



**Nambawan**  
*Super*

**Annual Report 2007**

# Vision

To be the leading Superannuation Fund in Papua New Guinea, committed to building value and maintaining the highest level of benefits and quality of service for members.

# Mission

To protect and maximise the superannuation benefits of members of the Fund through prudent investment management.

# Corporate Values

Our corporate values shape our policies, guide our actions and underpin our respect for our members.

**Innovation** - Constantly seeking out new and innovative ways to manage our operations and fully meet members needs.

**Accountability** - Taking responsibility for what we do and say.

**Team Work** - Working together in the knowledge and understanding that collectively our decisions and actions can make a difference.

**Transparency** - Ensuring that our decisions are guided by policies fully endorsed and accepted by our members.

**Professionalism** - Committing to continuously improving, learning and applying world's best practice in whatever we do.

**Integrity** - Engendering fairness, honesty and respect for others and upholding the principles of good governance.

# Our Key Competencies are:

**Operational** - effectively planning, managing, implementing and monitoring the Fund's internal and external processes and systems including our business relationships.

**Special Assets** - Maximising the value of our tangible and non tangible assets to provide a competitive advantage including adding value to the overall performance of the Fund.

**Supporting Change & Growth** - Adopting organisational management principles which are conducive to improved skills articulation for niche growth opportunities.

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

## FRONT COVER:

This 2007 Annual Report bears the new brand *Nambawan Super*.

To commemorate this milestone change, we have chosen tribal designs or motifs found on PNG totem poles and on canoe prows. Totem poles are commonly found at the entrance of important meeting places. They signify a sense of belonging and power; both physical and spiritual. In Papua New Guinea societies, it is not so much who you are, rather where you come from. That distinction helps determine where you are going. Nambawan Super stands strong and sturdy like the totem pole and will continue to move forward guided by the strength and diversity of its membership.

Cover design by Ian Kially

# 2007 Highlights

## Financial

- Record profit, interest to members and net asset growth, with major contribution from market valuations of investments in listed & unlisted share equity and properties.
- Received K250 million lump sum on account of the State's unfunded employer superannuation obligations over and above mandatory contributions with a further K150 million provided for in the 2008 national budget.
- The international investment manager, Access Capital Advisors achieved the targeted international alternative investment mandate of AUD \$120 million.
- Retirement Savings Account exceeding K11 million with over 500 members.
- Acquired majority interest in Arnott's Biscuits (PNG) Limited and rebranded to Paradise Foods Limited.
- Completion and full tenancy of 32 executive apartments by Coastwatchers Court Limited, which the Fund has a 65% interest.

## Member Services

- Rolled out a further 7 member information kiosks in Madang, Manus, Kiunga, Popondetta, Vanimo and Port Moresby.
- Successfully completed four regional employer-targeted conferences & public open days.
- Launched a new information kit including awareness programs for member & employer education needs.
- Launch of first ever Members Internet Acurity on-line system.
- Increased focus on Member benefits and servicing requirements.
- Joining of 21 new employers, 13 from the private sector and 8 from the public sector increasing membership by 5,000.
- Commenced infrastructure work for 8 mile Malolo Estate housing project.

## Internal

- Completed manager & team leader conference on strategic and business planning.
- Fine tuned organisation structure to achieve the best business model that is sustainable and one that will serve the current business requirements.
- Implemented a whistle blowers policy and employee related workshopping to achieve greater productivity.

## Initiating New and Growth Opportunities

- Completed rebranding exercise from POSF to Nambawan Super.
- Conducted high potential staff training development Programs (leadership workshops).
- Implemented improved performance management systems.
- Achieved above average results in delivering 2007 business plan.

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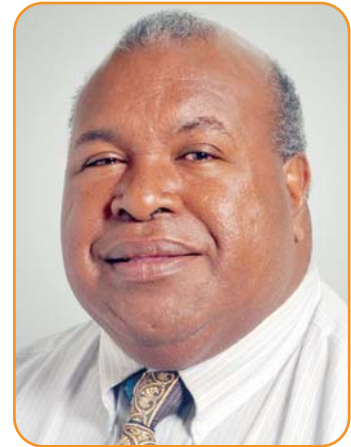
# Chairman's Statement

## "Managing in Turbulent Times"

The 2007 Annual Report heralds an unfolding era under the new corporate brand and identity of Nambawan Super and underscores a significant post reform milestone by consistently adding and expanding the solid foundation of the Fund.

**SIR NAGORA BOGAN, KBE**

Chairman



Fittingly launched in June by the Head of State, Governor General and Grand Chief, Sir. Paulius Matane, the re-branded Fund, Nambawan Super places greater emphasis and priority on member services.

This solid business model provided the platform for an unparallel financial result with a record growth of net assets by 49% from K1.516 billion to K2.261 billion, a level which includes K250 million payment by the Government in respect of the unfunded contribution by the State as employer and contributions from a growing number of private sector members.

After tax profit of K743 million which is a new record for the Fund. Following extensive consideration of all prudent commercial implication, the Board approved an interest rate of 32% for crediting in all member accounts including accounts of retired members maintaining Retirement Savings Accounts (RSA). The Board also approved an interim interest rate of 7% for members exiting in 2008.

Good old fashion wisdom must prevail because it is so easy to become deeply captivated and carried away with emotions with this exceptional financial performance. Members are strongly cautioned not to expect double digit interest to be sustained going forward.

Furthermore, the unparallel financial results is mainly attributed to fair value gains from the Fund's diversified investments made possible largely by prevailing enabling environment and operating conditions in the form of; stable and very buoyant domestic economy, political stability, strong growth in the world economy, prudent and effective management, sound corporate governance and ongoing reforms within the Superannuation Industry.

Attention is also drawn to the inherent risks that the value of listed equities on the stock markets is increasingly subject to growing vagaries and volatility of market forces that are beyond the sphere of control and influence of the Board and Management.

The Fund has prudently managed this inherent risk through multiple tactics. Firstly, the Fund used independent professional valuers who adopted a prudent but fair value approach to valuation of the Fund's investments, a valuation which has also been reviewed and corroborated by the external auditor. Secondly, the Fund has maintained the maximum level of reserves permitted by the regulator to cushion any subsequent negative swing. Thirdly, risk mitigation is elevated to a high priority with a vigilant watch of market and global economic movements and trends. And last but not the least, taking in principle a long term perspective in managing the various investment portfolios.

As an additional hedge against risks of stock market volatility, the Fund increased its diversification into alternative investments, predominantly property and unlisted equities. This included investments in unlisted international equities managed by Access Capital Advisors, thereby providing a global spread in different sectors with the natural hedge of zero correlation with the Stock Markets.

Management expense ratio improved from 1.4% in 2006 to 1.12%. Overall, expenditure has been capped within acceptable limits if adjustments are made to factor inflation. Cost containment has been integrated into the balance score card performance system and management is now equally accountable for efficient management and containment of expenditure as well as growing profits and the balance sheet.

The organisation structure was also realigned for one that best fits and serves the prevailing business needs of the rapidly growing Fund. Internal governance and controls were enhanced and strengthened with introduction of a whistleblowers policy with oversight by the Audit Committee.

Scope, coverage, accessibility and effectiveness of member services continued during the financial year. New information kit for members and employers education and awareness were also introduced and work commenced on a pilot one-stop customer service centre in Port Moresby with a view to roll-out the facility to other centres in coming years.

The undertaking on member housing has moved progressively with commencement of infrastructure work and installation of major utilities for the 8 Mile (Malolo Estate) housing project with construction of 230 homes in the forthcoming years.

Increasingly, the Fund is operating in a financial and economic environment that is challenging, competitive and constantly changing. In global context, the sub prime problem has reverberated beyond the boundaries of United States and poses a potent threat to the global economy. Already, towards the end of the financial year there has been growing signs of erratic swings in the stock markets. There is also growing global concerns about the increases in food prices, oil, other based metals giving rise to uneasy prospects of increases in interest rates and inflation.

On the domestic front, intensity and pace of business in Papua New Guinea increased dramatically on the back of successive years of buoyant and upbeat economic growth culminating in unparalleled record performance by many businesses. New and starkly different challenges, such as managing capacity across all sectors and keeping pace with the rapid growth of the economy, have emerged and require approaches and solutions that are totally different.

Major challenges going forward are to prepare for the turbulent times ahead and develop strategies for risk mitigation, strategic placement and better spread in more secure and low risk investments and consistently implementing the core strategic competencies.

Lastly, thank you to all fellow Board Directors, Board Committees, management, staff and all service providers for their contributions during the year. It is an unstinted commitment and persistent team effort.

**SIR NAGORA BOGAN, KBE**  
Chairman

# Board of Directors



Sir Nagora, a former Commissioner for PNG Internal Revenue Commission, is serving his second term since being appointed in 2002.

Sir Nagora Bogan, KBE  
Chairman  
(Bachelor of Law, The University of PNG)



Mr Kua, the executive partner with Posman Kua Aisi Lawyers is serving his second term on the Board.

Mr Kerenga Kua  
Deputy Chairman  
(Bachelor of Law, The University of PNG)



Reappointed for the second time as a non-resident Director, Mr Taylor serves with vast experience gained from serving in the Australian Treasury and other senior posts in Australia and international organisations.

Mr Greg Taylor  
Director  
(Hons. Economics Degree,  
The University of Adelaide, Australia)



Serving her second term as an independent Director, Mrs Aivu Tauvasa also brings to the Board her management experiences, having served as former Managing Director of Investment Promotion and now as the Trade Commissioner - Pacific Islands.

Mrs Aivu Tauvasa  
Director  
(Masters, Business Admin, Embry- Riddle  
Aeronautical University, Florida)



Serving a second term on the Board, Mr Vagi brings to the Board his public sector experiences in various senior management positions in the Department of Personnel Management

Mr Ravu Vagi  
Director  
(Masters in Development Admin, Australian National  
University, BA (Demography) The University of PNG)



Mr Leon Buskens who was confirmed as the Managing Director in 2004 serves as a Director on the Board and has many years of experience in the superannuation industry

Mr Leon Buskens  
Director  
(Masters in Finance, Royal Melbourne Institute of  
Technology Aust, Bachelor of Commerce,  
University of Technology PNG)

# Corporate Governance

## BOARD COMMITTEES

Good governance is about designing and implementing policies, procedures and standards of administration and behaviour that result in fair and equitable organisational conduct.

NSL's Board of Directors as the Trustee is charged with diligently discharging its duties and obligations to achieve good outcomes. The Board established independent sub Committees to assist in this process.

The 4 sub committees are Audit & Risk, Investment, Membership and Remuneration & Nomination.

## AUDIT & RISK COMMITTEE

This Committee functions as an independent reviewer, working for the Board and the stakeholders to provide an objective appraisal of the financial and operational activities of Nambawan Super ("the Fund").

