambawan Super has achieved a good investment performance when considering the backdrop of such a challenging year for the PNG economy and the international markets.

Whilst this year's crediting rate – 3.7% – is lower than recent years, the investments we are making on behalf of you – our members – are about investing for the future.

We expect that there will be some volatility when looking from one year's crediting rate to the next. However, at Nambawan Super we consider investing for the long term and we will continue to focus on how to make the most of the opportunities today on behalf of the members for their future.

Superannuation is for the long term so we focus on the long term results. The short and long term performance is shown below and Nambawan Super can proudly say that over the long term our members have experienced consistently strong returns.

## Compound annual growth rate

	Total return to members
Over 1 year	3.70%
Over 3 years	6.43%
Over 5 years	6.41%
Over 7 years	7.53%
Over 10 years	7.04%

## Highlights snapshot for 2018

Beyond returns, Nambawan Super has experienced many highlights throughout the year from where we are investing our resources and efforts, that will ensure we continue to be PNG's leading superannuation fund into the future.

**Unfunded State Share** has made significant progress as the State demonstrated commitment to address the unfunded superannuation for public servants, with payments of K151 million received in the financial year.

**Investment highlights** range from the highly visible, like Nambawan Super Plaza construction, which is due for completion in early 2019, through to supporting one of our local investments Paradise Foods to acquire Laga industries enabling both to grow through shared and enhanced distribution channels.

**Member services** continuously improve to better serve our diverse membership across the country. In 2018 we opened a new office in Daru and introduced new technology that is making it easier than ever for members to access their benefits.

**Organisational transformation** is being driven by the Board at a strategic level and through the team with the implementation of a culture transformation program. We are implementing initiatives that will support our team to live our values of service excellence, collaboration, openness, trust, and innovation – for the benefit of members.

## Looking ahead to 2019

We expect investment conditions to be more challenging in the year ahead, although we do anticipate that things will turn around sharply in PNG.

With announcements in late 2018 of the large scale projects with the potential to transform PNG, Nambawan Super is positioning ourselves to benefit from anticipated economic improvements if these large projects do move into full production.

Large investment projects of the Fund, like Nambawan Super Plaza, move to operations phase, and returns to members will begin to flow from the final two towers, in addition to Deloitte Haus.

Nambawan Super continues to build investment capacity and capability so we can keep delivering strong, long-term performance for you in an increasingly complex investment environment. Some of the results will take time to come back to members.

## Products and services for all stages of life

Life is a marathon, not a sprint, and Nambawan Super offers a range of products and services to assist you and your family throughout your life.

- Whether you are saving for a housing advance, or to bolster your retirement savings we can assist you, as we do 1 in 4 of our contributing members, through voluntary contributions of up to 15% of your salary.
- If you are getting closer to retirement the benefits of a Retirement Savings Account should not be overlooked in helping you maintain a regular income by keeping your superannuation invested with us once you are no longer working.
- Although it now operates as a separate entity Nambawan Savings and Loans Society (NSLS) offers a range of accounts to assist members with their short term savings goals. With more than 20,000 member, NSLS services can be conveniently accessed through our 21 branches.

Throughout 2019 we will be continuing to engage with our members through our Branch Network, open information sessions, targeted industry engagements, and provincial events. We look forward to seeing as many of our more than 185,000 members as possible.

On behalf of our members, I acknowledge the hard work and support of the Board's Chairman and Directors, Committee Members, Investment Manager, and Fund Administrator and our many service providers. Finally, I'd like to thank all our hardworking staff across the country who are the first to make sure our Member's interests are served.

  
**Paul C Sayer**  
Chief Executive Officer

## Our Management team



**Back row (L-R):** Praveen Gutpa - Head of IT & PMO, Vearinama Mavu - Manager PMO, Vere Arava - Chief Financial Officer, Andrew Esler - GM Property, Dennis Gouda - Manager Property, George Koi - Manager Legal, Leo Kamara - GM Risk & Compliance, Michael Ame - Manager Audit, Dominic Beange - Chief Investment Officer.

**Front row (L-R):** Chris Mota - Acting GM Strategic Relations, Rosemary Mase - Manager Branch Network, Loka Pepena Niumatairua - GM People & Culture, Paul C Sayer - Chief Executive Officer, Patricia Taureka-Seruvatu - Company Secretary, Rossie Kambua - Manager Strategy, Morgana Prior - GM Brand, Marketing & Communications, Raymond Palangat - PR & Marketing Manager

# Investments highlights

## Nambawan Super Plaza close to completion

The Nambawan Super Plaza is a major mixed use development project that is nearing completion. Located along McGregor Street in the National Capital District, the precinct enjoys commanding views of Fairfax Harbour and will be a destination of choice for both residents and business professionals.

The first building in the precinct, Deloitte Haus, opened in 2016 and has maintained high occupancy levels, across 11 levels of office accommodation with access to four levels of secure car parking.

Throughout 2018 significant progress was made on phase 2 of the project with construction of the final two buildings that offer:

- 14 Luxury Penthouse Apartments
- 54 X 2 and 3 bedroom Serviced Apartments
- Gymnasium and 20 metre swimming pool and
- Mix of dining and retail facilities.

NSL owns 90% of this property and has invested significant funds into the precinct. In 2019 Fund revenues will start to increase as construction completes and tenants move in. The development is expected to deliver strong, long-term returns to Nambawan Super members for many years to in the future.

## NSL supports Paradise Company Limited in Purchasing Laga industries

In 2018 NSL supported one of its major local investments, Paradise Company Limited, to acquire Laga Industries.

Paradise Foods has consistently delivered strong financial returns for members. By supporting Paradise Company to acquire Laga Industries, it is expected that these 2 great PNG organisations will continue to grow their businesses in a more efficient manner, with both Paradise and Laga products now available across the entire country via shared and enhanced distribution channels.



The Gala Team showcasing a range of newly introduced icecream flavours to Nambawan Super staff during a marketing visit.

## Rangeview Precinct works commence

In September 2018 work commenced on a major new residential and commercial precinct that will include two commercial buildings with 280 car parks, and 88 townhouses with 140 car parks.

Rangeview is a Public-Private partnership with NCDC providing the land while Nambawan Super and Lamana are contributing funds to secure the development and completion of the Project.

The total development cost of the project is K296m and is expected to be completed in late 2020.



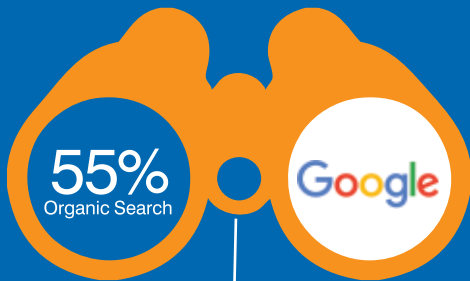
Investments - Rangeview sod turning



Nearing completion, luxury penthouse apartments now taking leasing enquiries

# Global Digital Footprint

- 75% of site visitors are from PNG  
25% are spread across the world

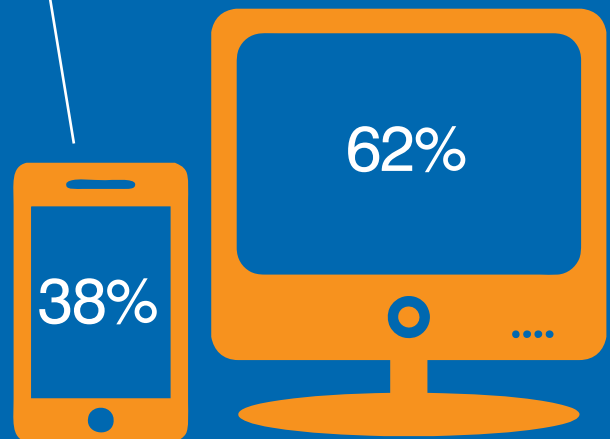


55% of site visitors find us through organic search.



Our visitation SPIKES when we announce things important to our members like the crediting rate and progress on the unfunded state share.

- 38% of site visitors used a mobile device to view the site.



- 84% of devices used an android operating system.

# Member's services highlights

## Technology & Improvements

Delivering high quality member services is a core component of Nambawan Super's philosophy as a profit-for-member fund.

In 2018, our members experienced a significant improvement in service delivery as we introduced technology that enabled regional branches to fully access central administration systems and process documents from their respective branches instead of sending to the Port Moresby which was the former practice.

This improvement ensures that most Normal Benefits files are updated within a 24 hour turnaround time.

For example, previously, exiting members would have to travel to Port Moresby and lodge documents to receive retirement funds as it was processed faster rather than lodge from the provincial branches and wait to receive their benefits.

Our members can now lodge their documents from any of our provincial branches and receive their payments within a couple of days instead of waiting over a month.

## Business continued despite lock down in major centres for APEC

While many businesses shut down during the APEC Meeting in Port Moresby, Nambawan Super continued normal operations without being affected by the shutdown.

There were no disruptions experienced by our valued members around the country as Member Services and Call Centre officers, normally based in Port Moresby, were flown out to our regional centres to continue operating from offices in Lae, Kokopo and Mt Hagen. Calls were being answered at the regional offices, although members may have been thinking they would be still calling Port Moresby.

This operation was the first of its kind for Nambawan Super. Staff who participated appreciated the refreshing experience and exposure of working from regional branches.

It was also an educational experience for some of our members. We had stories of members who saw how call centre agents worked for the first time and even called the call centre number from within the provincial offices just to see if their calls were being answered by call centre agents operating from their provincial branches.

It was a great initiative that enabled the Member Services team to maintain service to members and allowed the business to test our capability as a national fund.

## Nambawan Super leverages member engagement to support community

In 2018, Nambawan Super attended the Annual Nurse's Symposium in Popondetta, as part of our comprehensive annual member and employer engagement program.

Our engagement program provides opportunities to meet members where they live and work across the country to provide advice our products and services and encourage higher level of understanding of the purpose of compulsory superannuation savings.

The event provided the opportunity to showcase products and services and respond to queries from nurses all over the country who were attending the symposium.

Nambawan Super took the opportunity to build our corporate community footprint with CEO, Paul Sayer donating two computers to two primary schools, Resurrection Primary and Popondetta Primary.

## Choice Super targets vanilla and oil palm

Choice Super is a product developed to enable Voluntary Superannuation Services for PNG's informal sector.

Nambawan Super continues to seek opportunities to empower our informal sector to be confident and secure in the knowledge that they have savings when they reach retirement age.

In 2018, we ran two major recruitment drives which resulted in over 112 New Britain Palm Oil employees signing up to join Choice Super. These members were signed up during the Annual Nurse's Symposium that was hosted in Popondetta.

A further 378 vanilla farmers were signed up for Choice Super over a six day visit to Maprik in the East Sepik province.

The objective is to get members to contribute regularly to their choice super accounts, increasing their likelihood of building healthy retirement benefits.

## Nambawan Super opens its doors in Daru

The opening of the Daru office marks another milestone in Nambawan Super's commitment to increase the reach of services for the convenience of our members.

Located towards the south of Western province, the new office site is within the ToBest building on Daru Island, the capital of Western province that caters for the township and vast majority of the island's population.

Daru also caters for a high volume of Nambawan Super members who can now access services much more conveniently at their doorstep rather than travel into the Kiunga or the Port Moresby office.

The office is equipped to offer a complete range of superannuation services including issuance of statements, processing of applications, updating of member details, and attending to general enquiries. Nambawan Savings & Loans Society is also represented by this office.

The new branch brings the total Nambawan provincial branches to 21, serving members throughout the country and is part of Nambawan's strategy to bring our services closer to our members.



Super  
Welcome to the Opening of the:  
**NSL DARU BRANCH**  
Thursday 19th of April 2018  
Venue: Tobest Security Service Premises



DARU OFFICE OPENS The cutting of the ribbon pronouncing Nambawan Super Office in Daru open



Member engagement - Education



Member engagement - Education



Member engages with NSL team member



Member engagement Hausples Expo 2018

# Our people

As the country's leading Superannuation Fund we are focused on retaining and attracting the best people with the right qualifications, skills, abilities and attitudes who will be driven to service our members and protect and grow their funds for retirement.

We continuously strive to be an employer of choice by ensuring our staff are well looked after and work in a safe, healthy and rewarding environment.

## Recruitment

At Nambawan Super, we regularly review our structure to ensure we have the right framework to deliver for our members and recruit new staff where necessary.