The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- 1) The integrity of the Fund's external financial reporting and financial statements;
- 2) The appointment, remuneration, independence and competence of the external auditors;
- 3) The review of audit and performance of internal and external audit functions;
- 4) The effectiveness of the Fund's system of risk management and internal controls; and
- 5) The Fund's systems and procedures for compliance with applicable legal and regulatory requirements including:
  - Ensuring the Trustee complies with superannuation licensing conditions set by the Bank of Papua New Guinea
  - Ensuring proper governance of assets where the Fund has majority or substantial minority ownership
  - Ensuring the Fund's Fund Administrator and Investment Manager operate within the confines of the signed Agreement with the Trustee
  - Ensuring financial and administrative procurement procedures are followed by the Trustee when engaging major contractors

The Committee comprises:

Mr David Guinn OBE as Chairman, Sir Nagora Bogan as Deputy Chairman and Mr Leon Buskens as a Committee member. At the time of preparing this Annual Report, two nominations are been considered and will join the Committee in early 2008.

## MEMBERSHIP COMMITTEE

This Committee consists of representatives from union associations and major companies with diverse fields who complement each others' background and expertise and who are independent of management and the Company. As determined by the Board, one member of the Committee is a nominee of the Department of Personnel Management.

The functions delegated to the Membership Committee by the Board does not relieve the Board of its duties and responsibilities but merely assists it in carrying out these responsibilities.

The duties of the Membership Committee are as follows:

- Assist the Trustee in dealing with complaints or inquiries about the operation and management of the Fund;
- Provide an avenue for Committee members to enquire about and provide views on the Fund's operation and performance;
- Provide an avenue for members to set guidelines for benefits under the Fund;
- Advise the Trustee on the needs of membership in terms of information, publications and the inquiries of a general nature and ensuing communication processes thereof.
- Perform any functions conferred upon it by the Trustees License, Constitution and the Superannuation (General Provisions) Act 2002



The Membership Committee comprises:

- Mr Kerenga Kua (Chairman) - Independent
- Mr Ravu Vagi (D/Chairman) - Nominee of Personnel Management
- Mrs Eimi Kaptigau (Member) - President of PNG Nurses Association
- Mr Gabriel Paulus (Member) - President of Fire Fighters Association

# Corporate Governance

Mr Tau Vali (Member)	- PEA Representative
Mr Peter Luga (Member)	- President (Correctional Institute Services)
Mr Martin Kenehe (Member)	- Vice President (PNG Teachers Association)
Mr Robert Ali (Member)	- President Police Association
Mr Willie Kelis (Member)	- President PNG Energy Workers
Ms Eunice Isom (Member)	- Papindo Trading Representative
Mrs Helen Are'e (Member)	- President Amalgamated G/Workers Union

*Note: Mr Kua, Mr Vagi and Mr Vali are not in the photo.*

## REMUNERATION AND NOMINATION COMMITTEE

The purpose of the Remuneration and Nomination Committee of the Board is to:

- 1) Assist the Board in establishing coherent remuneration policies and practices that will enable the Fund:-
  - To attract, retain and motivate management and staff who will create value for members; and
  - Fairly and responsibly reward management and staff having regard for the overall performances of the Fund, the performance of the executives and the general pay environment
- 2) Determine a list nominees for Directors for election to fill vacancies for Class A & Class B Directors
- 3) Identify suitable candidates for Class C Directors or Managing Director to fill vacancies
- 4) To recommend individuals to the Board for nomination as members of Standing Committees to be on the Board (other than this Committee)

The R & N Committee comprises:

Lady Aivu Tauvasa	- Chairperson
Mr Greg Taylor	- Deputy Chairperson
Vacant	- Independent Member

## INVESTMENT COMMITTEE

Previously investment activity was considered through the Joint Investment Manager Committee that in addition to the Investment Manager included representatives of the Board and Management.

With the increased level of both potential and actual investment activity, the Board and Investment Manager replaced this committee with an Investment Committee that meets fortnightly. In addition to the Investment Manager, the Chairman, Managing Director and non resident Director participate in the committee together with representatives from executive management.

The committee actively considers the merits of new and developing domestic investment proposals and reviews the activity of the offshore manager. In addition, the committee reviews the ongoing investment strategy as required and develops strategies for various investment streams from time to time.

## RISK MANAGEMENT

Risk is a part of everyday life. Without some sort of 'risk' or possibility of something not going as planned, there can be little real achievement.

The key to a successful and progressive organisation is to understand and appreciate the level of risk that can be tolerated while in pursuit of the corporate objectives. Nambawan Super developed its first Business Risk Profile in 2004. Since then the Fund's circumstances and direction has changed focussing on strategic planning including risks identified pre-2004.

A workshop in 2006 was used to review and update the Business Risk Profile. That workshop recognised that many of the key risks identified in 2004 had been addressed or were in the process of being dealt through various strategies viz-a-viz strengthening existing and or introducing new controls to manage internal processes.

The process of identifying risk categories and associated risks is ongoing as the Fund moves through its business life cycles and as key strategic changes warrant same.

Management is currently reviewing the validity of controls it has installed as part of bedding a framework for the overall Risk Management portfolio. Resources including staff have been assigned to manage this process.

## COMMUNITY SUPPORT

In its effort to remain a responsible corporate citizen the Fund contributed to various charitable organisations, sporting bodies as well as education and community awareness campaigns through donations ranging from K70,500 to K100,000, the latter being towards the Oro Cyclone relief efforts.



# Human Resources Initiatives

## TRAINING & SKILLS DEVELOPMENT

An important objective of the Fund is, to sustain at all times, a motivated workforce operating in an environment where staff are challenged to excel in their careers. The rewards of providing an enabling employment environment is that Nambawan Super has in recent years experienced low turnover rates in qualified and experienced staff. As part of its commitment to improving staff productivity, the Fund provided the following training programs:

During 2007, training was carried out in the following categories:

### 1) In-house

- Leadership Workshop for Managers and Team Leaders
- Coaching & Mentoring classes for Managers & Team Leaders
- Workshops on Business Planning
- Workshops on Superannuation General Provisions Act 2000 changes

### 2. External Programs

- Four officers undertaking Advanced Diploma in Accounting
- One officer undertaking a Diploma in Business and Computing
- One officer undertaking a Diploma in Administrative/PA/Secretarial Duties
- Three officers at UPNG College of Distance Education Degrees
- One officer at Divine Word University (Bachelor of Management & Corporate Development)
- Twenty-eight officers attending short courses in various institutions (Basic skills & knowledge)
- One officer attending a HR Conference in Melbourne, Australia
- Three officers attending a Six Sigma Training conducted by Business Solutions in Australia
- Three managers attending a Certificate IV in Business Frontline Management
- Five officers attending an Electronics Records Management Skills Intensive Training Course
- Two officers attending the Annual CPA conference in Lae and Port Moresby
- Five officers attending 2007 Australian Superannuation Fund Association conference in Queensland

### 3) Professional Membership

- Eight officers affiliated to CPA PNG
- Two officers affiliated to PNG Institute of Architects
- One officer affiliated to Institute of Internal Auditors (PNG Chapter)

- Three officers affiliated to PNG Real Estate Association
- Five officers affiliated to PNG Institute of Directors
- Four officers affiliated to Australian Institute of Directors

## STAFF MOVEMENTS

During 2007, the Fund saw 10 departures of qualified and experienced staff with the majority being resignations. The Fund maintains fair and equal employment principles as far as gender, race, religion and ethnicity are concerned and that recruitment of men and women are based on merit and qualification.

### 4. Policy-related initiatives completed in 2007:

- Staff manual
- Staff handbook
- Staff training & development policy
- Nambawan Super HIV AIDS policy
- Motor vehicle policy
- Finance and administration policies & procedures
- Accounting manual
- Staff bonus policy
- Whistleblower policy

## WELL BEING PROGRAMS

The Fund has endeavoured to educate staff on the importance of balancing work and personal life by introducing physical activities in Netball, Corporate Touch, Rugby 9s, Indoor Cricket, Canoeing, Lawn Bowls, In-door Soccer and Aerobics sessions for female staff and charity luncheon events.

Staff level	National	Expatriate	Total
Fulltime	79	Nil	79
Contract	10	1	11
<b>Total</b>	<b>89</b>	<b>1</b>	<b>90</b>

## EMPLOYEE REMUNERATION

In accordance with BPNG prudential standard 3/2006, the number of employees of the Trustee company whose remuneration, allowances and benefits exceeded K100,000 are listed hereunder. Remuneration includes salary, housing allowance/benefit and employer superannuation.

Salary Range	No. of employees
101,000 - 150,000	5
151,000 - 200,000	2
201,000 - 500,000	1
501,000 - 800,000	1
<b>Total</b>	<b>9</b>

# Managing Director's Statement



## Dear Members

I have pleasure in reporting that while 2007 brought about many challenges, the Board, Management & Staff and its Core Service Providers responded by delivering better and improve performance records and results. Collectively, the Fund's roadmap, driven by the 5-Year Strategic Plan and the 2007 Business Plan, were the guiding manifesto in meeting the challenges faced in 2007.

The change from POSF to Nambawan Super was finally effected in 2007 which was also the year the Fund introduced a new motto " We Care For Your Future". Our new look identifies our new identity new feel and a new culture of forward thinking and strategically working towards a new future under a new brand. It is also about reminding ourselves about what it takes to be truly Nambawan.

We have benefited from five years of global economic growth, which in turn has fuelled our own national economic growth. We have also benefited from stability in the domestic, political and financial environments. At the macro level, this enabling environment has provided the platform for us to generate strong growth and performance results. Parallel credit must go to the Superannuation and legislative reforms and to the Bank of Papua New Guinea for its on-going endeavours in the prudential supervision of the superannuation industry. Then from within are Nambawan Super team, the Board, its Sub-committees, management and staff, strategic partners who have all collaboratively lifted the overall governance and performance of the Fund, including focusing on the objective of building and protecting members' retirement wealth.

While 2007 produced another record profit in asset growth and members interest crediting rate, we must note that we are part of the global economy, hence are susceptible to wider risk implications relating to world economic market cycles and political forces. It is therefore useful to remind ourselves that economic growth cycles, both globally and domestically, can go through cycles of growth and decline which is not possible to occur in the near future. We have certainly witnessed some of that slowing down trends towards the end of 2007. It is in recognition of this, that the Board and Management of Nambawan Super would like to caution members against unrealistic expectations of the Fund to paying double digit returns all of the time.

## FINANCIAL RESULTS:

Our Fund achieved 49% annual growth in total net assets, with after tax profits improving over the prior year. It took from before Independence to 2004 for the Fund to reach the first K1 billion. Thanks to the superannuation reforms, overall economic growth and improved Board and management performance, it has taken less than four years to reach the second K1 billion. This growth rate is further indication of the Fund's underlying strength in the spread and diversity of its investment portfolio, both in country and internationally as well as across different sectors of business. In short, the simple risk policy of not "putting all the eggs in one basket" is paying off.