- Nambawan Super Graduate Development Program is conducted every two years. As part of our commitment as an employer of choice, we are seen as providing opportunities to develop the future generation for the country. In 2018 we hired and trained graduates from a broad range of disciplines.
- In 2018, we restructured to invest in our service and communications with our employees and members. Recruitment was finalised for a new executive position of General Manager, Brand, Marketing and Communications.
- A new General Manager for Strategic Relations position was created and will be appointed in 2019.
- Succession Planning continues to identify our future leaders and provide training and mentorship opportunities to grow internal capacity. In 2018, we conducted annual review of succession document for leaders.

## Our Culture

Culture is the heart of a productive organisation and P&C drives initiatives to help instil the desired organisational culture.

- The Nambawan Way, our in-house employee and member oriented culture change program, was designed after a comprehensive cultural audit that was completed in 2018.
- A Multi-disciplinary project team reporting to the CEO was established to drive the Nambawan Way Campaign and the Implementation Plan commenced in Q4.
- Staff engagement surveys are conducted annually. In 2018, we saw an uplift of 3%, to 82% of staff satisfaction.

## Policies

- Policy development in 2018 has focussed on simplification through merging of all policies into one overarching P&C policy.
- Other policy development focussed on staff health & wellbeing in particular the Family & Sexual Violence Policy and Tuberculosis Policy that were documented and introduced.

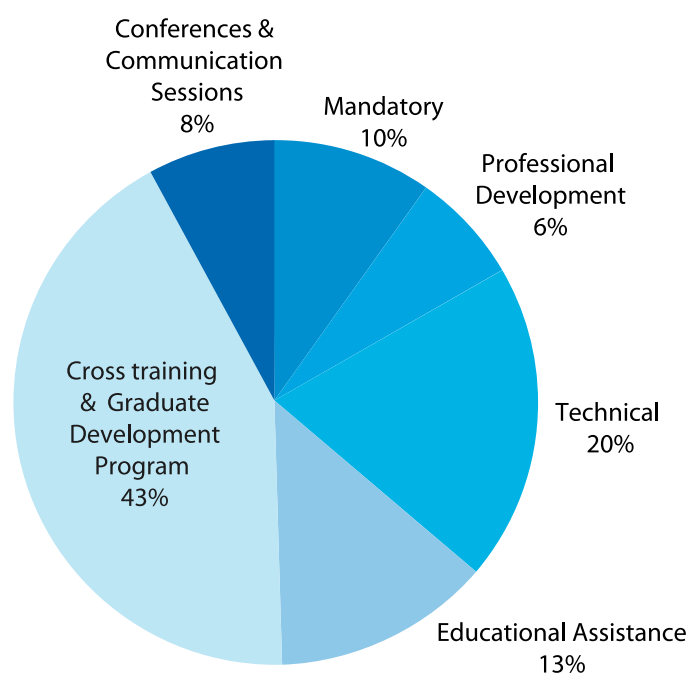
## Remuneration and Benefits

- 2018 saw the successful rollout of the Pronto ERP Payroll and HR Module. The team continues to work on improving and automating performance management systems.
- Nambawan Super conducts a market review annually to ensure that NSL staff remuneration is aligned to the market.

## Learning and Development

- In 2018 all Nambawan Super Staff undertook learning and development activities in line with their individual Development Plans.
- Over the course of the year, staff participated in various short courses, conferences, seminars, external studies and overseas training.
- During 2018, staff exceeded the training benchmark of 6,080 hours, with 12,000 training hours completed.

Pie graph: Nambawan staff learning and development trainings in 2018.



Salary range	No. of employees	
	2018	2017
K100,000 – K150,000	17	19
K151,000 – K200,000	8	7
K201,000 – K250,000	5	6
K251,000 – K300,000	6	1
K301,000 – K600,000	4	4
K601,000 – K700,000	-	-
K701,000 – K800,000	-	2
K801,000 – K900,000	1	1
K901,000 – K1,500,000	3	1
K1,500,000 +	-	-



NSL is investing into the future through our Graduate Development Program. Pictured are former participants who are now permanent staff alongside the 2018 program participants



NSL staff fun day 2018



Town Hall - All staff engagement and planning 2018



NSL staff address employers at the 2018 Employer Conference

# Corporate governance

Nambawan Super Limited (“the Fund”) is a defined contribution fund (accumulation fund), approved under the Superannuation (General Provisions) Act 2000. The Fund is governed by the Board of Directors of Nambawan Super Limited, the Fund’s Corporate Trustee (“the Trustee”). The Fund exists to invest amounts contributed by or on behalf of members for their retirement. It has no purpose other than to serve the interests of its members.

The Trustee’s primary responsibility is to ensure that the Fund is run according to the Principles of Good Corporate Governance. To achieve this objective, the Board implements five key Corporate Governance Principles across its operations. These Corporate Governance Principles are:

1. Compliance with the Law
2. Effective Leadership
3. Integrity
4. Accountability and
5. Risk Management.

Nambawan Super Limited is an Authorised Superannuation Fund (ASF), monitored and regulated by the Bank of Papua New Guinea (BPNG) and subject to the Prudential Standards released by BPNG from time to time. The BPNG Superannuation Prudential Standard 7/2012 on Corporate Governance sets out specific requirements for the Board Structure and Responsibilities, including Investment, Risk Management and Remuneration of License Holders and its officers, to ensure that Licence Holders are prudently managed and that reasoned, informed and impartial decisions are made, in the best interest of its members.

**Audit & Risk Committee** is a Board Committee which 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 fulfil their responsibilities in making informed financial and operational decisions in the best interest of the Company and its members. As of 31 December 2018 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 the Chief Executive Officer as they arise. As at 31 December 2018 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.

**The Investment Committee** is a Board Committee which is responsible for ensuring that all investments made by the Fund are within the requirements set by the BPNG and in the best interest of its members. As at 31 December 2018, the Committee comprised of Mr Alan Kam as Chairman, Mr Anthony Smaré, Mr Reginald Monagi and Mr Lutz Heim as Committee members.

**Transformation Committee** is a Board Committee responsible for assisting the Board, Chief Executive Officer and Executive Management in all facets of business management and technological and strategic advancements, including assessing environmental and any external influences that have the potential to impact NSL’s strategic direction, and recommending appropriate monitoring and evaluation processes and operating ethos. As at 31 December 2018, the Committee comprised of Mrs Lesieli Taviri as Chairperson, Mrs Karen Gibson, Mr Lutz Heim and Professor David Kavanamur as committee members.

**Membership Committee** assists the Board, Chief Executive Officer and Executive Management deal with member complaints or queries about the operation and management of the Fund. It provides an avenue for members to share their views and recommendations on the Fund’s activities and performance, obtain and provide the bio-data of Fund members which they represent, provide an avenue for members to set guidelines for benefits from the Fund, advice on the needs of members in terms of information for members, publications and the general nature and level of communication with members, provide reports to their respective Unions and organisations on matters discussed at meetings, to provide a platform for NSL to develop its marketing strategy, and to perform any functions conferred upon it by the Trustees License, Constitution and the Superannuation (General Provisions) Act 2000. During the year the Membership Committee discussed a wide range of issues on behalf of members of the Fund, including timely recording of members’ contributions, reducing the State contribution arrears, benefit payments, housing advances, member communications, housing for members, voluntary contributions, choice super, reviewing the tax applied to Retirement Savings Accounts, updating member bio-data, benefits in members joining the Nambawan Savings and Loan Society, and recommending 3 new private and public sector representatives to join the Committee.

At the end of December 2018 the Committee comprised of three Directors of Nambawan Super Limited, Lady Aivu Tauvasa as Chairperson, Professor Albert Mellam and Reginald Monagi and from union representatives, Ms Kila Avei, Mr Martin Karue and Mr Raymond Ray from the PNG Teachers’ Association, Mr Santee Lou Margis from the PNG Energy Workers Union, Mr Charles Ene from the Amalgamated General Workers Union, Mr Gena Gawa and Mr Mamata Dumo from the PNG Fire Fighters Union, Mr Lowa Tambua from the PNG Police Association, Mr Daniel Mollen and Ms Terryne Gilly from the Correctional Services Employees’ Association, Mr Fredrick Kebai from the PNG Nurses’ Association, Mr Robert Kutapai and Mr Isowa More from the Public Employees Association and Mrs Agnes Friday from the Department of Personnel Management.

# History

## FROM A DESK OFFICE TO A BILLION KINA FUND TODAY

### The Nambawan Journey

The Retirement Benefit Fund Scheme began in 1961 as a one desk voluntary operation within the Finance Department until an Act of Parliament (POSF Act 1972) incorporated a name change to the "Public Officers Superannuation Fund" in 1983.

In 1990 the Fund was rebranded from POSF to Public Officers Statutory Superfund and then changed back to POSF in 1991. In 2002, the Superannuation General Provisions Act was introduced repealing the POSF Act 1990. The new Act came into force on the 01st of January 2003. To comply with the new Act POSF limited was incorporated and licensed as a Trustee of POSF. The reforms separated the Fund from the Trustee, the Investment Managers and Fund Administrators.

As a result of this legislation change, the Fund has become one of the country's major financial institutions, playing a significant part in the nation's economic development.

In 2007, the Fund was rebranded from POSF to what is now known as Nambawan Super Limited.

1961

Operated as Retirement benefit Fund Scheme within the Department of Finance & Planning.

1984

Became a Statutory entity through an Act of Parliament.



2000

Industry reforms introduced under Superannuation General Provisions Act 2000

2002

POSF Limited created as separate Trustee.

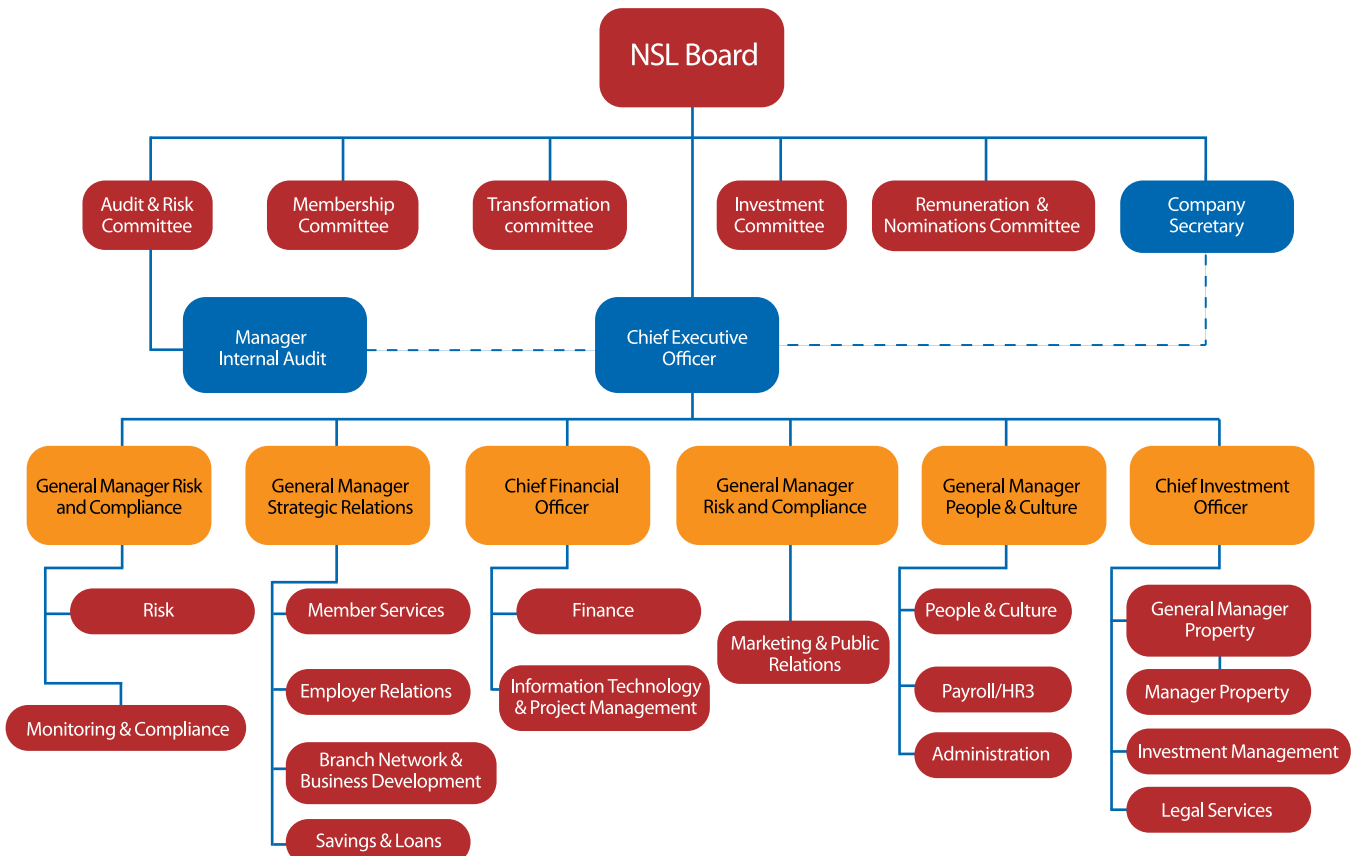
2007

Name change from POSF to Nambawan Super



2018

# Organisational structure



# Fund Administrator's statement

KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED

## 2018 YEAR IN REVIEW

The year 2018 was focused on the continuous delivery of superior customer service and maintaining our high administrative standards. Supported by our state of the art systems and streamline processes, we achieved 99% performance rating in our Service Level Agreement by maintaining our 1 day turnaround on all work request even despite higher work requests in 2018; Our team processed 38,848 work requests in 2018, compared to 25,696 work requests in the previous year. This result is a testament to our continued partnership with Nambawan Super Limited (NSL) in improving our end to end processes and ensuring that the members and employers of the Fund are happy.