The Fund earned a record after tax profit of K743 million from its operations enabling the Fund to credit Members, including Retirement Savings Account (RSA) Members with a 32% final interest rate, leaving K127 million in reserves that being 6% of net assets.

Improvements in Fund asset values were a result of improved returns across the board being on shares listed on the Port Moresby Stock Exchange, overseas shares listed on the Australian Stock Exchange, domestic unlisted shares and property, fixed interest investments and cash investments.

Growth in the international portfolio of unlisted alternative investments through Access Capital Advisors, who have the mandate to manage an investment portfolio of AUD\$120 million (K350 million), also contributed to this end result. This alternative mandate has positive risk characteristics including strong cash flow, secure customer base and zero correlation with stock markets in the management of market volatility risks.

### Interest credited to Members (2000 - 2007)

Year	'07	'06	'05	'04	'03	'02	'01	'00
	%	%	%	%	%	%	%	%
Gross Interest	32.0	16.0	20.0	15.5	19.0	10.0	10.0	10.0
Headline Inflation	3.2	1.6	4.6	2.4	8.4	14.8	10.3	10.0
Real rate of return	28.8	14.4	15.4	13.1	10.6	-4.8	-0.3	0

# Managing Director's Statement

Our long term investment objective is to achieve an average after tax return of at least 2.5% above the headline inflation rate with negative real returns in no more than one year in five. The real rate of return to members since the reforms in 2003 has averaged over 20%. The exceptionally strong returns over these past five years is attributable to political and financial stability in the country and strong commodity price growth.

## STRATEGIC FOCUS:

A major challenge for the Fund is to continuously raise member awareness and understanding about the changes to the governing superannuation legislation as well as its social impact on people's lives. We used the rebranding as a catalyst to conduct intensive public relations and marketing exercises engaging a variety of press and media organisations both nationally and regionally as the opportunities arose. You will note that these initiatives have focussed on promoting a savings culture viz-a-viz making your superannuation benefits work for you through your Retirement Savings Account particularly after retirement.

External market forces have also contributed to determining the Strategic Key Focus Areas (KFAs) in our 5 year plan. Management, through the annual business plan mechanism, has attempted to drive how the organisation responds and manages these changes at the strategic level, so as to achieve the objectives and outcomes stated under each key focus area.

Long term strategic planning for Nambawan Super continues to focus challenges that lie ahead and identifying ways to best manage them so as to optimise member interests. On an ongoing basis we are responding to challenges to do with compliance, risk, operations, member products and service delivery and growth for the Fund.

To ensure it satisfactorily achieved the objective under the nine KFAs, Nambawan Super realigned its organisational structure to one more appropriate to realistically delivering outcomes. The structure, which was transformed two years ago from a tall to a flatter structure. This meant laterally improving the scope of executive management performance capacity so as to better focus on functions to do with member servicing. The result is that in 2007, there were three general managers, the new and third position being the general manager member services. That decision is now allowing the Fund to concentrate on ways and means to improve our member services strategy.

## REBRANDING

The total change from POSF to Nambawan Super in June 2007 was to really reflect the significant transformation the Fund and its people had to go through as a result of the superannuation reforms and to basically make a broad statement in the spirit of the reforms that Nambawan Super is for all the people of Papua New Guinea. There is now a choice in superannuation funds for employers and employees. Nambawan Super is confident that it will continue to move forward and live up to its growing reputation as a customer and results oriented service provider.



*The Board and Management of Nambawan Super, and the Governor General of Papua New Guinea Grand Chief Sir Paulias Matane and Lady Kaludia toasting the name change from POSF to Nambawan Super.*

## NATIONAL REPRESENTATION THROUGH KIOSKS

In 2007, the Fund installed a further five (5) kiosks in Madang, Manus, Vanimo, Kiunga and Popondetta to add to the total of fourteen (14) already connected system in Alotau, Wewak, Kavieng, Goroka, Kimbe, Lae, Kokopo and Port Moresby. This strategy is allowing Nambawan Super to service its members in areas with physical office presence with the all important information channelling to allow members to their year-to-date statements; product information and provide updates of their bio-data details.

## WEB ENABLEMENT

I am pleased to report that Nambawan Super's new web enablement service for members was launched in August 2007. The web enablement service is a first for Papua New Guinea and was developed by using Acurity Software system which assists members' access statements and other pertinent information over the Internet. Members can get 'real-time' information at anytime from anywhere in the world via the Nambawan Super website - [www.nambawansuper.com.pg](http://www.nambawansuper.com.pg). Employer registration and user guides are also available online via the website.

# Managing Director's Statement

## **RETIREMENT SAVINGS ACCOUNT (RSA)**

The Board and management acknowledge that the RSA is quickly becoming a very important product and one that has the potential to grow. In 2007, Nambawan Super broadened its counselling services for retirees in 2007 resulting in the number of RSA account holders doubling from 218 at the end of 2006 to 512 at the end of 2007. The monetary value of RSA has also grown from K7.1 million to K11.9 million respectively. Targeted counselling was well advanced, aptly supported by a 90-second RSA educational television commercial in Tok Pisin and English aired during EMTV's prime time. Our aim here is to educate and encourage our retirees to leave their hard-earned savings in the superannuation facility so it can work to take care of them in the long term seems to be bearing results.

## **PRIVATE SECTOR MEMBERS, CASUAL AND ANCILLARY WORKERS**

By the end of 2007, Nambawan Super had 49 contributing private sector employers with Big Rooster (PNG) Limited staff voting to move to Nambawan Super from Nasfund. While Big Rooster Limited is 100% owned by the Fund, the decision to move was done by the staff themselves. An additional 7 semi government entities also joined the Fund, the main ones being the Mineral Resources Authority and Petromin. The Fund also saw an increase in casual and ancillary workers of the public sector starting to contribute to Nambawan Super.

## **NEW ALLIANCES**

We recognise the value of strategic alliances in offering discounts to members in areas like staff training and human resource development. To this end Nambawan Super has made arrangements with the Professional Staff Training Centre which conducts internationally accredited distance training courses. In December 2007, Nambawan Super signed a Memorandum of Understanding with Entrepreneurial Development Training Centre (EDTC) to provide personal viability courses and life skills to Fund members beginning with RSA members. The EDTC is commonly known as the grassroots university and its approach is about providing educations using a holistic approach.

## **EMPLOYER CONFERENCES AND PUBLIC OPEN DAYS**

As part of our awareness and education campaign Nambawan Super organised 4 regional conferences during the year in Port Moresby (Southern); Madang (Momase); Kavieng (New Guinea Islands) and Goroka

(Highlands). The two-day conferences were specifically designed for human resource and payroll officers.

An added feature of the conference was an open day for members of the public to attend and speak to Nambawan Super staff and our network partners.

Awareness and education focused on the long term preservation principal of retirement savings, as well as the superannuation reforms and how they affect members. Benefits processing and information on how members' funds are invested are also a source of much interest.

## **PAYMENT OF K250 MILLION FROM STATE / STATE'S UNFUNDED FUTURE LIABILITY**

The high interest crediting rate of the Fund over the last 5 years has also substantially increased the future liability of the State as it matches 1.4 times every Kina of interest credited to members.

We are therefore grateful to the Government in prepaying K250 million of its employer obligations at the end of the year and budgeting a further K150 million for 2008 over and above what is already required to be contributed.

While the unfunded future superannuation liability is estimated K2.5 billion at year end of 2007 the rate of increase in the States unfunded position, will slow significantly in the near future with the State contributing in full its 8.4% employer contributions commencing January 2009 onwards.

## **MEMBER HOUSING**

The Board and management recognise the critical need to contribute to means that help address housing needs of members and the country as a whole without compromising the basic charter of the Fund as a superannuation vehicle. The Fund was able to negotiate with Bank South Pacific and Kina Home Finance 90% finance for loans over 10 to 25 year terms for members. Previously lending conditions were 70 to 80% finance with maximum of 10 years terms.

We are progressing with Malolo Estate at 8 Mile just outside of Port Moresby, drawing on the experience from our pilot project and plan to build over 200 houses. Construction is planned to commence in the first quarter of 2008 and continue through to 2009. The Fund also owns 340 hectares of land at 9 Mile, enough for 4000 plus housing blocks. This will be the next major housing project after 8 Mile with other main centres of the country seriously being considered for future projects.

# Managing Director's Statement

By way of housing withdrawal assistance under the legislative provisions, the Fund advanced up to K23.0 million to 1,551 members in 2007 alone and that compared to the fact that for the seven years to 2007, the Fund has released a total of K73.5 million to over 5,600 members. This record in itself speaks volumes for that commitment we have in dealing with this most basic human need, housing and shelter.

## COMMUNITY SUPPORT THROUGH RELIEF

The board, management and staff in responding to the devastation caused by the floods and the effects of Cyclone Guba in the Oro and Milne bay provinces in November 2007 contributed K100,000 to the "Halivim Wantok Disaster Appeal". In the belief that PNG has become too dependent on external support, when its communities are in need, Nambawan Super's first ever contribution at this level, was partly to send the message that sometimes, we need to first find solutions to the problems that affect our people before seeking outside assistance.

Nambawan Super has approximately 480 members who work in the Oro Provincial Government. There are others in the Province who serve as Teachers, Police and Nurses, and many of these people would have been directly or indirectly affected by the disaster.

The Board recognises the important role Halivim Wantok Disaster Appeal will play as an appropriate vehicle for Papua New Guineans to move away from the 'dependency syndrome'. This is inline with our belief that we have to be seen to be helping ourselves, to find our own solutions to problems that affect us and our people.

## ON-GOING CHALLENGES;

Nambawan Super has a number of challenges ahead which are critical to the Fund remaining competitive while at the same time deriving optimum return for members. Of course, the extent to which these challenges can be effectively addressed requires simultaneous actions on a number of fronts including:-

- Carefully and sensitively managing member expectations following 5 consecutive years of double digit interest rates because factors beyond the control of Nambawan Super, are likely to force or cause a reduction in those rates of return. In fact, it would be naïve not to expect the Fund to at some point in the future credit members with single digit rates of return. Members need to know and prepare for this possibility.

- Rationalising and regularising member bio-data and record keeping of same is another key strategy of the Fund. Dealing with this challenge is a priority. We therefore ask members especially employers like the State to assist us as we work through resolving this long standing problem.
- Information about products and services for members and disseminating information to recipients within and outside the Fund can improve the awareness among members about the products and services offered by Nambawan Super. Within this priority area is another challenge and that is; growing the culture and the value of savings.

## SUMMARY

Members will be pleased about another record year of profits and rated interest crediting supported by a strong asset base and balance sheet. The Board and Management recognise that external factors and those beyond our direct control have largely contributed to this result.

I wish to sincerely thank the Board for its guidance and counsel, open, transparent and committed leadership. I also wish to thank the Board Committees, Audit & Risk, Investment, Membership and Nomination and Remuneration Committees for their input towards the good results of 2007. Our core services partners, Kina Funds Management, Kina Investment and Superannuation Services and property facility management team (Ashton Brunswick, M&E Partnership and Pacific Architects Consortium) also deserve a huge vote of thanks for their contribution to the Fund's outcomes.

In conclusion, as Managing Director, I am proud to be part of a group of dedicated and professional Papua New Guineans and together we make up the staff of Nambawan Super. It is the staff who are the people behind the organisation, who have truly embraced and taken ownership of the change process that has taken Nambawan Super to where it is now. To each and every staff member, thank you for the commitment, dedication and loyalty.

Tenk yu long yupela olgeta. Yumi mas wok waintaim ken long 2008 long halivim olgeta wan wan memba blong Nambawan Super.

## LEON BUSKENS

Managing Director

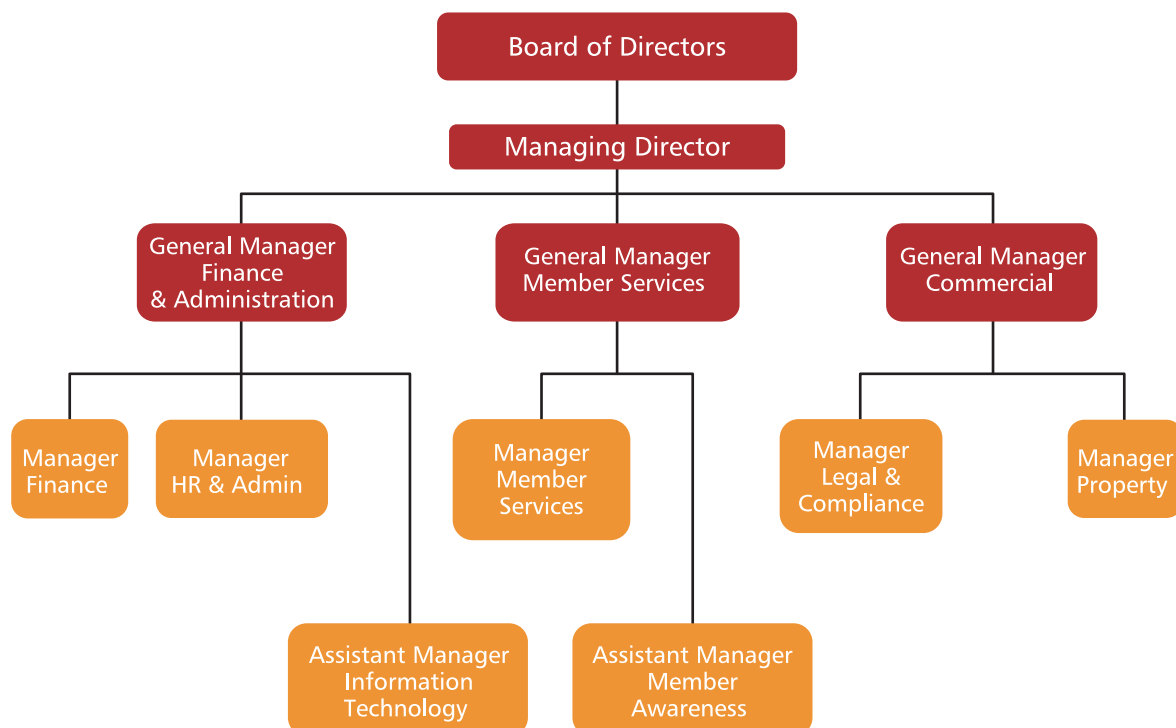
# Management Team & Structure



**Management Team from left to right front:**

Manager Legal - Ms Patricia Taureka, General Manager Finance & Administration- Ms Asi Pako, Manager Human Resource & Administration - Loka Kula.

Back row: General Manager Member Services - John Auna, Manager Finance - Hearty Kanaiat, Managing Director - Leon Buskens, Manager Property - Yuanimba Yinanguie, General Manager Commercial - Wayne Smith, Manager Member Services - Joseph Pupua



# Comparative Statistics Summary

		2007	2006	2005	2004	2003
<b>BALANCE SHEET</b>						
Net asset	K(m)	2,260.60	1,516.40	1,365.00	1,034.20	869.2
Net asset growth	%	49.1	11.1	32.0	19.0	21.0
Reserves	K(m)	149.3	100.2	134.6	32.1	37.0
<b>MEMBERS</b>						
Employee contributions	K(m)	62.3	63.0	60.2	44.6	47.1
Employer contributions	K(m)	286.8	29.0	36.4	34.1	15.2
Retirement savings account	K(m)	11.9	7.1	0.9	-	-
Total exit gross payouts	K(m)	166.2	165.1	103.4	74.2	64.0
Number of exit payments		3,220	3,548	2,908	2,314	3,854
Total pension payments	K(m)	7.1	5.5	2.1	2.2	2.1
Avg number of pensioners		670	1190	1,261	1,304	1,304
Number of RSA participants		512	218	19	-	-
Number of members		90,996	85,939	80,020	78,101	75,863
Avg wealth per member	K	24,851	17,645	17,058	13,241	11,435
<b>RETURN TO MEMBERS</b>						
Interest credited to members	%	32.0	16.0	20.0	15.5	19.0
Headline inflation rates	%	3.2	1.6	4.6	2.4	8.4
Real return to members	%	28.8	14.4	15.4	13.1	10.6
<b>INCOME (PER BPNG PS 3/06)</b>						
Total income before tax	K(m)	500.8	160.6	301.1	132.1	145.3
Net income after tax	K(m)	489.8	154.3	289.6	120.6	131.6
<b>INCOME (PER IFRS)</b>						
Total income before tax	K(m)	754.0	157.5	341.9	178.2	162.4
Net income after tax	K(m)	743.0	151.2	330.4	166.7	148.7
<b>TRUSTEE EXPENSES</b>						
Management expenses	K(m)	21.2	18.4	16.3	14.4	10.1
Management expense ratio	%	1.2	1.4	1.4	1.5	1.3

K(m) = Kina (million)

# Fund Administrator's Statement

## ■ KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED



The growing recognition by many Papua New Guineans of the importance of long term retirement savings through superannuation is reflected in another record year for the Nambawan Super Fund.

Customer service continues to be our major driver and the Fund has been rewarded with continued support of the more than 90,000 members. Kina Investments & Superannuation Services continues to provide world class standards in transaction services, with 98 percent of members' contributions successfully processed within 48 hours.

We are able to report a continuing number of new employers and members joining the Fund and the ongoing support of retirees in taking advantage of the Retirement Savings Account (RSA) savings product now available through the Fund.

The Fund continues to grow and prosper, taking advantage of the continuing global growth and the stability and confidence in the PNG economy, which has provided the enabling environment.

It has been pleasing to note the use of new IT facilities by members to track their superannuation and manage their options and needs. With the introduction of Web Enablement, the Fund recorded 3,000 hits during the first six months of operations following the launch in June 2007. Nambawan Super is the first Fund to introduce this new standard of service direct to its contributors, in addition to stand alone information kiosks located around the country.

A major measurement of the Fund has been the increase in the number of private companies joining in 2007, which saw 21 new companies contributing to the Fund.

This movement to the Nambawan Super Fund reinforces the freedom of choice achieved by the new superannuation reform legislation package introduced by the Government has achieved and creates incentives for superannuation funds to provide higher and improved quality customer service and product innovation through this competitive market process.

The Retirement Savings Account in 2007 attracted more than K9.7 million bringing the total to K16.9 million (2006:K7.1 million). Out of this K4.9 million was paid out as either partial withdrawals or full withdrawals leaving a net balance of K11.9 million for the year.

This further demonstrates that retirees continue to look for Nambawan Super to maintain the management of their funds in retirement and provide continuing financial security post retirement. RSA account members are credited with the same Fund earning rate of 32% which is significantly attractive compared to alternatives.

It is of interest to report that the fortnightly income option from the RSA balance has continued to be a popular option for retired members after this feature was introduced in 2006.

### 2007 YEAR IN REVIEW

Our Administration operation highlights for 2007 were:

- Welcomed more than 5,000 new members by end December.
- Fund size now more than 90,000 members
- Up to K23 million in Housing Advances processed comprising:

Types of housing withdrawal	Number of payments	Amount
Purchase of existing Urban dwelling	128	K2.5 million
Construction of New Urban dwelling	60	K1.1 million
Improvement /extension to Customary dwelling	305	K 3.5 million
Improvement/extension to Urban dwelling	298	K 4.8 million
Construction of house on customary land	760	K11.6 million



**PERFORMANCE:**

We continue to provide outstanding member service standards. A major performance measure is how the processing of the contributions and payments for the year are undertaken and achieved.

**CONTRIBUTIONS**

Contribution receipts processed to the value of K349.1 million (Employee K62.1million, Employer of K286.6 million and transfer from other funds K0.4 million). In December, the Fund received K250 million on account of the state's unfunded liability. 98% of members' contributions processed within 2 days of receipt.

**BENEFIT PAYMENTS**

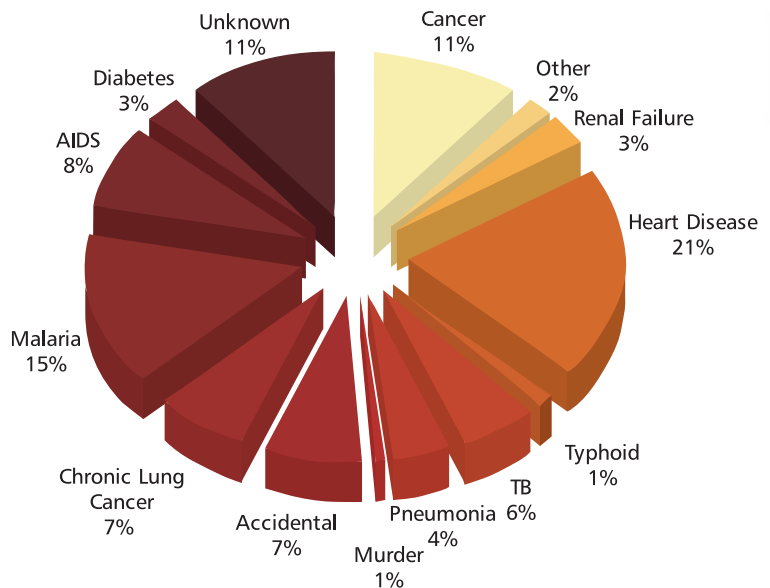
Benefit payments processed to the value of K166.2 million comprising:

Exit type	No. members	Amount
Resignation	1,032	K23.9 million
Retrenchment	1,104	K37.6 million
Retirement	916	K87.3 million
Death	673	K16.0 million
Unemployment	840	K1.4 million

The above amounts include state share portion that was paid by the Fund and invoiced to the State.

- 99% of members' benefits paid into bank accounts within seven days from initial submission.
- 824 pension payments processed fortnightly
- 46 Retirement Savings Account payments processed fortnightly

Death Statistics show a significant portion of member deaths are the result of heart disease. Nambawan Super is working hard to inform and educate its members about the importance of a healthy lifestyle for longevity.