The availability of Acurity Online and the Mobile App services ensures members have the luxury of viewing their super account at the palm of their hands. The Mobile App is accessible from anywhere and at any time, which allows members of the Fund to be closer to their accounts and make informed decisions in saving for their future. That said, it is pleasing to note an increase in voluntary contributions in the year, an initiative that has been driven well by Nambawan Super which provided a platform for Papua New Guineans to save for a better future. That is, 18% increase in voluntary contributions for main stream super members and 60% for choice super members.

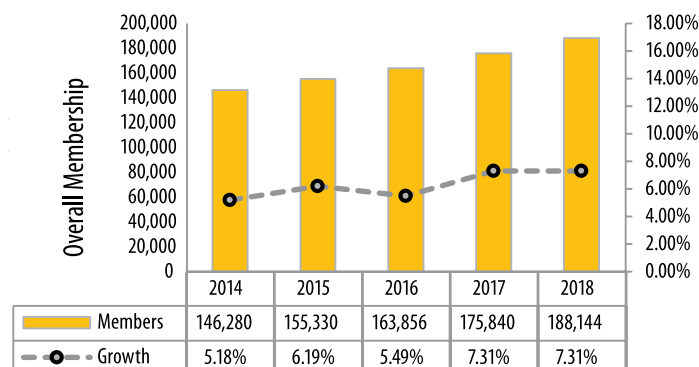
Kina Group's commitment to developing staff also remains one of our main priorities as it plays a critical role in us delivering superior customer service and giving comfort to our stakeholders that their funds are in safe hands. During the year, all of our Fund administrators completed international accreditation courses with the Association of Superannuation Funds of Australia (ASFA), and so far we have 2 senior staff who have successfully completed Diploma in Superannuation.

Kina Investment and Superannuation Services Limited (KISS) was established and licensed by the Bank of Papua New Guinea in 2001 as a Fund administrator, and is a wholly owned subsidiary of Kina Securities Limited. We have been providing Fund administration services to superannuation and investment funds in Papua New Guinea, including Nambawan Super Limited for over 18 years. Our ability to scale our operation whilst maintaining our superior level of service not only provides an opportunity to benefit Nambawan Super Limited, it also provides benefits to the PNG superannuation industry, as well as PNG as a whole.

## MEMBERSHIP AND FUNDS UNDER ADMINISTRATION

2018 saw a 6.7% increase in overall Fund membership from 175,840 (31 December 2017) to 188,144 (31 December 2018), consisting of 174,929 mainstream superannuation members, 4,363 Retirement Savings Account members and 8,852 Choice Super members. It is pleasing to see the number of mainstream super members making voluntary contributions increase from 29,249 to 34,713 at 31 December 2018. The average growth rate in overall membership remains above 6% for the past 10 years which is set to reach the 200,000 membership mark by the end of 2019.

Membership Type	Members	Total Balance	Average Balance per Member
Mainstream Super	174,929	K6.50 billion	K37,181.00
RSA	4,363	K131.84 million	K30,217.00
Choice Super	8,852	K4.30 million	K485.00
	188,144	K6.64 billion	K35,293.00



## RETIREMENT SAVINGS ACCOUNT (RSA)

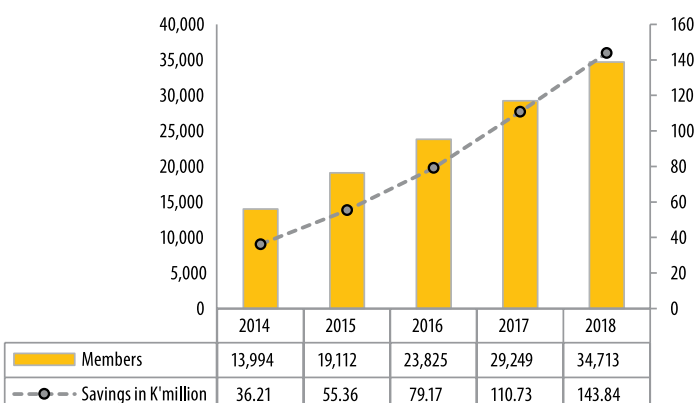
The Retirement Savings Account (RSA) membership reached 4,363 as at 31 December 2018 with overall savings of K131.84 million which reflects a steady growth 5.7% in membership and 4.5% in total savings, respectively. Over K34 million was reinvested by exiting members into RSA in 2018.

A total of 565 RSA accounts were closed due to fully exited payments to the value of K4.67 million, 40 accounts were closed due to death of members, 5,048 partial payments worth K26.84 million and K3.3 million paid out on 7,385 transactional fortnightly payments – i.e. over K37.12 million for 13,038 cases; compared to K38.16 million for 13,639 cases in 2017.

RSA Payment Type	2017		2018	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Full Benefit Payment	533	K5.25	565	K4.67
Death Benefit	46	K2.79	40	K2.37
Partial Payment	4,888	K26.66	5,048	K26.84
Regular Fortnight	8,172	K3.46	7,385	K3.31
<b>Total</b>	<b>13,639</b>	<b>K38.16</b>	<b>13,038</b>	<b>K37.19</b>

## VOLUNTARY CONTRIBUTIONS

Number of members making additional voluntary contributions to their retirements savings increased by 18.7% to 34,713 as at 31 December 2018. Total savings was up at K143.84 million, which reflects a K33 million increase in the last 12 months. This is an indication that members are seriously considering their life in retirement by putting aside extra money in superannuation savings.



The voluntary contribution product by the mainstream super members is gaining recognition it is equally exciting to see the continuous growth in the number of individuals joining the Fund through the Choice Super product. The number of Choice super members grew by 60% from 5,516 to 8,852 and over K1.29 million in total savings as at 31 December 2018. Given the type of product which is aimed at targeting the informal sector, it has the potential to grow its membership base considering that the majority of PNG's population are either self-employed or engaged in the informal business and not taking part in the country's superannuation system. We are committed to help Nambawan Super to tap into the informal sector aimed at growing the Choice Super membership base.

### CONTRIBUTIONS

In 2018, we have allocated over K715 million in contributions into members' superannuation accounts. Over K609 million including over K159 million in state share contributions for exited members, remitted by the government on behalf of its public service employees and over K104 million received from other contributing authorities such as private organisations and other non-government bodies.

Contribution Type	Total Value
Member Contributions	209,155,256.76
Employer Contributions	296,754,757.30
Housing Repayments	10,136,382.67
State Share	159,895,030.25
Rollovers (Transfer In)	2,716,591.11
Voluntary Contributions	32,681,869.17
Salary Sacrifice	2,693,299.64
Choice Super	1,456,221.07
<b>Total Contribution Received</b>	<b>715,489,407.97</b>

### HOUSING ADVANCE

As at 31 December 2018, a total of K46.53 million were withdrawn by 2,851 members for assistance towards building, renovate and/or use for housing related activities, compared K29.61 million and 1,931 members in the previous year. This reflects the growing increase of members needing a decent dwelling house for them and their families. About K10.13 million was received as housing advance repayments in 2018.

### BENEFIT PAYMENTS

The table below summaries the total number of members paid their benefits from 2017 to 2018:

Withdrawals/Exits	2017		2018	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Resignation, Retrenchment, Retirement, Termination, Transfers out	3,480	K203.64	5,810	K283.64
Death Benefits	540	K44.91	886	K65.23
Monthly Unemployment Benefits	3,461	K3.55	3,448	K5.01
<b>Overall Totals</b>	<b>7,481</b>	<b>K252.10</b>	<b>10,144</b>	<b>K353.87</b>

More than K353 million in entitlement benefits were paid on 10,144 transactional payments compared to 7,481 and K252 million in 2017. This is a demonstration of our commitment towards providing efficient services adding value to member experiences.

The number of exited members with unfunded state share accumulated to 6,750 with benefits totalling up to K295 million as last year. The number reduced to 4,453 members when the government paid over K159 million which was utilised to pay out 2,297 members who exited between December 2015 and December 2018, although, the government still owes more than K130 million to its members. The number is expected to inflate as eligible members exit the Fund going forward.

### 2019 AND MOVING FORWARD

We, at Kina Bank value our partnership with Nambawan Super and are committed to strengthening our long standing relationship. Our main focus for 2019 and going forward is bringing our customer service to the next level. We are committed to continue working with Nambawan Super to advance the systems and processes in order to deliver the superior customer service and look forward to helping them to develop products that will enhance customer experience for the members and employers for many years to come. We believe in strong and valued strategic partnership with Nambawan Super to help its members achieve their retirement goals.

Together it's possible.



Sharon Punau

**Head of Operations – Wealth**

**Kina Investment and Superannuation Services Limited**

(Licensed Fund Administrator)

'A wholly owned subsidiary of Kina Securities Limited'

# Investment Manager's statement

Kina Funds Management Limited (KFM)

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

## 1. Legislation

The legislation governing the superannuation industry in Papua New Guinea (PNG) 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 it 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 guide the investment decisions of the Fund.

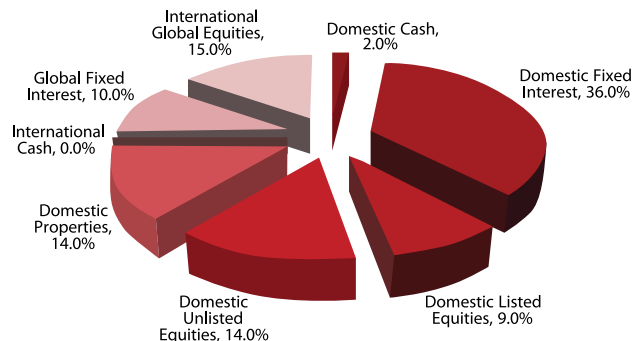
The principal objective of the Fund is to provide a return after fees and taxes in excess of the PNG Consumer Price Index (CPI), plus 2.0% over the medium term.

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 is currently undertaking a review of the SAA in order to ensure it remains relevant and in line with medium term investment conditions, and the liability structure of the Fund. The current SAA of the Fund is outlined in the following chart.

Figure 1: Fund's Strategic Asset Allocation (SAA) as at 31 December 2018



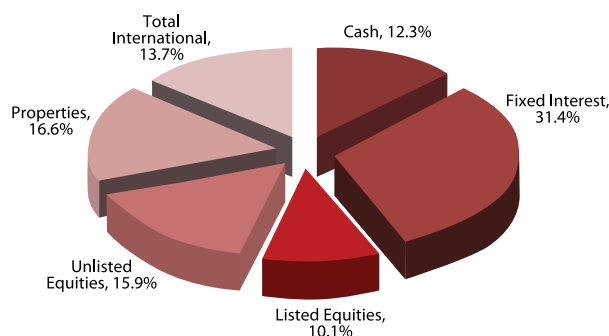
The Fund's SAA broadly calls for investment split of 75% and 25% in domestic and international securities respectively.

## 3. Investment Portfolio and Performance

The Fund's investment portfolio, excluding the Retirement Savings Account (RSA) and reserves, increased to K6.86 billion as at 31 December 2018, representing 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.

Domestic equity markets in particular performed well over the course of 2018 adding strongly to the return achieved by the Fund. This performance shows the benefit of a diversified Fund whereby overall performance is reflective of the performance of all the asset classes in the investment mix whose individual performances vary according to market conditions. The chart below presents the actual portfolio as at year end.

Figure 2: Fund's Asset Weightings as at 31 December 2018



Investments in international securities comprise 13.7% of the total assets of the Fund at 31 December 2018. This compares with SAA target of 25% and can be described as underweight investment in this asset class. This is explained by continued systemic constraints in accessing foreign currency.



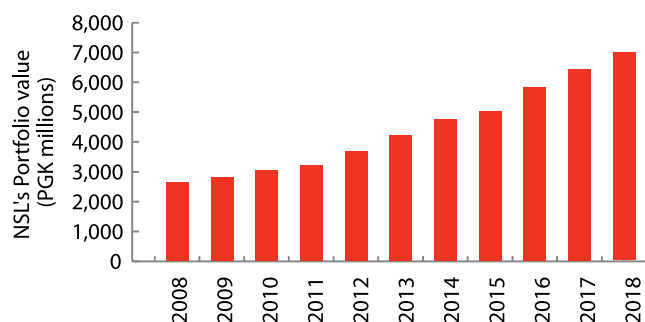
#### 4. Portfolio Composition

The Fund endeavours to maintain its investments in line with the agreed SAA. 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 2018

Asset Class	Percentage Holdings	
	31-Dec-17	31-Dec-18
Cash	5.7	1.9
Fixed Interest	33.4	33.1
Unlisted Equities	19.9	26.5
Listed Equities	12.2	13.5
Property	12.7	11.2
International	16.0	13.8
Total Portfolio	100.0	100.0

Figure 4 below shows the increase in the Fund, since 2008. It is instructive to note that the net asset value of the Fund has increased significantly since 2008 with an average cumulative growth rate (CAGR) of 22.67% per annum.



#### 5. Portfolio Discussion by Asset Class

##### 5.1 Cash

The Fund's domestic cash allocation (Domestic Cash Portfolio) comprises deposits in banks and finance companies at call accounts and term deposits, with a term less than 182 days to maturity at the time of issue. As at 31 December 2018, the Fund had around 12.3% of the portfolio in cash.

Although showing a reduction in its composition relative to prior year as the Fund looked to move excess cash into fixed interest to capture better yields, cash levels remained high for the following reasons: (i) ongoing funding of pre-approved property development during the year. The Fund is also investigating some larger unlisted equity investments, which if they come to fruition would also absorb a component of the cash held, (ii) an inability to obtain adequate foreign exchange to further diversify the Fund's investment into international assets as noted elsewhere.

##### 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 to, or more, than 182 days to maturity, at the time of issue. As at 31 December 2018, the value of Fixed Interest Portfolio was approximately 31.4% of the total investment portfolio, an increase from prior year due to a conscious effort to improve overall yields by moving excess cash into this asset class. The increase was offset by a reclassification of a shareholder loan to OPH Limited into equity. 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.

In addition to government securities, the asset class also includes investments in commercial loans for subsidiary companies construction projects and syndicated infrastructure loans.

##### 5.3. Domestic Equity

The domestic equities allocation, or the Domestic Equities Portfolio, consists of listed and unlisted equities. As at 31 December 2018, the Fund's allocation to this asset class was 26.0% of the Fund value, a slight decrease from prior year due to revaluation losses on a number of the unlisted equities consistent with the challenging domestic market environment.

##### 5.3.1. Listed Equity

As at 31 December 2018, domestic listed equity was around 10.1% of the Fund. The decrease in value compared to 2017 was primarily due to significant declines in Credit Corporation Limited (CCP) and CPL Limited (CPL) share values which more than offset increase in share price of Bank of South Pacific (BSP). NSL was instrumental in the Board spill at CCP during 2018 and a new Board elected into office. Early indications are that CCP is back on the road to recovery under the guidance of the new Board and management. The Fund opted not to participate in a capital raise by CPL in the prior year and continues to monitor its investment in the company.

Again, BSP continues to provide strong return to the Fund through good dividend and capital growth reflecting its strong financial performance during the year. The figure below shows the holdings of the Fund in domestic listed equities.

Figure 5: Domestic Listed Equities as at 31 December 2018

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

# Investment Manager's statement

Kina Funds Management Limited (KFM)

## 5.3.2 Unlisted Equity

As at 31 December 2018, domestic unlisted equity was roughly 15.9% of 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 other investment proposals remained work in progress at the end of the year. The Fund continues to work closely with its 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

During the year the Fund participated in a capital raise by one of its investee companies, Paradise Company Limited (PCL) to acquire Laga Industries Limited (Laga) from Steamships. Laga is a complementary business to PCL and significant synergistic benefits are expected going forward. The Fund also disposed of its holding in Brian Bell & Company Limited (Brian Bell) during the year. Figure 5: Domestic Unlisted Equities as at 31 December 2018

### Domestic Unlisted Equities as at 31 December 2018

Ordinary Shares in Unlisted Equities	Sector	Industry
Alotau International Hotel Limited	Hotels	Hotel
Capital Insurance Group Limited	Financials	Insurance
Gazelle International Hotel Limited	Hotels	Hotel
Kumul Hotels Limited	Hotels	Hotel
Pacific Management Services Limited	Industrials	Electrical Equipment
Paradise Foods Limited	Consumer Staples	Beverages and Food Products
PNG Water Limited	Utilities	Water Utilities
Post Courier Limited	Communication Services	Media
SP Brewery Limited	Consumer Staples	Alcoholic Beverages
Toyota Tsusho (PNG) Limited	Consumer Discretionary	Automobiles & Components
Westpac Banking (PNG) Limited	Financials	Banks

## 5.4 Property

The domestic properties portfolio is comprised of commercial, residential, industrial properties and unimproved land. As at 31 December 2018, this asset class was approximately 16.6% of the Fund showing an increase from last year due to practical completion of the OPH2 high end residential apartments and revaluation gains during the year.

The Fund has continued the implementation of the property strategy, which involves the following activities: (i) divesting non-core and underperforming 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 Super Plaza precinct (also known as OPH2) was substantially completed, and is on time and on budget as noted above. The precinct consists of a world class mixed-use office, residential, entertainment and retail complex with green areas for outdoor entertainment and recreation. Preliminary interest have been received from the market for the leasing of the high end facility which will be independently managed by IHG, world renowned hotel operators. Leasing of the first building in the complex, what is now known as Deloitte Haus, progressed well during the year. The building was approximately 85% leased at the end of December 2018 and the Fund expects it to be close to fully leased during 2019. 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. Civil works has begun and construction is progressing smoothly.

The Fund completed extensive maintenance programs for a number of properties including Revenue Haus, Morobe Haus (formerly Vele Rumana) and Aopi Centre that it had begun in the prior year. Aopi Centre upgrade has resulted in a significant improvement in its occupancy during the year whilst Revenue Haus still has some minor hangover works yet to be completed.

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. There were no divestments during the year although the Fund received preliminary interests for some of its properties.

Figure 6: Property Portfolio as at 31 December 2018

Properties	NSL's Ownership	Location	Description
<b>COMMERCIAL BUILDINGS</b>			
Era Rumana (S20 L12 Champion Parade)	100%	Port Moresby	A 6 Level Twin Tower Office Complex on Waigani Drive. Currently leased to the Department of Health and High Education
Burns House (S19 L20 Champion Parade)	100%	Port Moresby	4 Level Mixed Office & Retail Space in the CBD
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	9 Level Commercial Office Complex in the CBD
Morobe Haus (Vele Rumana) (S6 L19&20 4th Street, Top Town)	100%	Lae	6 Level Commercial Office Complex in the CBD recently refurbishment
Nambawan Super Haus (IPI Building)	100%	Lae	7 level Mixed Use Commercial/Residential Complex
Revenue Haus (S20 L11 Champion Parade)	100%	Port Moresby	9 Level Commercial Office Complex in the CBD. Leased to the Internal Revenue Commission
Port Tower (Shirn Haus) (S3 L21 Hunter Street)	100%	Port Moresby	9 level Mixed Use Commercial/ Residential Complex in the CBD
Vulupindi Haus (S405 L15 Waigani Drive)	100%	Port Moresby	6 Level Commercial Office Complex in Waigani. Leased to the Finance & National Planning Department
<b>INDUSTRIAL PROPERTIES</b>			
Bowman Warehouse	100%	Port Moresby	Industrial Property
Warehouse Gordons (S15, 16& 17 L64)	100%	Port Moresby	NSL Data Storage Facility and a warehouse for rent
Voco Point (L5, 6, 19&20)	100%	Lae	Industrial Property with warehouses and office spaces
<b>RESIDENTIAL APARTMENTS</b>			
Bayside Apartments (Portion 178)	100%	Port Moresby	42 x 2&3 Bedroom Residential Units located at Koki; Complete refurbishment of 42 units.
Koki Staff Housing Compound (portion 176)	100%	Port Moresby	Staff Housing
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 Hill
<b>VACANT PROPERTY</b>			
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, 3 & 5 S 6. Vacant undeveloped land.
Ex – Post PNG (S387 L20)	100%	Port Moresby	Vacant undeveloped land
Malolo Estate	100%	Port Moresby	Housing Estate
<b>PROPERTIES IN HOLDING COMPANIES</b>			
Coastwatcher Court Limited (S25 L37)	65%	Port Moresby	Holding company that owns 31 apartments at Touaguba Hill. NSL owns 65% of the company.
Moki No.10 Limited	100%	Port Moresby	Holding company that owns land Waigani.
Morobe Front Holdings Limited (S27, L47)	100%	Lae	Holding company that owns the Lae Waterfront Land. NSL owns 100% of the company.
OPH Limited	87.36%	Port Moresby	Holding company that owns the new Deloitte Haus and the adjacent Service Apartment and the Penthouse in down town Port Moresby. NSL owns 87.36% of the company.
Waigani Asset Limited	65%	Port Moresby	Holding company that owns 2 commercial properties (Department of Treasury and Department of Lands Building) in Waigani. NSL owns 65% of the company
<b>UPCOMING DEVELOPMENTS</b>			
Rangeview Heights Limited	56.72%	Port Moresby	Rangeview is a joint venture company between Nambawan Super, Lamana and National Capital District Commission that is developing a mixed use commercial and residential project in Waigani.

## 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 2018 was approximately 13.7% of the Fund, a decline from previous year. There was some translation loss against offshore cash and international equities due to the appreciation of Kina against AUD during the year but the underlying international equity values held in USD was preserved by the appreciation of that currency against AUD.

The Fund has an allocation to international assets of 25.0% as part of its SAA as discussed above. Within this allocation the Fund has 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.

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 in 2017. The international equity managers below were fully invested during the year. The international equities allocation provided relatively good returns for the Fund despite volatility in the global equity markets. Overall, the new funds performed according to their mandates of having volatility lower than the market especially in falling markets.

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 2018.

**Figure 7: International Listed Equities as at 31 December 2018**

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

Although a local bank, the Fund owns the shares of Kina Securities Limited (KSL) listed on the Australian Securities Exchange (ASX), hence its classification as an international asset.