**VISITATIONS AND ADMINISTRATION**

We are continuing to accommodate our members who do not have access to the internet. So far, 14 provinces have information kiosks installed to supply our members with Annual Member Statements and Monthly Balance Statement print outs that contain updated personal and financial information. The kiosks are proving to be a very popular resource to the members.

Kina Investment & Superannuation Services are committed to increasing services to all Nambawan Super members, not only those in urban centres, but to members across the nation.

Members can be assured that they remain our prime priority and we recognise them as important ambassadors supporting and growing the activities of the Fund.

**RICHARD DUNDON**

Fund Administration Manager  
Kina Investment & Superannuation Services Limited

# Investment Manager's Statement

## ■ KINA FUNDS MANAGEMENT LIMITED



The Investment Manager is pleased to provide to the Board of Nambawan Super its report on the performance of Fund investments for the year ended 31 December 2007.

Investments during the year delivered a solid investment result with record income of K515 million. The Fund's total investment portfolio has grown significantly from K1.3 billion in December 2006 to K1.9 billion as at 31st December 2007, reflecting an increase of K590 million or 44%.

The PNG stock market, in which the Fund has sizeable exposure, produced another year of double digit growth. Other asset sectors like unlisted domestic equities, properties and the performance of diversified international investments all played significant contribution to the performance of the Fund.

For the valuation of its unlisted domestic and international investments and properties, the Fund engaged the services of independent valuers.

The PNG National Government also played its share in the increment of the Fund size with a payment of K250 million at the end of the year demonstrating its commitment to reduce its unfunded liability to the Fund.

During the year, as part of the process of strengthening its risk management, an Investment Committee made up of the members from the Board, management and the investment manager was established to enhance the transparency and working relationship between the Board and Investment Manager.

To align with the changing domestic and international economic conditions, the Fund's current position and status, current availability of investment opportunities and its services to the members, the Investment Committee has recommended a revision of the current investment strategy to enhance capital preservation features, maintain the growth momentum, promote diversification and reduce volatility of movement in the investment portfolio.

Whilst the listed equity sector in PNG continues to be a significant source of growth for the Fund's investment portfolio, it is also an area that we are monitoring closely with a view to systemically reducing exposure to companies that the Fund has significant exposure over a period of time without compromising scope for future growth which we believe still exists within the sector.

In the unlisted equity sector domiciled in PNG, the eligibility criteria for investments were refined placing more emphasis on solid earnings, good cash flow and quality management. Other desirable features now expected of investments eligible for consideration within this sector are visibility of exit mechanism and contribution to community. Where opportunities arise that meet our investment return criteria we look at investments that support government development and policy initiatives.

The fixed income investment strategy will continue to focus on government issued bonds, high quality rated income products which include capital guarantee features or those which carry acceptable international credit ratings.

With the overall shortage of properties in the market, the revised property strategy now includes other main centres in PNG as possible investment destinations and covers a broader spectrum of property investments including industrial, residential and commercial properties with emphasis into the industrial sector which the Fund is underweight.

In the overseas listed sector, large capitalisation stocks with solid earnings history and potential, good cash flow and quality management are now being preferred over smaller capitalised companies. To reduce the impact of volatility in the combined listed investments sector, we are also strategically increasing alternative investments invested through Access Capital Advisors which have little or no correlation to price volatility on the stock exchange with the aim of a balanced exposure to developed and emerging markets.

## KONG EI WONG

Kina Funds Management Limited

# 2007 Investment Report

## 1. INVESTMENT STRATEGY

### 1.1 Investment Objectives

The primary purpose of the Fund is the preservation of members' contributions. The principal investment objective is to seek positive returns on funds invested without putting this basic purpose at risk.

Subject to on-going risk assessment, the investment objective is to seek an after tax return over time of at least 3% pa above CPI, with negative real returns in no more than one year in five.

### 1.2 Risk Management

In developing the investment strategy, the Board in consultation with the Investment Manager has analysed the risks of various forms of investment and sought to devise means of mitigating the risk. This involves the exclusion of investment in asset forms considered to have unacceptable level of risk and limits on exposure to individual assets. More generally, asset diversification seeks to mitigate risk through diversifying investment across different asset sectors and different markets.

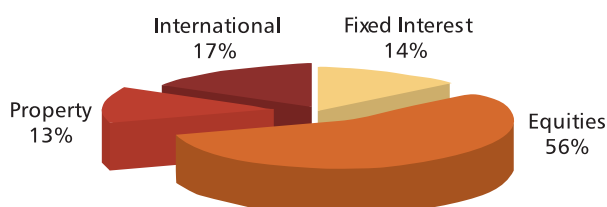
## 2. INVESTMENT PORTFOLIO PERFORMANCE

Total investment portfolio as at 31 December 2007 has grown by K590 million to K1,920 million over the year (2006:K1,330 million). The portfolio increased by 44%. The composition of the Investment Portfolio by asset class at the end of 2007 compared to year end 2006 is as follows:

Asset Class	Portfolio Value (K million)		% Holdings	
	2007	2006	2007	2006
	31 Dec	31 Dec	31 Dec	31 Dec
Fixed Interest	259	287	14	22
Equities	1,083	590	56	44
Property	248	193	13	15
International	330	260	17	19
<b>Total</b>	<b>1,920</b>	<b>1,330</b>	<b>100</b>	<b>100</b>

The allocation of the Fund's investment assets is shown in the graph below:

Investment Portfolio 31 December 2007



## 3. DOMESTIC INVESTMENT PORTFOLIO

### 3.1 Cash Portfolio

The Fund's cash portfolio comprises of Interest Bearing Deposits (IBD) and Treasury Bills (TB) with maturity up to 90 days. The Fund held a total of K302.8 million, however is classified under 'cash and cash equivalents'.

The portfolio is above the sector range of 0 - 5% to ensure regular short maturity dates to take advantage of possible interest rate rise and to cater for other up coming investments both domestic and international. The Fund received K250 million unfunded liability towards the end of the year.

### 3.2 Fixed Interest

The Fixed Interest Portfolio comprises government, semi government, corporate securities and debt including development loans beyond 90 days. This also includes TB and IBD with maturity of over 90 days.

The Fund was holding K259 million or 14% of the total portfolio in Fixed Interest at the end of 2007, which is below the sector range of 15-35%.

### 3.3 Equities

The equities portfolio consists of listed and unlisted equities. At the end of 2007, the Fund's equity portfolio was K1,083 million or 56%.

#### (a) Listed Equities

At the end of the year the listed portfolio carried a value K725.3

Table below show equities listed on Port Moresby Stocks Exchange (POMSoX) and Dual listed shares in POMSoX and Australian Stocks Exchange (ASX):

Listed Equities	Stock exchange	Industry/sector
Bank South Pacific	POMSoX	Banking/finance
Credit Corporation	POMSoX	Finance/property
Highlands Pacific	POMSoX/ASX	Mining
Lihir Gold Limited	POMSoX/ASX	Mining
Marengo		
Mining Limited	POMSoX/ASX	Mining
New Britain Palm Oil	POMSoX	Agriculture
Oil Search	POMSoX/ASX	Oil/gas/petroleum
Ramu Sugar	POMSoX	Agriculture

For year end valuations for dual listed stocks and offshore investments NSL applied the closing spot rate, arriving at a fair value gain of K300.7 million.

# 2007 Investment Report

## 3.3 Equities

### (b) Unlisted Equities

The portfolio size stood at K357.7 million. Apart from increases in the valuation of the portfolio, additional investments were made into this sector through Paradise Foods Limited and Coastwatchers Court Limited. The Fund as an existing shareholder exercised its pre-emptive right acquired an additional 68% of Arnott's PNG Limited from Arnott's Limited. Arnott's PNG Limited was subsequently renamed as Paradise Foods Limited after the completion of the acquisition. The Fund also invested funds in Coastwatchers Court (a property company which was set up to build and own 31 executive apartments in Port Moresby).

A new unlisted investment strategy and comprehensive investment selection criteria was introduced during the year to enable the assessing and undertaking of unlisted investments. These criteria emphasise various sound business benchmarks including solid earnings, good cash flow, quality management and good corporate governance. Minimum entry level, visibility of exit and community and social impact is also included as added desirable features of preferred investments.

The table below details the relevant unlisted companies together with the percentage holding:

Unlisted equities	Industry	% holding
Alotau International		
Hotel Limited	Hospitality	33
Paradise Food Limited	Food & snacks	85
Avis Rent A Car Limited	Motor vehicle hire	6
Big Rooster Limited	Fast Food	100
Brian Bell & Co. Limited	Wholesale retailing	34
Burns Philip (Ela Motors)	Motor vehicle dealership	4
Coastwatchers Court	Property	65
Hunter Limited	Property	30
Kumul Hotels Limited	Tourism/hospitality	55
Marsh Insurance		
Services Limited	Insurance broker	10
Moki No.10 Pty Limited	Real estate	100
PNG Water Limited	Utilities	30
Post Courier Limited	Media	21
SP Brewery Limited	Brewery/manufacturing	20
Westpac Bank Limited	Banking/finance	7

## 3.4 Property Portfolio

The property portfolio of the Fund constitutes commercial, residential, industrial and vacant lands. Total portfolio was valued at K248 million, which constitutes 13% of total portfolio and is below the sector range of 10% - 30% as required in the investment strategy. In light of the prevailing elevated demand for premium commercial and residential properties, a significant effort by KFM, NSL and its facility managers to improve this portfolio, have seen significant improvements in both physical and standards and financial results with savings in outgoing in properties.

The investment manager is also collaborating with the Fund to undertake major housing development programs such as Malolo Estate at 8 Mile in Port Moresby, with the possibility of extending the program to 9 Mile in Port Moresby and Mt Hagen.

These activities are guided by the requirements set out in the Fund's Investment Strategy and are aimed at diversification as a means of risk management.