Deepak Gupta

**Kina Funds Management Limited (Licensed Investment Manager)**

'A wholly owned subsidiary of Kina Securities Limited'

# Comparative statistics summary

	Unit	2018	2017	2016	2015	2014	2013
<b>PROFITABILITY</b>							
Total Investment Income	K(m)	419	577	539	414	443	492
Total Expenses	K(m)	111	148	82	75	78	64
Income Tax Expense	K(m)	34	23	53	59	28	18
Net Profit After Tax	K(m)	274	406	404	280	337	410
<b>BALANCE SHEET</b>							
Net Assets	K(m)	6,890	6,415	5,779	5,171	4,764	4,268
Net Asset Growth	%	8	11	12	9	12	14
Reserves	K(m)	27	28	92	102	91	47
Reserves as a % of Net Assets	%	0.4	0.4	1.6	2.0	1.9	1.1
Retirement Savings Account Balance	K(m)	138	136	134	133	114	107
<b>RETURN TO MEMBERS</b>							
Rate of Return on Funds Employed	%	4	6	9	6	8	10.3
Interest Credited to Members	%	3.7	8	9	5.8	7	11.25
Headline Inflation Rate	%	4.3	5.1	6.8	6.4	6.6	4.7
Real Return to Members	%	-0.6	2.9	2.2	-0.6	0.4	6.55
<b>MEMBERSHIP</b>							
Number of Members		155,330	175,840	159,989	155,330	146,280	139,075
Average Wealth Per Member	K	44,357	36,482	36,121	33,290	32,568	30,688
Number of RSA Participants		5,693	5,453	3,895	3,686	3,099	2,741
Average Number of Pensioners		558	572	562	564	535	376
<b>MEMBER CONTRIBUTION &amp; PAYOUTS</b>							
Contributions	K(m)	668	514	464	534	450	453
Gross Exit Payouts	K(m)	398	254	223	406	290	338
Number of Exit Payments		5,596	3,932	3,678	3,503	2,944	3,328
Total Pension Payments	K(m)	2	2	2	2	2	2
<b>TRUSTEE EXPENSES</b>							
Management Expenses	K(m)	51	41	38	35	37	30
Investment and Administration	K(m)	60	107	44	40	40	34
Number of Staff		154	145	140	120	142	124

# Financial statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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# DECLARATION BY TRUSTEE AND MANAGEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 2018, 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 SMARÉ  
Chairman



LADY AIVU TAUVASA  
Deputy Chairperson

Dated at Port Moresby the 11th day of April 2019

## 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 2018, 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



VERE ARAVA  
Chief Financial Officer

Dated at Port Moresby the 11th day of April 2019



# *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 2018, 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 2018, 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 Fund 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 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 Directors of Nambawan Super Limited, being the Fund's Trustee, are 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.

### *Responsibilities of the Trustee for the financial statements*

The Directors of the 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.





# *Independent Auditor's Report*

to the members of Nambawan Super

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 2018:

- 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

12 April 2019

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# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	K '000	K '000
<b>INCOME</b>			
Interest	9(a)	236,990	191,673
Dividends	9(b)	167,515	149,941
Property rentals	9(c)	58,961	59,234
Net gains/(losses) on assets at fair value	9(e)	(53,275)	161,330
Foreign exchange gain, net	9(d)	(5,087)	14,733
Other income	9(f)	14,004	419
		419,108	577,330
<b>EXPENSES</b>			
<b>Investment and administration expenses</b>			
Direct investment property expenses		18,496	21,541
Fund administration fees		9,377	7,637
Investment manager's fees		7,700	7,207
Property administration expenses		4,157	4,041
Investment monitoring expenses		891	1,726
Loans and receivables impairment expenses	10(a)	19,787	65,805
		60,408	107,957
<b>Management expenses</b>	10(b)	<b>50,649</b>	<b>41,051</b>
		308,051	428,322
<b>Operating profit</b>		<b>308,051</b>	<b>428,322</b>
Income tax expense	11(a)	33,563	22,539
<b>Profit after income tax</b>		<b>274,488</b>	<b>405,783</b>
<b>Other comprehensive income</b>		-	-
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS AVAILABLE FOR BENEFITS</b>		<b>274,488</b>	<b>405,783</b>

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 2018

		2018	2017
	Note	K '000	K '000
<b>Net increase in net assets from operations available for benefits</b>		274,488	405,783
<b>Contributions/transfers</b>			
Member contributions	12(a)	667,944	514,274
Housing withdrawals repayments	12(b)	17,756	11,691
Transfer to retirement savings plan (RSA)	12(d)	34,732	28,780
		720,432	554,745
<b>Benefits expenditure</b>			
Benefits payments and transfer to RSA	12(a)	398,398	253,906
Housing advances or member withdrawals	12(b)	47,010	30,709
Pension	12(c)	2,348	2,195
Retirement savings benefit payments	12(d)	37,502	37,577
		485,258	324,387
<b>Net increase in net assets available for benefit</b>		<b>509,662</b>	<b>636,141</b>
Net assets available for benefits - beginning of the year		6,414,842	5,778,701
Change in accounting policy – IFRS 9	2(a) (iii)	(45,713)	-
Net assets available for benefits – beginning of the year (restated)		6,369,129	5,778,701
Interim interest on unfunded state share through general reserves		10,855	-
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>6,889,646</b>	<b>6,414,842</b>
<b>Comprising</b>			
Members accounts and pensioner funds	12(a-c)	6,725,237	6,250,439
Retirement savings account	12(d)	137,775	135,990
Reserves	12(e)	26,634	28,413
<b>TOTAL MEMBERS' FUNDS</b>		<b>6,889,646</b>	<b>6,414,842</b>

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 K '000	2017 K '000
<b>Investments</b>			
Financial assets at fair value through profit or loss	4(a-d)	3,197,040	4,730,210
Financial assets at amortised cost	4(e)	2,440,160	-
Loans receivable	4(f)	98,437	381,735
Investment properties	4(g)	540,710	542,994
Assets held for sale	4(h)	3,898	8,861
<b>Total investments</b>		<b>6,280,245</b>	<b>5,663,800</b>
Cash and cash equivalents	7	227,921	393,377
Short term deposits	5	258,432	279,317
Receivables	6	87,894	72,339
Property, plant and equipment	3	34,553	22,526
Income tax receivable	11(b)	52,830	26,073
<b>Total assets</b>		<b>6,941,875</b>	<b>6,457,432</b>
<b>LIABILITIES</b>			
Deferred income tax payable, net	11(c)	9,637	9,103
Benefits payable		1,999	1,763
Employee benefits payable		2,904	2,257
Creditors and other liabilities	8	37,689	29,467
<b>Total liabilities</b>		<b>52,229</b>	<b>42,590</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>6,889,646</b>	<b>6,414,842</b>

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



**AIVU TAUVASA**

Deputy Chairlady

Dated at Port Moresby the 11th day of April 2019

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	K '000	K '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributions received		689,073	529,897
State share of benefit payments received		-	68,602
Benefits paid		(403,270)	(264,856)
Housing advance or member withdrawals	12(b)	(47,010)	(30,709)
Repayments from Housing advances received	12(b)	17,756	11,691
Purchase of financial assets and short term deposits		(2,215,864)	(1,332,439)
Proceeds from sale of financial assets		1,471,101	294,855
Payment for investment property development & acquisition		(24,206)	(12,695)
Proceeds from sale of investment properties		3,482	10,617
Interest received		178,766	146,541
Dividends received		168,537	137,941
Property rentals and other income received		32,933	43,346
Investment and administration expenses paid		(34,889)	(84,596)
Income tax paid	11(b)	(59,786)	(52,771)
<b>Net cash from operating activities</b>		<b>(223,377)</b>	<b>(534,576)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan drawdown	4(f)	(87,387)	(53,075)
Proceeds from loan repayments	4(f)	14,029	36,452
<b>Net cash flows from financing activities</b>		<b>(73,358)</b>	<b>(16,623)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(8,549)	(9,275)
Proceeds on sale of property, plant and equipment		-	-
<b>Net cash flows used in Investing activities</b>		<b>(8,549)</b>	<b>(9,275)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(305,284)</b>	<b>(560,474)</b>
Cash and cash equivalents – beginning of the year		547,392	1,102,735
Unrealised foreign exchange component in cash balance		(4,187)	5,131
<b>CASH AND CASH EQUIVALENTS – end of the year</b>		<b>237,921</b>	<b>547,392</b>
<b>Comprising:</b>			
Cash on hand and at banks	7	227,921	393,377
Short term deposits (maturity within 90 days)	5	10,000	154,015
		<b>237,921</b>	<b>547,392</b>

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 2018

## 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 11th day of April 2019. 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 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 are set out in Note 2(r).

### (a) Adoption of new or revised standards and interpretations

#### (i) Standards, amendment and interpretations effective in the year ended 31 December 2018

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2018.

- IFRS 9: 'Financial Instruments'
- IFRS 15: 'Revenue from contracts with customers'
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions
- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property
- Annual improvements 2014-2016 in respect to IFRS 1 and IAS 28
- IFRIC 22, 'Foreign currency transactions and advance consideration'

The Fund had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. Details of these changes are disclosed in Note 2(a)(iii). The adoption of IFRS 15, together with the other amendments to standards and interpretations, did not have any significant impact.

#### (ii) Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2018 or adopted early.

##### 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, although these are unlikely to be significant.

The standard is effective for financial years on or after 1 January 2019. The Company has not adopted 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.

The following other standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2019 or later periods, but the entity has not early adopted them:

- IFRIC 23, 'Uncertainty over income tax treatments'
- Annual improvements 2015-2017
- Amendment to IFRS 9 on prepayment features with negative compensation
- Amendments to IAS 28 'Investments in associates' on long term interests in associates and joint ventures
- Amendments to IAS 19 'Employee benefits' on plan amendments, curtailment or settlement.
- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of 'material'
- IFRS 17: 'Insurance contracts'

The Fund does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Fund.

#### (iii) Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial instruments' on the Fund's financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. The Fund has adopted IFRS 9 using the modified retrospective method. Comparative figures have not been restated and the cumulative adjustments arising on adoption have been adjusted against the opening balance of net assets available to pay benefits brought forward as at 1 January 2018.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## (a) Adoption of new or revised standards and interpretations (continued)

The impact on the Fund's net assets available to pay benefits to members is as follows:

Net assets available for benefits as at 31 December 2017, as originally presented	<b>6,414,842</b>
Change in accounting policy – IFRS 9	
- remeasurement of financial assets previously held at fair value to now classified as financial assets at amortised cost	(27,150)
- impairment recognised on financial assets at amortised cost	(10,638)
- change in provision for impairment of receivables	2,478
- change in impairment of term deposits	(4,029)
- change in provision for impairment of loans	(6,374)
<b>Net assets available for benefits as at January 2018 (restated)</b>	<b>6,369,129</b>

On the date of originally application the Fund's investments in government inscribed stocks and treasury bills were reclassified from financial assets at fair value through profit or loss to financial assets at amortised cost. The contractual cash flows from these instruments comprise solely of principal and interest and, in the absence of a secondary market, the Fund's business model is to hold and collect those cash flows to maturity.

There were no other changes in classification of financial assets arising on adoption of IFRS 9.

Financial assets carried at amortised cost, together with loans and receivables, are now subject to IFRS 9's expected credit loss model. From 1 January 2018 the Fund has to assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and its loans and receivables. For financial assets carried at amortised cost and other receivables, the Fund applies the three-stage model based on whether there has been a significant increase in credit risk since inception. For trade receivables arising from rental revenue, the Fund applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact of the change in impairment methodology on the Fund's net assets available for benefits is disclosed in the table above.

## (b) Revenue recognition

### Property rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

### Investment income

Interest income, comprising interest on government securities, term deposits, debentures, loans and receivables is brought to account on an accrual basis using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses.

Dividend income from equity instruments 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 financial assets at fair value through profit or loss and investment property are recognised in the Statement of Comprehensive Income in the periods in which they occur.

## Contribution income

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

## (c) Foreign currency translation

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

The rates used as at 31 December were:

	2018	2017
AUD	0.4221	0.3980
USD	0.3045	0.3170
GBP	0.2359	0.2324

## (d) 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.

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.

## (e) Financial assets

The Fund classifies its investments in the following categories:

- (i) financial assets at fair value through profit or loss,
- (ii) financial assets at amortised cost
- (iii) loans and receivables at amortised cost

The classification depends on whether the assets is an equity instrument of debt instrument, and for debt instruments, the nature of the cash flows derived from holding the instrument and the Fund's business model for holding the investment. 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 comprise equity instruments, which may be either held for trading or held for long term capital appreciation and investment returns. This includes both listed and unlisted equities. No debt instruments are measured at fair value.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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## **(ii) Financial assets at amortised cost**

The Fund classifies its debt instruments as financial assets at amortised cost where the contractual terms give rise to cash flows that are solely payment of principal and interest and the asset is held within a business model whose objective is to hold the instrument to collect the contractual cash flows to maturity. There is no active secondary market for PNG government inscribed stocks and treasury bills, and the Fund's business model is to hold these instruments to maturity. Accordingly, the Funds has classified all its government inscribed stock and treasury bills as financial assets at amortised cost.

## **(iii) Loans and receivables at amortised cost**

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.

## **Recognition and derecognition**

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

## **Subsequent measurement**

Financial assets at fair value through profit or 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.

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

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'.

Investments in government inscribed stocks and treasury bills, together with loans and receivables are subsequently carried at amortised cost using the effective interest method, less any provision for impairment.

## **(f) 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 g), 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 assets' 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' on a straight line basis over the lease term when the Fund's right to receive income arises.

## **(g) 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.

The fair value of investment properties are determined by using valuation techniques including the use of comparable recent market transactions, the capitalisation of earnings method and discounted cash flow analysis.

## **(h) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days and are held by the Fund to collect the contractual cash flows.

## **(i) 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.

## **(j) 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.

## **(k) Benefits payable**

Benefits payable are benefits from the Fund attributable to members but not paid by balance date.

## **(l) 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.

## **(m) 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.

## **(n) 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.

## **(o) 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



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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.

## (p) Impairment

The Fund uses the expected credit loss model to assess on a forward-looking basis the expected credit losses associated with its debt instruments, including loans and receivables, carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For investments in financial assets carried at amortised cost the Fund applies the three-stage model based on whether there has been a significant increase in credit risk since inception.

Investments in government inscribed stocks and treasury bills are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

For rental receivables, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Impairment losses on financial assets at amortised cost and receivables are presented as net impairment losses within the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

## (q) Comparative figures

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

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

### (i) Fair Value of Assets

#### **Fair value of equity instruments that are not quoted in an active market**

Fair value of equity instruments 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 these factors could affect the reported fair value of the financial instruments.

Included in unlisted equities is an investment of 57% in Rangeview Heights Limited that has been equity funded to support its construction project, which is still at early stages of capital works. Fair value for this investment was based on internal cash flow forecast modelling for the development, based on assumptions regarding rental rates, occupancy levels and inflation and a discount rate (12%) that reflects the risks relating to these cash flows, supported by an independent expert appraisal of the fair value of the land. Based on these assessments, the carrying value of the investment was reduced by K32 million in 2018.

### 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. Valuation techniques used by independent valuers typically include the discounted cash flow basis, the capitalisation approach and comparison with observable market transactions for similar properties. 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 recognised market multipliers. The Capitalisation approach adopts a market yield based on estimated income adjusted for costs, outgoings and future capital upgrade costs.

The valuation models adopted by the valuers do require estimation and assumptions on the part of the value 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.

### (ii) Receivable from the State

The State owes debts to the Fund in relation to:

- (1) Unpaid rentals and outgoings, and
- (2) 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.

In addition, the State has an unrecognised 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.

### (iii) Impairment

#### *Impairment of financial assets at amortised cost*

The loss allowances are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

#### *Impairment of loans receivable*

The Fund has a significant interest of 87% 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 mid-2019 financial year. Management has performed an assessment of recoverable amount of the equity investment and loan receivables utilising an independent external expert fair value assessment for the completed OPH 1 (Deloitte Haus) development together with internal cash flow forecast modelling for the incomplete OPH 2 development, based on assumptions regarding rental rates, occupancy levels and inflation and a discount rate (12.16%) that reflects the risks relating to these cash flows. Based on these assessments, management has recognised an additional impairment charge in 2018 of K28.6 million (2017: K56 million) against the loan receivables.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## (r) Critical accounting estimates, judgments and disclosures continued

### (iii) Impairment

#### Impairment of government inscribed stock and treasury bills

Investments in government inscribed stocks and treasury bills are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for government inscribed stock and treasury bills:

Scenario	Strong Economy	Base Case	Weak Economy	Weighted Average	Weighted Average
<b>31 December 2018</b>					
Outcome Probability	30%	60%	10%		
Treasury Bills	5,745	5,748	5,751	5,748	1.42%
Government Stocks	7,907	7,911	7,915	7,910	1.42%
Expected credit loss (K'000)	13,652	13,659	13,666	13,658	
<b>1 January 2018</b>					
Treasury Bills	3,457	3,459	3,461	3,459	1.42%
Government Stocks	7,177	7,180	7,184	7,179	1.42%
Expected credit loss (K'000)	10,635	10,639	10,645	10,638	

#### Impairment of rental receivables

For rental receivables, which includes a significant portion of debts due from State related tenants, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of rental income over a period of 36 months before 31 December 2018 or 1 January 2018, respectively, and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics);
- external market indicators; and
- tenant base.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for receivables from rental debtors:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
<b>31 December 2018</b>						
Expected loss rate	0.5%	2%	5%	10%	50%	
Gross carrying amount (K'000)	17,230	5,178	5,074	5,271	20,144	52,897
Loss allowance (K'000)	86	104	254	527	10,072	11,043
<b>1 January 2018</b>						
Expected loss rate	0.5%	2%	5%	10%	50%	
Gross carrying amount (K'000)	2,960	2,379	2,348	1,474	25,748	34,909
Loss allowance (K'000)	15	47	117	147	12,875	13,201

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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).

	HOUSING		OFFICE BUILDINGS			VEHICLES	Total
	Land & Buildings	Plant & Equipment	Works In Progress	Furniture & Fittings	Plant & Equipment	Motor Vehicles	
	K' 000	K' 000	K' 000	K' 000	K' 000	K' 000	
<b>At 1 January 2018</b>	-	345	9,834	10,805	4,387	1,880	27,251
Additions	-	-	3,621	377	4,551	-	8,549
Transfers	20,629	(345)	(13,065)	345	-	-	7,564
Adjustments	-	-	-	346	113	-	459
Disposals	-	-	-	-	(56)	-	(56)
<b>At 31 December 2018</b>	20,629	-	391	11,873	8,995	1,880	43,768
<b>ACCUMULATED DEPRECIATION</b>							
<b>At 1 January 2018</b>	-	181	-	2,671	1,208	665	4,725
Depreciation	55	-	-	2,660	1,409	364	4,488
Transfers	-	(181)	-	8	175	-	2
Disposals	-	-	-	-	-	-	-
<b>At 31 December 2018</b>	55	-	-	5,339	2,792	1,029	9,215
<b>NET BOOK VALUE</b>							
<b>At 31 December 2018</b>	<b>20,574</b>	<b>-</b>	<b>391</b>	<b>6,534</b>	<b>6,203</b>	<b>851</b>	<b>34,553</b>
<b>2017</b>							
<b>COST</b>							
<b>At 1 January 2017</b>	-	326	2,860	10,899	4,571	1,169	19,825
Additions	-	27	6,974	8	782	1,484	9,275
Reclassification	-	-	-	-	-	-	-
Disposals	-	(8)	-	(102)	(966)	(773)	(1,849)
<b>At 31 December 2017</b>	-	345	9,834	10,805	4,387	1,880	27,251
<b>ACCUMULATED DEPRECIATION</b>							
<b>At 1 January 2017</b>	-	131	-	440	806	933	2,310
Depreciation	-	52	-	2,278	841	283	3,454
Disposals	-	(2)	-	(47)	(439)	(551)	(1,039)
<b>At 31 December 2017</b>	-	181	-	2,671	1,208	665	4,725
<b>NET BOOK VALUE</b>							
<b>At 31 December 2017</b>	-	164	9,834	8,134	3,179	1,215	22,526

	2018	2017
	K' 000	K' 000
<b>4 INVESTMENTS</b>		
<b>(a) Financial Assets – government inscribed stocks and treasury Bills</b>		
Balance at the beginning of the year	-	1,402,155
Purchases during the year	-	709,421
Maturities during the year	-	(192,296)
Increase in accrued Interest receivable	-	22,342
Fair value gain/(loss) from change in net market value	-	27,302
Balance at the end of the year	-	1,968,924
<b>(b) Financial assets – unlisted shares (onshore)</b>		
Balance at the beginning of the year	1,199,255	1,101,825
Investments during the year	176,531	43,789
Conversion of debt to equity (Note 4f)	376,316	-
Divestments during the year	(69,550)	-
Fair value gain/(loss) from change in net market value	(9,108)	53,641
Balance at the end of the year	1,673,444	1,199,255
<b>(c) Financial assets – listed shares (onshore)</b>		
Balance at the beginning of the year	668,736	661,610
Divestments during the year	-	(18)
Fair value gain/(loss) from change in net market value	22,519	7,144
Balance at the end of the year	691,255	668,736

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	K '000	K '000
<b>4. INVESTMENTS</b>		
<b>(d) Financial assets – listed shares (offshore)</b>		
Balance at the beginning of the year	893,295	304,206
Investments during the year	-	579,229
Divestments during the year	-	(102,541)
Foreign Exchange gain/(loss) during the year	(51,973)	83,675
Fair value gain from change in net market value	(8,981)	28,726
Balance at the end of the year	832,341	893,295
Total financial assets at fair value through profit or loss	3,197,040	4,730,210
<b>(e) Financial assets at amortised cost Government Inscribed Stocks &amp; Treasury Bills - onshore</b>		
Fair value at the beginning of the year, as originally stated	1,968,924	-
Remeasurement at amortised cost on adoption of IFRS 9	(27,150)	-
Impairment adjustment, beginning	(10,638)	-
Balance at beginning of year (restated)	1,931,136	-
Purchases during the year	1,871,798	-
Maturities during the year	(1,353,575)	-
Decrease in accrued interest receivable	(6,180)	-
Provision for impairment	(3,019)	-
Balance at the end of the year	2,440,160	-
<b>(f) Loans receivable</b>		
Balance at the beginning of the year	381,735	401,289
Drawdowns made	87,387	53,075
Payments received	(13,912)	(36,452)
FX gains/(losses)	(117)	-
Conversion of debt to equity (Note 4b)	(376,316)	-
Increase in provision for Impairment	(22,903)	(56,369)
Interest charged	42,563	20,192
Balance at the end of the year	98,437	381,735
<p>The loans attract interest at an average rate of 8% (2017: 10.5 %). 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 (K84m) and OPH Limited (K14m). Interest on Convertible debt in OPH Limited was K15m in the year. The loan receivable for OPH and WAL are stated net of impairment. Details in relation to impairment of loans receivable are shown in Note 2(r).</p>		
<b>(g) Investment properties</b>		
<b>Properties at fair value</b>		
Balance at the beginning of the year	514,629	522,699
Additions	7,330	-
Transfer from capital work in progress	-	39,147
Transfer to property, plant & equipment	(20,630)	-
Disposals and write-offs	-	(5,317)
Fair value gain/(loss) from change in net market value	(5,859)	(41,900)
Balance at the end of the year	495,470	514,629
<b>Capital work in progress – properties under construction (at cost)</b>		
Balance at the beginning of the year	28,365	55,320
Additions	16,875	12,695
Transfer to investment properties	-	(39,650)
Balance at the end of the year	45,240	28,365
<b>Total investment properties</b>	540,710	542,994
<b>(h) Assets held for sale</b>		
Properties held for sale	3,898	8,861
<p>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.</p>		
<b>TOTAL INVESTMENTS</b>	6,280,245	5,663,800

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 4. INVESTMENTS *continued...*

(i) <b>Asset Allocation</b>	Asset Class	Percentage Holding (%)		Portfolio Value (K'000)	
		2018	2017	2018	2017
<b>Onshore</b>					
	Equities				
	Listed	11	12	691,255	668,736
	Unlisted	27	21	1,673,444	1,199,255
	Financial assets at amortised cost	39	35	2,440,160	1,968,924
	Property	8	10	540,710	542,994
	Assets held for sale	0	0	3,898	8,861
	Loans	2	7	98,437	381,735
<b>Offshore</b>					
	Equities				
	Listed	13	16	832,341	893,295
<b>Total excluding short-term deposits</b>		100	100	6,280,245	5,663,800

	Industry	Valuation Method	Value (K'000) 2018	Value (K'000) 2017
<b>Listed Equities - onshore</b>				
Bank South Pacific Limited	Banking	Last Bid Price		
City Pharmacy Limited	Wholesale/Retail	Last Bid Price		
Credit Corporation Limited	Finance	Last Bid Price		
<b>Total</b>			691,255	668,736
<b>Financial Assets at Fair Value</b>				
Government Inscribed Stock	Banking & Finance	Amortised		
Treasury Bills	Banking & Finance	Cost		
<b>Total</b>			2,440,160	1,968,924

	Industry	Valuation Method	Value (K'000) 2018	Value (K'000) 2017
<b>Unlisted Equities - onshore</b>				
Alotau International Hotel Limited	Hotel	Net Assets		
Brian Bell & Company Limited	Wholesale/Retail	COE		
Capital Insurance Group Limited	Insurance Broker	COE		
Coastwatchers Court Limited	Property	Net Assets		
Gazelle International Hotel Limited	Hotel	Net Assets		
Kumul Hotels Limited	Hotel	COE/NA		
Moki No. 10 Limited	Real Estate	Net Assets		
Morobe Front Holdings Limited	Property-development	Net Assets		
Pacific Building Mgt Svcs Limited	Building Maintenance	Net Assets		
Paradise Foods Holdings Limited	Food & Snacks	COE		
PNG Water Limited	Utilities	COE		
South Pacific Post Limited	Media	COE		
South Pacific Brewery Limited	Brewery	COE		
Toyota Tsusho (PNG) Limited	Motor Vehicle	COE		
Westpac Bank (PNG) Limited	Banking	COE		
OPH Limited-- Ordinary shares*	Property	Net Assets		
Waigani Asset Limited	Property	Net Assets		
Rangeview Heights Limited	Property	Net Assets		
<b>Total</b>			1,673,444	1,199,255

**Net assets** - net assets on a going concern    **COE** – capitalisation 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 mid of 2019. As at 31 December 2018 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. The valuations as at 31 December 2018 were conducted by KPMG PNG (2017: 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.