Properties	Location
<b>COMMERCIAL</b>	
Aopi Centre	Port Moresby
Burns House	Port Moresby
Era Rumana	Port Moresby
Mogoru Moto	Port Moresby
Revenue Haus	Port Moresby
Vulupindi Haus	Port Moresby
IPI Building	Lae
Vele Rumana	Lae
Lightfoot Arcade	Madang
Ex Post PNG Building 4 Mile (Sec 387 Lot 20)	Port Moresby
<b>INDUSTRIAL</b>	
Bowmans (Gordons Industrial)	Port Moresby
Madang Service Station (BP)	Madang
Angco L1 S5 (Banz)	Mt Hagen
Angco L1 S6 (Banz)	Mt Hagen
Angco L2,3&5 S6 (Banz)	Mt Hagen
PNG Motors Building (Eriku)	Lae
Angco L5,6,19&20 S34	Lae
Ex Simkor Building (Sec 50 Lot 23)	Lae
<b>RESIDENTIAL</b>	
Bayside Apts	Port Moresby
Devon Lodge	Port Moresby
Lawes Rd Apts	Port Moresby
Pacific Vista	Port Moresby
Webb St. Apts	Port Moresby
Portion 212	Lae
Garden Hills	Port Moresby

# 2007 Investment Report

Properties	Location
<b>LAND</b>	
Bomana Property - Portion 1568,2124,2156-2159, Hunter Land (30%)	Port Moresby
Malolo Estate 8 Mile	Port Moresby
Kauka Heights	Port Moresby
Peachester - Portion 1539	Port Moresby
Tanga - Portion 989	Port Moresby
PNG Bags - Lot 3 Sec 82	Goroka
Wewak Land (Airport)	Wewak
Touaguba Block	Port Moresby
Old Squash Courts Land (Taurama)	Port Moresby
9 Mile Land	Port Moresby

#### 4. International Investment Portfolio

This consists of call accounts and term deposit, listed and unlisted managed fund, listed and unlisted Collateral Debt Obligation (CDO), listed Hybrid Securities and listed and unlisted equities. Holding was K330 million or 17% of the total portfolio within the sector range of 15% - 25%.

KFM engaged an offshore Investment Manager to invest and manage a target investment portfolio on behalf of NSL offshore.

Table below shows equities, CDO, hybrid securities and managed fund Listed in Australian Stock Exchange (ASX):

Listed equities	Stock exchange	Industry/sector
Bendigo Bank	ASX	Banking/finance
Allco Hybrid Investment trust	ASX	Investment/finance
Allco Max Securities & Mortgage Trust	ASX	Investment/finance
Alpha Financial Products Limited	ASX	Managed income notes
Babcock & Brown Limited	ASX	Banking/finance
Bougainville Copper	ASX	Mining
Commonwealth Bank of Australia	ASX	Banking/finance
Macquarie Infrastructure Group	ASX	Construction
Macquarie Media Group	ASX	Communication
Mahogany Capital Limited	ASX	Debt securities
Multiplex Sites Trust	ASX	Property diversified fund
Nexus Bonds Limited	ASX	Managed floating income notes
QM Technologies	ASX	Communication
River City Motorway Group	ASX	Infrastructure
Transurban Group	ASX	Infrastructure
Telstra Corporation Limited	ASX	Communication

Table below shows investment in unlisted equities:

Unlisted equities	Industry
ABN AMRO Social Infrastructure Trust	Infrastructure
AMP Capital China Fund	Equities fund
FKP Core Plus Fund	Property
Callable Accrual Range Securities	Investment/finance
Corsair (Jersey) No.2 Limited	Investment/finance
Cypress Tree Synthetic CDO Limited	Investment/finance
Herald Limited Series 24	Investment/finance

The following unlisted alternative investments with a total portfolio value of K185.9 million were undertaken and are managed by Access Capital Advisors; an investment manager based in Australia specialising in investing and managing alternative investments.

ACA managed investments:

Unlisted Equities	Industry
Carrix Inc	Infrastructure - maritime - US
Duke XIII	Investment/finance - US
FKP Core Plus Fund 1	Property - Australia
FKP Core Plus Trust 2	Property - Australia
Inglewood Farm	Agriculture - Australia
Isle of Man Steam Packet (IoMSP)	Sea transport - UK
Smarte Carte	Carte hire - US
Southern Water	Infrastructure, water, sewerage - UK
Spirit Finance Corporation	Property/finance - US
Tata Realty Investment Fund	Property - India

# Independent Auditors Report



**TO THE MEMBERS OF NAMBAWAN SUPER**  
(formerly Public Officers Superannuation)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Nambawan Super (formerly Public Officers Superannuation Fund) which comprise the balance sheet as at 31 December 2007 and the statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of Nambawan Super Limited, the Fund's Trustees, are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, other generally accepted accounting practice in Papua New Guinea and with the Superannuation ("General Provisions") Act 2000 requirements and Papua New Guinea Companies Act 1997. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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6th Floor Credit House  
Cuthbertson Street  
PO Box 484  
PORT MORESBY  
PAPUA NEW GUINEA  
Website: www.pwc.com.pg  
Telephone (675) 321 1500  
Facsimile (675) 321 1428

opinion on the effectiveness of the entity's internal control, An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, Superannuation ("General Provisions") Act 2000 and other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) in our opinion proper accounting records have been kept by the Fund, so far as appears from our examination of those records;
- ii) we have obtained all the information and explanations we have required; and
- iii) in conducting our audit we followed applicable independence requirements of CPA Papua New Guinea.

PriceWaterHouseCoopers

By: J C Seeto

Registered under the accountants act 1996

Port Moresby

17 March 2008

# Financial Statements

AS AT 31st DECEMBER 2007

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**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 K	2006 K
<b>REVENUE</b>			
<b>Investment income</b>			
Interest	3(a)	33,352,498	41,892,961
Dividends	3(b)	39,686,326	33,887,234
Property rentals	3(c)	36,210,608	28,111,472
Net gain on financial assets at fair value	3(d)	422,441,048	78,295,967
Less: Direct investment expenses	4(b)	(16,431,251)	(16,992,298)
		<b>515,259,229</b>	<b>165,195,336</b>
<b>Contribution income</b>			
Employer contributions		286,577,071	27,071,686
Members' contributions		62,132,477	61,612,356
Transfers from other funds		438,838	3,281,986
	11(a)	349,148,386	91,966,028
<b>Other income</b>	3(e)	4,492,855	8,106,996
<b>Other (losses)/gains - net</b>		-	1,015,727
		<b>4,492,855</b>	<b>9,122,723</b>
<b>Total</b>		<b>868,900,470</b>	<b>266,284,087</b>
<b>EXPENSES</b>			
General and administrative expenses	4(a)	18,970,750	13,700,327
Benefits paid (including housing withdrawals)		95,848,074	95,082,298
<b>Total</b>		<b>114,818,824</b>	<b>108,782,625</b>
<b>Total revenue less expenses and benefits paid before income tax</b>		<b>754,081,646</b>	<b>157,501,462</b>
Income tax expense	5(a)	10,985,299	6,342,296
<b>Total revenue less expenses and benefits paid after income tax</b>		<b>743,096,348</b>	<b>151,159,166</b>
Changes in revaluation reserve	9	1,049,277	253,500
		<b>744,145,624</b>	<b>151,412,666</b>
Net assets available to pay benefits at the beginning of the year		<b>1,516,428,966</b>	<b>1,365,016,300</b>
<b>Net assets available to pay benefits at the end of the financial year</b>	11	<b>2,260,574,590</b>	<b>1,516,428,966</b>

The above statement of changes in net assets should be read in conjunction with the accompanying notes to the financial statements



**STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 K	2006 K
<b>INVESTMENTS</b>			
Held to maturity (government stocks)	6(a)	235,230,206	258,239,177
Others investments held to maturity	6(b)	81,791,443	131,358,059
Loans and debentures	6(c)	24,300,000	23,850,000
Financial assets at fair value	6(d-f)	1,331,163,290	723,555,193
Investment properties	6(g)	247,572,393	193,369,846
<b>Total investments</b>		<b>1,920,057,331</b>	<b>1,330,372,275</b>
<b>OTHER ASSETS</b>			
Cash and cash equivalents	7	302,814,595	188,621,250
Trade receivables & other debtors	8	50,200,452	30,660,549
Current income tax refundable	5(b)	19,840,575	-
Property, plant and equipment	9	9,674,299	8,231,479
<b>Total other assets</b>		<b>382,529,921</b>	<b>227,513,278</b>
<b>Total assets</b>		<b>1,557,885,554</b>	<b>1,557,885,553</b>
Less:			
<b>LIABILITIES</b>			
Benefits payable		1,483,479	997,024
Trade and other creditors	10	37,235,793	33,669,997
Current income tax liabilities	5(b)	-	5,561,920
Deferred income tax liabilities	5(c)	3,293,390	1,227,647
<b>Total liabilities</b>		<b>42,012,662</b>	<b>41,456,588</b>
<b>Net assets available to pay benefits</b>	11	<b>2,260,574,590</b>	<b>1,516,428,966</b>

The above statement of net assets should be read in conjunction with the accompanying notes to the financial statements

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 K	2006 K
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest received on fixed interest securities		43,342,189	33,807,418
Dividends received	3(b)	39,686,326	33,887,234
Property rentals received		28,901,549	24,855,772
Employer contributions received		286,833,060	29,014,053
Member contributions received		62,315,326	62,951,975
State Share of benefit payments received		84,803,946	43,930,927
Other income and receipts		6,628,244	10,473,767
General administration expenses paid		(25,121,056)	(19,861,986)
Payment to suppliers and employees		(6,238,248)	(54,494,833)
Fund share of benefits paid (including housing withdrawals)		(95,848,074)	(95,082,298)
State share of benefits paid		(102,100,279)	(44,937,078)
Income tax paid	5(b)	(34,101,322)	(5,933,925)
Net cash provided by operating activities	15	289,101,661	18,611,026
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Receipt of development loan repayments		17,250,000	10,000,000
Loans advanced		(17,700,000)	-
Proceeds on maturity of government securities		82,352,777	306,119,985
Payment of purchase of government securities		(59,504,388)	(182,688,446)
Proceeds from other fixed interest securities – net		50,288,613	66,302,779
Payment for acquisition of shares in listed equities		(24,407,402)	(23,023,392)
Payment for acquisition of shares in unlisted equities		(57,672,954)	-
Payment for acquisition on shares in unlisted equities - offshore		(130,729,179)	(68,498,125)
Proceeds on sale of shares in listed equities		10,700,365	11,398,622
Payment for investment property development & acquisition		(33,747,946)	(23,455,716)
Payment for property, plant and equipment		(1,429,275)	(852,789)
Proceeds on sale of investment properties		-	162,132
Proceeds on sale of property, plant and equipment		-	488,171
Direct investment expenses paid		(10,308,927)	(10,830,639)
Net cash provided by/(used in) investing activities		(174,908,316)	85,122,582
Net increase/(decrease) in cash & cash equivalents held		114,193,345	103,733,608
Cash and cash equivalents at the beginning of the year		188,621,250	84,887,642
Cash and cash equivalents at the end of the year		302,814,595	188,621,250

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 2007

### 1 GENERAL INFORMATION

Effective 1 July 2007, the Fund changed its name from Public Officers Superannuation Fund to Nambawan Super.

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 launched a new post employment product for exiting members in the form of Retirement Savings Accounts. This facility allows members who exit the Fund to transfer all or part of their benefits to an RSA. The advantages of an RSA are the continued security of funds in retirement, the ability to make regular withdrawals from the account in line with retirement needs and earnings on RSA balances are free of tax where statutory levels of withdrawals are not exceeded.