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 4. INVESTMENTS *continued...*

### (i) Asset Allocation *continued...*

Property	Section/(Allotment)	Milinch	Value (K'000) 2018	Value (K'000) 2018
<b>Commercial</b>				
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		
<b>Residential</b>				
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		
Malolo Estate Properties		8 Mile (POM)		
Pinacle Apartments (Formerly Touaguba Apartments)	63 – (22)	Granville (POM)		
<b>Light Industrial</b>				
Bowmans	64 – (15)	Hohola (POM)		
NSL Warehaus	64 – (16)	Hohola (POM)		
Voco Point Warehaus	42 – (5 & 6)	Lae		
<b>Under Development</b>				
Ex Post PNG	387 – (20)	Boroko (POM)		
<b>Vacant Land</b>				
9 Mile Land	2156, 2157, 2159	Bomana (POM)		
Malolo Estate	145 – (13-26)	8 Mile (POM)		
<b>Total</b>			540,710	542,994

Investment properties are valued at fair value at balance date with values of K540 million (2017: K542 million), as determined by the Board, utilising the services of external valuers. The valuations as at 31 December 2018 were conducted by Kina Asset Management Limited, the Fund's licensed investment manager, The Professional Real Estate Limited and The Professional Valuers of PNG, both of whom are independent registered property valuers (2017: Savills Valuations Pty Limited, Australia and The Professional Valuers of PNG). The valuation methods used are considered the most relevant and appropriate. The main valuation methods used are:

- Capitalisation of Earnings (COE), which estimates a sustainable level of future maintainable earnings and applies an appropriate capitalisation rate derived from market transactions of comparable entities or operational plans to derive a value, and
- The Discounted Cash Flow method where net present value is determined from estimated future cash flows discounted to a present value.
- For land, comparison with recent observable transactions.

There was no change in valuation methods from prior period.

Loans	Industry	Value (K'000) 2018	Value (K'000) 2017
PNG Power Limited	Utilities		
OPH Limited	Property		
Waigani Asset Limited	Property		
Paradise Foods Limited	Manufacturing		
<b>Total</b>		98,437	381,735

The above includes loans to other related companies namely: Waigani Assets Limited K84m (2017: K 89m) , OPH Limited K14m (2017: K 284m) and Paradise Foods Knil (2017: K5m) and PNG Power is a syndicated loan arrangement Knil (2017:K4.1m). The loan receivable for OPH and WAL are stated net of impairment.

Assets Held For Sale	Section/(Allotment)	Milinch	Value (K'000) 2018	Value (K'000) 2018
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				
<b>Total</b>			3,898	8,860

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 4. INVESTMENTS *continued...*

<b>Listed Equities - offshore</b>		<b>Industry</b>	<b>Valuation Method</b>	<b>Value (K'000) 2018</b>	<b>Value (K'000) 2017</b>
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		
<b>Total</b>				<b>832,341</b>	<b>893,295</b>

<b>(j) Single investment exceeding 5% of the net assets:</b>					
<b>Investment</b>	<b>Type</b>	<b>% holding (rounded)</b>	<b>% of net assets 2017</b>	<b>Value K(million) 2017</b>	<b>Value K(million) 2013</b>
Bank of South Pacific	Listed equity	12.32	8.5%	590,896	547,126
Bank of PNG	GIS/T Bills	N/A	35.3%	2,413,239	1,935,824
South Pacific Brewery	Unlisted equity	19.99	6.9%	480,816	507,700
Paradise Foods	Unlisted equity	84	5.0%	346,993	172,500
OPH	Unlisted equity	87	5.3%	366,702	-

## **(k) Sensitivity analysis**

The following table demonstrates the sensitivity of investment valuations to changes in significant input assumption and estimates:

<b>Category</b>	<b>Method</b>	<b>Value</b>	<b>Unobservable Inputs</b>	<b>Weighted Average Input</b>	<b>Reasonable Possible Shift +/-</b>	<b>Change in Valuation +/-</b>
Listed Offshore Equities	Last Bid Price	832,341	Exchange rate	0.4221	-5%	876,148
					5%	792,706
Listed onshore equities	Last Bid Price	691,255	Last bid price		-5%	656,692
					5%	725,818
Unlisted equities	FME	1,673,444	PE ratios/FME		-10%	1,506,100
					10%	1,840,788
Property Commercial	DCF / Comparable	352,228	Cap Rate	Various	-0.50%	364,979
					0.50%	342,643
			Rental/sqm		-0.50%	338,008
					0.50%	377,297
Property Residential	Comparable	51,885	Cap Rate	Various	0.50%	50,753
			Rental/sqm		Various	-5%
		8,164	Sale price / sqm value	-5%	-5%	54,699
					-5%	7,756
					5%	8,572
Property Light Industrial	Comparable	20,749	Rental/sqm	Various	-5%	19,712
			Sale price / sqm value		5%	21,786
Property Land	Comparable	107,695	Rental/sqm	Various	-5%	102,310
			Sale price / sqm value		5%	113,080
Rangeview Heights Limited	DCF	84,372	Cap Rate	10%	-1%	75,229
					1%	90,869
			Discount Rate	12%	-1%	70,244
					1%	95,553
			Growth Rate		-1%	20,827
					1%	94,667
			Rental Income		-10%	74,325
					10%	90,208
			Occupancy		-10%	74,564
					10%	89,969
OPH Limited	DCF/WIP	381,095	Cap Rate	10%	-1%	368,500
					1%	394,159
			Discount Rate	12%	-1%	362,634
					1%	398,940
			Growth Rate		-1%	363,779
					1%	397,420
			Rental Income		-10%	356,412
					10%	403,681
Occupancy		-10%	366,403			
		10%	393,690			

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 4. INVESTMENTS *continued...*

### (I) 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
<b>2018</b>				
<i>Financial assets</i>				
Listed securities	1,523,596	-	-	1,523,596
Unlisted securities	-	-	1,673,444	1,673,444
<i>Non-financial assets</i>				
Assets held for sale	-	-	3,898	3,898
Investment properties	-	-	540,710	540,710
	1,523,596	-	2,218,052	3,741,648
<b>2017</b>				
<i>Financial assets</i>				
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	-	1,751,110	3,313,141

There were no transfers between levels during the year.

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 and investment properties.

	2018 K'000	2017 K'000
<b>5. SHORT TERM DEPOSITS</b>		
Term deposits (maturities within 90 days) - onshore	10,000	154,015
Term deposits (maturities within 3 to 6 months) - onshore	252,197	125,302
Provision for impairment	(3,765)	-
	258,432	279,317
<b>6. RECEIVABLES</b>		
Rental debtors	52,897	34,910
Less: Provision for doubtful debts	(11,043)	(13,201)
	41,854	21,709
Sundry debtors	845	256
State unfunded – interim interest	10,855	-
Related party receivable	14,502	31,746
Provision for doubtful debts on related parties	(1,638)	(1,638)
Dividend receivable	11,583	12,603
Accrued interest income	1,435	1,260
Prepayments and GST refundable	7,899	5,884
Staff debtors	559	519
	87,894	72,339

*Impaired rental debtors*

Details in relation to impairment of rental debtors are shown in Note 2(r).



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	K '000	K '000
<b>7. CASH AND CASH EQUIVALENTS</b>		
Cash on hand	106,542	56,042
Banks – onshore	121,358	337,328
Banks – offshore	21	7
	227,921	393,377
<b>8. CREDITORS AND OTHER LIABILITIES</b>		
Creditors	9,765	9,478
Members' deposits	24,488	2,172
State pension liability	-	6,644
Member insurance payable	-	5,980
Rental bond fees	3,376	4,077
Deposits on sale of properties	60	1,116
	37,689	29,467
<b>9. INCOME</b>		
<b>(a) Interest</b>		
Government inscribed stock and Treasury bills	184,770	161,859
Loans	42,872	20,192
Short-term deposits	9,348	7,625
Share of member withdrawal benefits owing by the State	-	1,997
	236,990	191,673
<b>(b) Dividends</b>		
Listed equities	88,580	76,822
Unlisted equities	78,935	73,119
	167,515	149,941
<b>(c) Revenue from property rental contracts</b>		
Gross rental income	58,961	59,234
<b>(d) Foreign exchange gains/(losses)</b>	(5,087)	14,733
<b>(e) Net gains/(losses) on assets at fair value</b>		
Unrealised fair value gains/(losses)		
Listed equities	13,539	35,870
Unlisted equities	(9,108)	53,641
Investment properties	(5,859)	(41,900)
Government inscribed stock & treasury bills	-	27,302
Realised fair value gains/(losses)		
Listed equities	-	1,812
Unlisted equities	451	-
Investment properties	(325)	930
Foreign Exchange gains/(losses)		
Unrealised foreign exchange gains/(losses) on offshore listed equities	(51,973)	83,675
Net fair value gains/(losses)	(53,275)	161,330
<b>(f) Other income</b>		
Bad debts recovered	486	-
Management fees received	430	3
Insurance proceeds	57	-
Other income	13,031	416
	14,004	419

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 9. INCOME *continued...*

### Additional information in relation to revenue from property rental contracts with customers

Revenue in relation to property rental contracts is recognised on a straight line basis over the period of the lease contract. Amounts outstanding for rents receivable which are unconditional are recognised in receivables. No other contract assets, or amounts in relation to costs incurred to obtain a contract, are recognised in relation to property rental contracts with customers. Contract liabilities in relation to rental income invoiced in advance and tenant rental bonds are recognised within creditors and other liabilities (note 8).

There were no amounts recognised in the current reporting period relating to performance obligations satisfied in a prior year and no other amounts have been recognised at balance date in relation to unsatisfied performance obligations.

The period of leases whereby the Fund leases out its investment properties under operating leases is generally three years or more.

The future aggregate minimum rentals receivable under non-cancellable property leases are as follows.