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

Nambawan Super Limited is domiciled in PNG and the registered office is:

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

#### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the fair value adjustments to investments and other financial assets and liabilities at fair value through the statement of changes in net assets. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

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

#### (b) Revenue recognition

Investment income, comprising of interest on government securities, term deposits, debentures, loans and rental income, is brought to account on an accruals basis. Dividends from shares are accounted for on a cash received basis. Changes in the net market value of assets are recognised in the statement of changes in net assets in the periods in which they occur. Transfers from other funds are brought to account when received. Contribution revenue is recognised upon receipt.

#### (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 changes in net assets. Such balances are translated at year-end exchange rates at balance date. Translation differences on non-monetary items, such as equities held at fair value through the profit or loss are reported as part of the fair value gain or loss.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### (d) Property, plant and equipment

Land and buildings (except for investment properties) - refer to note 1(e) are shown at fair value based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

Land is not depreciated. Depreciation on other assets is calculated using the reducing balance method over the estimated useful life, as follows:

Buildings	4.5%
Furniture & fittings	At rates varying from 11.25% to 30.00%
Office equipment	At rates varying from 11.25% to 30.00%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of changes in net assets.

### (e) Investments

Assets of the Fund or plan assets that are treated as investments are recorded at fair value as at the reporting date and the changes in fair value are recognised in the statement of changes in net assets in the period in which they occur.

Listed shares are valued at balance date by reference to their market value and in the case of foreign denominated shares, are translated using the closing spot rate on that date. The closing spot rates used as at 31 December 2007 are:

AUD 0.4311 (2006:0.4414)

USD 0.3781 (2006:0.3490)

GBP 0.1895 (2006:0.1778)

Unlisted shares are valued at fair value at balance date, as determined by an independent professional valuer (Deloitte Touché Tohmatsu). The main factors used in determining fair value include a combination of dividend yield, net tangible asset backing and future maintainable earnings, as appropriate. Changes in fair values are included in the statement of changes in net assets as part of the fair value gain.

Investment properties are valued at fair value at balance date, determined by qualified independent professional valuers. The methods used to determine fair value is mainly based on 'market value for existing use'. The Professional Valuers of Papua New Guinea were engaged to undertake the valuation exercise in December 2007. Changes in fair value are recorded in the statement of changes in net assets as part of the fair value gain.

The Fund's interest in controlled entities are treated as plan assets or investments of the fund and these are measured at fair value.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### (f) Receivables

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

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

### (g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and where applicable, bank overdrafts.

### (h) Income tax

Tax effect accounting procedures are followed using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Income tax on temporary differences is set aside to the deferred tax liability and deferred tax asset accounts at current enacted tax rates. Deferred tax assets relating to deductible temporary differences and tax losses are only carried forward as an asset to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

### (i) Provisions

A provision is recognised when there is a present obligation to transfer economic benefits as a result of past events. The amount provided is the best estimate of the expenditure that would be required to settle the obligation that existed at the balance sheet date.

### (j) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, trade creditors and investments. These instruments are generally carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### (k) Employee benefits

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements are accrued at nominal amounts calculated having regard to period of service, statutory obligations and on the basis of current wage and salary rates.

### (l) Trade and other creditors

Trade and other creditors 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.

### (m) Benefits payable

Benefits payable are benefits attributable to members but had not been paid by balance date.

### (n) Liability for accrued benefits

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, inclusive of any statutory reserves and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of liabilities as at the reporting date.

### (o) Comparative figures

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

2007  
K

2006  
K

**3 INCOME**

The following categories of income were credited to the statement of changes in net assets:

**Investment income**

**(a) Interest**

*Interest from:*

Government securities	17,263,192	26,151,298
National government loan	1,670,501	976,660
Debentures and/or loans	2,733,000	3,135,591
Term deposits	11,685,805	11,629,412
	33,352,498	41,892,961

**(b) Dividends from investments**

Shares in listed securities	16,084,492	15,571,342
Shares in unlisted securities	23,601,834	18,315,892
	39,686,326	33,887,234

**(c) Property rental**

Gross rental income	36,210,608	28,111,472
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**(d) Changes recognised in relation to financial assets at fair value through changes in net assets**

Shares in listed securities	300,722,932	45,824,904
Shares in unlisted securities	86,375,475	21,956,300
Investment properties	35,342,641	10,514,763
	422,441,048	78,295,967

<b>Total investment income</b>	<b>531,690,480</b>	<b>182,187,634</b>
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**(e) Other income**

Directors fees received	100,847	128,900
Management fees	110,117	142,526
Profit/(loss) on assets disposed	3,272,116	(8,654)
Foreign exchange gain	-	4,900,346
Other income	1,009,775	2,943,877
	4,492,855	8,106,996

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 K	2006 K
<b>4 EXPENSES</b>		
Expenses charged to the statement of changes in net assets comprises:		
<b>(a) General and administrative expenses</b>		
Management expenses		
Staff	5,591,972	4,421,204
Vehicles	152,373	160,030
Travel	135,785	95,038
Professional fees	319,767	913,348
Auditors remuneration/ statutory audit services	173,500	150,000
Directors fees & expenses	755,808	444,017
Conferences	50,101	78,016
Office expenses	1,586,695	1,310,189
Staff housing	626,913	641,078
Office building expenses	157,497	175,229
	9,550,411	8,388,149
<b>Outsourcing expenses</b>		
Fund administration	2,026,967	1,659,997
<b>BPNG license fees</b>	409,075	1,522,703
<b>Contributor expenses</b>		
Contributor liaison	1,225,367	574,114
Life insurance expense	277,100	305,100
	1,502,467	879,214
<b>Other expenses</b>		
Bad debt written off	663,235	264,848
Depreciation on property plant and equipment	695,406	663,679
Loss on foreign exchange	3,722,123	-
Investment monitoring expenses	401,066	321,737
	5,481,830	1,250,264
<b>Total general and administrative expenses</b>	18,970,750	13,700,327
<b>(b) Direct investment expenses</b>		
Maintenance expenditure on investment properties	10,308,927	10,830,639
Investment managers fees	6,122,324	6,161,659
	16,431,251	16,992,298

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

2007  
K

2006  
K

**5 INCOME TAX**

The income tax charged on total revenues less expenses and benefits paid is determined as follows:

**(a) Income tax expense**

Profit before tax	754,081,646	157,501,462
Prima facie tax at 25%	188,520,412	39,375,366
Permanent differences:		
Accounting profit on fair value changes in investment properties	(8,835,660)	(2,628,691)
Accounting profit on fair value changes in equity investments	(96,774,602)	(16,945,301)
Foreign exchange (gain)/losses on capital account	-	(300,173)
Section 216 dividend rebate	(8,973,779)	(7,773,979)
Exempt dividends - section 42(3)	(666,552)	(697,830)
Tax depreciation on investment properties	(301,982)	(311,371)
Benefit paid to members	23,962,019	23,770,575
Employer contributions	(71,708,265)	(7,253,513)
Employee contributions	(15,529,694)	(15,716,527)
Others	-	(266,054)
Adjustment recognised in the current year in relation to prior years	1,293,402	(4,910,205)
<b>Income tax expense for the year</b>	<b>10,985,299</b>	<b>6,342,297</b>

**(b) Provision for income tax**

Prima facie tax payable at 25% (2006:25%) on total revenues less expenses and benefits paid before income tax	188,520,412	39,375,366
Tax effect of permanent differences	(178,828,515)	(28,122,864)
Tax effect of temporary differences	2,912,678	(438,219)
Tax paid - credit for interest withholding tax	(4,553,287)	(5,933,925)
Tax paid	(29,548,035)	-
	(21,496,747)	4,880,358
Prior year (over)/under provision	1,656,172	681,562
<b>Income tax payable/(refundable)</b>	<b>(19,840,575)</b>	<b>5,561,920</b>

**(c) Deferred tax liability**

Opening balance at the beginning of the year	1,227,647	999,140
Movement in year	2,912,678	(438,218)
Prior year	(846,935)	666,725
<b>Closing balance at the end of the year</b>	<b>3,293,390</b>	<b>1,227,647</b>
<b>Comprising:</b>		
Interest receivable	2,650,894	3,356,193
Rent receivable	3,684,295	1,674,231
Consumable stores	9,103	2,512
Prepaid insurance	35,632	16,770
Depreciation	13,565	(275,035)
Less:		
Employee benefits	(430,499)	(380,771)
Provision for doubtful debts/loans	(921,195)	(922,856)
Insurance payments – death claims	(1,393,939)	(1,443,202)
Other accruals	(354,466)	(800,195)
<b>Net deferred taxation</b>	<b>3,293,390</b>	<b>1,227,647</b>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

2007  
K

2006  
K

**6 INVESTMENTS**

Investments are made up as follows:

**(a) Held to maturity investments**

Government stocks & treasury bills

Balance at beginning of the year	258,239,177	381,670,717
Purchases during the year	59,504,388	182,688,444
Maturities during the year	(82,352,777)	(305,794,157)
Accumulated amortisation of premium	(160,582)	(325,828)
Balance at the end of the year	235,230,206	258,239,176

Investment in the government inscribed stock and treasury bills are carried at amortised cost. They are held to their maturity which varies between 2008 and 2021 and have a face value of approximately K230 million. (2006:K240 million). These deposits are held at an average coupon rate of 8% (2006:7%).

**(b) Others investments held to maturity**

Balance at beginning of the year	131,358,059	121,441,837
Deposits during the year:		
- offshore term deposit	-	29,490,058
- offshore fixed interest deposits	-	3,568,469
- institutional notes and bills	-	233,658
Deposits retired during the year:		
- offshore term deposit	(48,318,728)	(21,030,035)
- offshore fixed interest deposit	-	(2,345,928)
- institutional notes and bills	(1,969,885)	-
Fair value gain from change in net market value	721,997	-
Balance at end of the year	81,791,443	131,358,059

Other investments held to maturity are held at cost. They are held to maturity which varies between 2008 and 2013 and carry a fixed interest rate of 6% (2006:6%).

**(c) Loans and debentures**

*Companies*

Balance at the beginning of the year	23,850,000	23,850,000
Advances made	17,700,000	-
Payments received	(17,250,000)	-
Balance at the end of the year	24,300,000	23,850,000

The loans attract interest at an average rate of 12% (2006:12%). Interest is repayable monthly and the principal is repayable in accordance with the respective loan agreements, which varies between 2009 and 2017.