	2018	2017
	K '000	K '000
No later than 1 year	10,194	56,042
Later than 1 year and no later than 5 years	39,914	38,413
Later than 5 years	10,878	10,838
<b>Total</b>	<b>59,234</b>	<b>59,455</b>

## 10. EXPENSES

### (a) Loans and receivables impairments expense

Provision for Impairment expense – loan (Note 4(f))	16,529	56,369
Provision for Impairment expense – fixed interest	2,755	-
Provision for doubtful debt expense – rental debtors (Note 6)	319	7,499
Provision for doubtful debt expense – related parties (Note 6)	-	1,638
Other bad debt expense	184	299
	<b>19,787</b>	<b>65,805</b>

### (b) Management expenses

Staff remuneration	20,075	16,830
Office expenses	12,464	9,674
Professional fees	4,370	3,769
Directors' fees & expenses	2,909	2,364
BPNG license fees	1,283	372
Staff housing and other benefits	519	694
Depreciation on property plant and equipment	4,434	3,453
Loss/(gain) on disposal of fixed assets	55	917
Advertising	1,643	1,076
Travel expenses	1,606	983
Auditor's remuneration - statutory audit services	521	455
Vehicle expenses	149	248
Conferences and workshop	588	87
Donations	22	16
Other expenses	11	113
	<b>50,649</b>	<b>41,051</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	K '000	K '000
<b>11. INCOME TAX</b>		
<b>(a) Income tax expense</b>		
Operating profit	308,051	428,322
Prima facie tax at 25%	77,012	107,081
Tax effect of:		
Fair value changes in investments	(14,590)	(19,414)
Dividend rebate	(42,134)	(37,485)
Foreign exchange gain - capital account	12,996	(21,757)
Other	279	1,261
Prior estimation adjustments	-	(7,147)
<b>Income tax expense for the year</b>	<b>33,563</b>	<b>22,539</b>
<i>Current year income tax expense comprise of:</i>		
Current income tax	33,029	27,157
Deferred income tax	534	(4,618)
Prior estimation adjustments	-	-
	<b>33,563</b>	<b>22,539</b>
<b>(b) Income tax receivable/(payable)</b>		
Opening balance	26,073	459
Current income tax	(33,029)	(27,157)
Tax payments	59,786	52,771
Closing balance	52,830	26,073
<b>(c) Deferred income tax payable, net</b>		
Opening balance at the beginning of the year	(9,103)	(13,720)
Movement during the year	(534)	4,617
Closing balance	(9,637)	(9,103)
<b>Comprising</b>		
Investment properties	(11,757)	(10,231)
Interest receivable	(7,089)	(8,590)
Rent receivable	(13,224)	(8,727)
Foreign exchange gain – non capital	(1,047)	-
Dividend receivable	(2,896)	(3,151)
Prepaid insurance	(260)	1,110
Fixed assets	753	310
Employee benefits	726	564
Doubtful receivables and loans	22,988	17,802
Losses	371	325
Other accruals	1,798	1,485
	<b>(9,637)</b>	<b>(9,103)</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 2018, interest allocated to contributor funds was determined on member balances at a rate of 3.7% (2017: 8%) 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.

	2018	2017
	K '000	K '000
<b>(a) Contributor funds</b>		
Opening balance	6,370,642	5,650,089
<i>Add</i>		
Members' contributions received during the year	225,738	216,735
Employers' contributions received during the year	439,578	287,225
Unallocated contributions	(4)	5,650
Transfers from other funds	2,632	4,664
	667,944	514,274
Interest allocation	236,855	460,185
	7,275,441	6,624,548
<i>Deduct</i>		
Member benefits paid during the year *	(358,843)	(221,173)
State Share paid – on exit	-	-
Transfers to RSA during the year	(34,732)	(28,780)
Unemployment benefits paid	(4,823)	(3,953)
	(398,398)	(253,906)
Closing balance	6,877,043	6,370,642
*Benefit payment details		
Retirement	(284,642)	(175,437)
Death	(74,201)	(45,736)
	(358,843)	(221,173)
<b>(b) Housing Advances</b>		
Opening balance	(122,788)	(103,770)
Advances or member withdrawals	(47,010)	(30,709)
Repayments received	17,756	11,691
Closing balance	(152,042)	(122,788)
<b>(c) Pensioner funds</b>		
Opening balance	2,584	4,779
Payments during the year	(2,348)	(2,195)
Closing balance	236	2,584
<b>Total members accounts and pensioner funds</b>	6,725,237	6,250,438
<b>(d) Retirement savings account</b>		
Opening balance	135,990	134,878
Transfers from contributor funds during the year	34,732	28,780
Interest allocation	4,555	9,909
Payments during the year	(37,502)	(37,577)
	137,775	135,990
<b>TOTAL CONTRIBUTOR FUNDS</b>	6,863,012	6,386,428
<b>(e) Reserves</b>		
Retained earnings and general reserve	3,909	5,689
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve - property	1,447	1,447
	26,634	28,414
<b>TOTAL MEMBERS FUNDS</b>	6,889,646	6,414,842
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.		
<b>(f) Movement in retained earnings and general reserves</b>		
Beginning balance	28,414	92,725
Net increase in net assets from operations available for benefits	274,488	405,783
Measurement at amortised cost on adoption of IFRS 9	(45,713)	-
Interim interest on state share	10,854	-
Interest allocated to contributor funds	(241,409)	(470,094)
	26,634	28,414

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 13. FUNDING ARRANGEMENTS

### (a) Unfunded Liability of the State

At the end of 2018 the future unfunded liability of the State to members is estimated to be K2.2 billion (2017: K2.2 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.

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 K171 million (2017: 217m). The State paid a further K146m in January 2019. 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.

### (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 2018 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 13% (2017:14%) 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 market and to increase or decrease the Fund's exposure to particular investment classes or markets.

#### (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, investments in government inscribed stock and treasury bills and loans receivables, 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. Details of the significant judgments and assumptions made in assessing credit, together with details of credit exposures at balance date, or provided in Note 2(r).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 14. FINANCIAL RISK MANAGEMENT *continued...*

### (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
<b>31 December 2018</b>					
Benefits payable	1,999	-	-	-	1,999
Employee benefits payable	2,904	-	-	-	2,904
Creditors and other liabilities	37,689	-	-	-	37,689
	42,592	-	-	-	42,592
<b>31 December 2017</b>					
Benefits payable	1,763	-	-	-	1,763
Employee benefits payable	2,257	-	-	-	2,257
Creditors and other liabilities	29,467	-	-	-	29,467
	33,487	-	-	-	33,487

## 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 31st December 2015, an Authorised Superannuation Fund (ASF) must review annually a variety of policies and publish some of these on its website and in the annual report.

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

(b) Section 14d (PS 1/14): The "Reserving Policy" 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 the signed documents uploaded. Policy on the use of derivatives" refer to the policy on the Nambawan Super website.

## 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 2018.

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 2018 seeking declaratory orders which were found in the Fund's favor on the 12th of January, 2019.

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. The State paid a further K146m in January 2019.

## 17. RELATED PARTY DISCLOSURES

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

Mr Anthony Smare	Lady Aivu Tauvasa	Mr Reginald Monagi
Mr Alan Kam	Mrs Lesieli Taviri	Mrs Karen Gibson
Professor Albert Mellam	Professor David Kavanamur	Mr Lutz Heim

(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:

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	Transformation Committee meetings attended
Anthony Smare	Chairman	K357,103	7/7	n/a	n/a	9/12	n/a	n/a
Aivu Tauvasa	Deputy	K202,000	4/7	n/a	4/6	n/a	5/5	n/a
Karen Gibson	Director	K295,795	7/7	6/6	4/4	n/a	n/a	7/7
David Kavanamur	Director	K185,000	6/7	n/a	6/6	n/a	n/a	7/7
Albert Mellam	Director	K185,500	7/7	n/a	5/6	n/a	1/5	n/a
Alan Kam	Director	K446,197	5/7	n/a	6/6	12/12	n/a	n/a
Lesieli Taviri	Director	K198,000	6/7	5/6	2/2	n/a	n/a	7/7
Reginald Monagi	Director	K196,000	7/7	6/6	n/a	12/12	5/5	n/a
Lutz Heim	Director	K219,000	7/7	6/6	n/a	12/12	n/a	7/7

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 17. RELATED PARTY DISCLOSURES *continued...*

### (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 having regard, to among other factors, current market data.

Name	Role	Nature of Interest	Company
Paul Sayer	Chief Executive Officer	Director	PCFS Nominees Pty Limited
		Sole Director & Shareholder	Silverstream Australia Pty Limited
		Director & CEO	Mallard Enterprises Pty Limited
		Director	White Plume Pty Limited
Vere Arava	Chief Finance Officer	None	None
Andrew Esler	General Manager Properties	Director as NSL Nominee	Fernvale Limited
			Moki No.10 Limited
			Morobe Front Holdings Limited
Patricia Taureka	Company Secretary	Director as NSL Nominee	Fernvale Limited
Leo Kamara	General Manager Risk and Compliance	None	Moki No.10 Limited
			Morobe Front Holdings Limited
Loka Niumatairua	Chief Manager People & Culture	None	None

### Compensation

The compensation paid to key management for employee services is shown below.

	2018	2017
	K '000	K '000
Salaries	5,305	5,365
Leave accruals	1,074	511
	6,379	5,876

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 2018.

Salary range	No. of employees	
	2018	2017
K100,000 – K150,000	17	19
K151,000 – K200,000	8	7
K201,000 – K250,000	5	6
K251,000 – K300,000	6	1
K301,000 – K600,000	4	4
K601,000 – K700,000	-	-
K701,000 – K800,000	-	2
K801,000 – K900,000	1	1
K901,000 – K1,500,000	3	1
K1,500,000 +	-	-

During the financial year the Fund earned interest on term deposits of K1,736m (2017: K804k,) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management Limited.

(d) The Kina group also provides Investment Management and Fund Administration services, related fees paid to the Kina group amounted to K7.7 million (2017: K7.2million) and K9.3 million (2017: K7.6 million) respectively.

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

Coastwatchers Court Limited	Nambawan Savings & Loan Society Limited
Gazelle International Hotel Limited	OPH Limited
Kumul Hotels Limited	Pacific Building Management Services Limited
Moki No. 10 Limited	Paradise Foods Limited
Morobe Front Holdings Limited	Rangeview Heights Limited
Fernvale Limited	

## 18. CONTINGENT ASSETS, LIABILITIES AND CAPITAL COMMITMENTS

### (a) 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.

	2018	2017
	K '000	K '000
(b) <b>Commitments for Capital Expenditure</b>		
Amounts with firm commitments and not reflected in the financial statements in relation to investment properties under construction	228,000	111,003

### (c) 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 2018 (2017: Nil).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 19. DIRECTORS' DISCLOSURE

Name	Nature of Interest	Companies
Mr Anthony Smaré	Shareholder Director Shareholder Shareholder Trustee Shareholder Director Director Director Director (NSL Nominee) Director (NSL Nominee) Director/Shareholder  Shareholder	Airlines PNG Limited Barrick Gold PNG Subsidiaries City Pharmacy Limited Credit Corporation (PNG) Limited Halivim Wantok Disaster Fund Kina Asset Management Limited Kumul Foundation Inc. Mining & Petroleum Industries Investment Limited Paradise Food Limited Paradise Food Holdings Limited Smare Family Enterprises - Apuk Properties Limited - Empawa Limited - Expedient Limited - Kairar Building Systems Limited - Kairar Enterprises Limited South Pacific Brewery Limited
Lady Aivu Tauvasa	Shareholder Director (NSL Nominee) Shareholder Shareholder Director/Shareholder Director/Shareholder	Kina Asset Management Limited Nambawan Savings & Loan Society Limited PNG Drums Reconditioning Limited Post Courier Limited Teisaki Limited Tuakana Advisory Services
Alan Kam	Chartered Director Non-Executive Director Director Independent Director Director Independent Director	Australian Institute of Company Directors Cal-Comp Holdings (Brazil) Co. Limited Cal-Comp Electronics (Thailand) Public Company Limited Mega Life Science Public Co TATA Steel (Thailand) Public Co. Limited Thanakorn Vegetable Oil Products Co. Limited
Professor Albert Mellam	Shareholder Director (NSL Nominee) Director Shareholder	Airlines PNG Limited Credit Corporation (PNG) Limited Investment Promotion Authority Kina Securities Limited
Reginald Monagi	Director	City Mission
Lesieli Taviri	Shareholder Shareholder Director Shareholder Director Director/Shareholder Director Director/Shareholder	3 Key Limited Airlines PNG Limited Business Coalition for Women GPS Malaponi Limited Institute of National Affairs Marjicka Limited Nationwide Microbank People Connexions PNG Limited
Professor David Kavanamur	Shareholder Shareholder Shareholder Director (NSL Nominee) Director (NSL Nominee) Shareholder	Bank South Pacific Limited Credit Corporation (PNG) Limited Kina Securities Limited Gazelle International Hotel Limited Kumul Hotels Limited Oil Search Limited
Karen Gibson	Director/Shareholder Director Director Director Director	Praxton Group Pty Limited International House (University of Queensland) IOOF Investment Management Limited Australian Executor Trustees IOOF Limited
Lutz Heim	Director/Shareholder Director  Director (NSL Nominee) Director/Shareholder	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. Kumul Hotels Limited Yunkimp Pty Limited

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



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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## 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 (General Provisions) Act 2000.

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## 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.

# Our Contacts

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Call Centre: 1599



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- 5 Regional Offices across PNG
- 8 Remote Centres across PNG
- 150 Discount partners nationwide





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