**(d) Financial assets - unlisted shares (onshore)**

Balance at the beginning of the year	184,275,870	162,612,870
Investments during the year	57,672,954	-
Others	19,122,505	(663,000)
Fair value gain from change in net market value	93,694,176	22,326,000
Balance at the end of the year	354,765,505	184,275,870

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 K	2006 K		
<b>6 INVESTMENTS</b>				
<b>(e) Financial assets - unlisted shares (offshore)</b>				
Balance at beginning of year	70,322,595	-		
Investments during the year	130,729,179	70,692,295		
Fair value gain from change in net market value	(8,040,696)	(369,700)		
Balance at the end of the year	193,011,078	70,322,595		
<b>(f) Financial assets - listed shares</b>				
Balance at the beginning of the year	468,956,729	410,382,713		
Investments during the year	24,407,402	23,023,392		
Divestments during the year	(10,700,356)	(10,274,280)		
Fair value gain from change in net market value - refer note 3(d)	300,722,932	45,824,904		
Balance at the end of the year	783,386,707	468,956,729		
<b>(g) Investment properties</b>				
Balance at the beginning of the year	193,369,846	162,385,317		
Additions	6,209,478	11,031,594		
Others	9,766,027	3,237,346		
Capital works in progress	2,884,401	6,200,826		
Fair value gain from change in net market value - refer note 3(d)	35,342,641	10,514,763		
Balance at the end of the year	247,572,393	193,369,846		
<b>Total investments</b>	<b>1,920,057,331</b>	<b>1,330,372,275</b>		
Amounts recognised in Statement of Changes in Net Assets for investment properties:				
Rental Income:	36,210,608	28,111,472		
Direct operating expenses	(10,308,927)	(10,830,639)		
Net rental income for the year	25,901,681	17,280,833		
<b>(h) Asset Allocation</b>				
<b>Asset class</b>	<b>Portfolio value K(million)</b>	<b>Percentage holdings</b>		
	31-Dec-07	31-Dec-06		
Fixed Interest	260	287		
Equities	1083	590		
Property	247	193		
International	330	260		
<b>Total</b>	<b>1,920</b>	<b>1,330</b>		
	31-Dec-07	31-Dec-06		
	14	22		
	56	44		
	13	15		
	17	20		
	<b>100.0</b>	<b>100.00</b>		
<b>(i) Single investment exceeding 5% of the net assets are as follows:</b>				
<b>Investment</b>	<b>Type</b>	<b>Shareholding %</b>	<b>% of net asset</b>	<b>Value K (million)</b>
Bank South Pacific	Listed equity	11	16	353
Bank of PNG	GIS & T/Bills	-	11	233
Credit Corporation	Listed equity	15	6	141
Oil Search	Listed equity	1	6	130

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**6 INVESTMENTS**

**(j) Sensitivity analysis**

Particulars	Decline in share price by 10.00%	Movement in exchange rates by 10.00%
Impact to Total portfolio in kina value (million)	79.34	51.42
Impact to total portfolio in percentage	4.3	2.79

If the share price moved up or down by 10% the investment portfolio will increase or decrease by K79.34 million or 4.3%. If the exchange rate moved up or down by 10% the investment portfolio will increase or decrease by K51.4 million or 2.8%.

**(k) Valuation methodology**

Unlisted equities - onshore	Industry	Valuation Method	Earnings Multiple	% shareholding	Value K (million)
Alotau International Hotel Limited	Hotel	Net assets	-	33	1.2
Avis Rent A Car Limited	M/vehicle hire	FME	4	6	0.3
Big Rooster Limited	Fast food	FME	3	100	1.3
Brian Bell & Company Limited	Wholesale/retail	FME	5	34	26.4
Coastwatchers Court Limited	Property	-	-	65	19.1
Ela Motors (PNG) Limited	Motor vehicle	FME	6	4	6.2
Hunter Limited	Property	Net assets	-	30	4.6
Kumul Hotels Limited	Hotel	FME	8	55	61.6
Marsh Insurance (PNG) Limited	Insurance broker	FME	5	10	1.0
Moki No.10 Limited	Real estate	Net assets	-	100	30.9
Paradise Food Limited	Food & Snacks	FME	7	85	67.8
PNG Water Limited	Utilities/Water wholesaler	FME	4	30	10.5
Post Courier Limited	Media	FME	4	21	1.2
SP Brewery Limited	Brewery/manufacturing	FME	7.5	20	83.9
Westpac Bank (PNG) Limited	Banking & finance	FME	6	7	38.5
					354.7

Coastwatchers Court Limited is being carried at cost due to finalisation of construction in late December 2007.

Net assets - net assets on a going concern

FME - future maintainable earnings

DY - dividend yield

Unlisted equities - offshore	Industry	Value K (million)
ABN Amro Social Infrastructure	Infrastructure	7.1
Smart Carte International	Carte hire	24.3
Isle of Man Steam Packet	Sea transport	23.4
FKP Core Plus Fund	Property	31.4
Spirit Finance Corporation	Property/finance	17.0
Inglewood Farms	Agriculture	17.6
Duke Funding XIII	Investment/finance	2.3
Southern Water	Infrastructure/water/sewerage	31.6
Carrix Inc:	Infrastructure	33.5
Tata Reality Initiatives Fund	Property	0.9
FKP Core Plus Fund 2	Property	4.0
		193.0

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b> K	<b>2006</b> K
<b>7 CASH AND CASH EQUIVALENTS</b>		
Bank balance	(8,147,230)	562,715
Cash in hand	2,759	2,759
Term deposits	8,095,145	9,393,289
Term deposit (maturities within 90 days)	302,863,921	178,662,487
	<b>302,814,595</b>	<b>188,621,250</b>

<b>8 TRADE RECEIVABLES &amp; OTHER DEBTORS</b>		
Rental debtors	14,737,182	6,696,922
Less: Provision for doubtful debts	(1,329,150)	(914,085)
	13,408,032	5,782,837
Staff housing scheme and advances	373,295	388,966
Sundry debtors	7,811,458	1,069,977
State share of benefits	20,597,157	2,732,805
Accrued interest income	8,010,510	20,685,964
	<b>50,200,452</b>	<b>30,660,549</b>

**9 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 6. The valuation of land and building is fair value being the amount for which the asset could be exchanged between willing parties in an arm's length transaction based on current market prices in active market for similar properties in the same location and condition. The 2007 revaluations were based on independent assessments made by The Professional Valuers of PNG as at 31 December 2007. The revaluation surplus was credited to asset revaluation reserve (note 11(e)).

	Land & building	HOUSING Plant & equipment	Land & building	OFFICE BUILDING Furniture & fittings	Plant & equipment	VEHICLES Motor vehicles	Total
<b>Cost of revaluation</b>							
At 1 January 2007	1,491,392	237,192	4,222,500	1,577,822	2,422,521	1,358,393	11,309,820
Additions	1,131,392	10,794	-	24,481	141,124	121,484	1,429,275
Revaluation increment	766,776	-	282,500	-	-	-	1,049,276
Disposal	(315,185)	(48,608)	-	-	-	-	(363,793)
At 31 December 2007	3,074,375	199,378	4,505,000	1,602,303	2,563,645	1,479,877	13,424,578
<b>Accumulated depreciation</b>							
At 1 January 2007	180,309	118,403	450,933	623,089	945,432	760,176	3,078,342
Depreciation	19,454	18,910	1,407	107,535	344,338	203,762	695,406
Disposals	(3,330)	(20,137)	-	-	-	-	(23,468)
At 31 December 2007	196,433	117,175	452,340	730,624	1,289,770	963,938	3,750,280
<b>Net book value</b>							
At 31 December 07	2,877,942	82,203	4,052,660	871,678	1,273,875	515,939	9,674,299
At 31 December 06	1,311,082	118,789	3,771,567	954,734	1,477,089	598,217	8,231,478

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 K	2006 K
<b>10 TRADE AND OTHER CREDITORS</b>		
Trade creditors	9,851,959	8,014,934
Other creditors	4,772,850	3,743,290
Rental bond fees	1,869,513	1,643,350
Member insurance payable	5,575,754	5,772,807
State-share received in advance	6,883,337	6,165,149
State pension liability	6,720,000	6,720,000
Employee provisions	1,562,380	1,610,467
	<b>37,235,793</b>	<b>33,669,997</b>

**11 LIABILITY FOR ACCRUED BENEFITS AND RESERVES**

Liability for accrued benefits is represented by contributor funds, contributor housing withdrawals, pensioner funds and retirement savings accounts. Contributor funds are credited with contributions on a cash received basis. For 2007, interest allocated to contributor funds was determined on member balances at a rate of 32% (2006:16%) based on a 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% or from members' entitlements at the time of exit.

**(a) Contributor funds**

Balance at the beginning of the year	1,389,440,378	1,185,329,071
Add:		
Members contributions received during the year	62,132,477	61,612,356
Employer contributions received during the year	286,577,071	27,071,686
Transfers from other funds	438,838	3,281,986
Interest allocation	413,655,189	179,605,047
	<b>2,152,243,953</b>	<b>1,456,900,146</b>
Deduct:		
Member benefits paid during the year*	(67,319,421)	(66,554,574)
Unemployment benefits paid	(1,396,571)	(905,194)
	<b>(68,715,992)</b>	<b>(67,459,768)</b>
	<b>2,083,527,961</b>	<b>1,389,440,378</b>
* Benefits payment details:		
Resignation	11,958,042	8,686,003
Retrenchment	16,327,658	28,914,490
Retirement	31,578,375	23,132,695
Death	7,455,346	5,821,386
	<b>67,319,421</b>	<b>66,554,574</b>

**(b) Contributor housing withdrawals**

Balance at the beginning of the year	(45,447,178)	(25,485,872)
Advances or member withdrawals	(23,318,637)	(22,300,475)
Repayments received	3,314,258	2,339,169
Balance at the end of the year	<b>(65,451,557)</b>	<b>(45,447,178)</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 K	2006 K
<b>11 LIABILITY FOR ACCRUED BENEFITS AND RESERVES</b>		
<b>(c) Pensioner funds</b>		
Balance at the beginning of the year	65,086,359	69,648,232
Payments during the year	(7,127,703)	(7,661,223)
Allocation during the year	23,279,226	3,099,350
Balance at the end of the year	<u>81,237,882</u>	<u>65,086,359</u>
The brought forward balance of pensioner funds was independently actuarially assessed as adequate in June 2006 by Mercer Human Resource Consulting. The Board and management are of the view that there has not been a material change in the underlying assumptions and that the provision continues to be adequate to fund the ongoing pension liability.		
<b>Total contributor &amp; pensioner funds</b>	<b>2,099,314,286</b>	<b>1,409,079,559</b>
<b>(d) Retirement savings account</b>		
Balance at the beginning of the year	7,119,076	895,781
Transfers during the year	4,806,064	6,223,295
	<u>11,925,140</u>	<u>7,119,076</u>
Interest allocation for RSA members is included in note 11(a)		
<b>(e) Retained reserves</b>		
Retained earnings and reserve	147,541,005	99,485,449
Fixed Asset revaluation reserve	1,794,158	744,882
	<u>149,335,164</u>	<u>100,230,331</u>
<b>Total liability for accrued benefits and reserves</b>	<b>2,260,574,590</b>	<b>1,516,428,966</b>
<b>Additional note on reserves:</b>		
(i) Property plant & equipment revaluation reserve - this reserve represents increment in the valuation of property plant & equipment that are used as administration office and to accommodate senior managers and senior staff.		
(ii) As at 31 December 2007 the Bank of PNG reviewed the level of permitted reserves and decided to allow reserves up to a maximum 6% of net assets.		

**12 FUNDING ARRANGEMENTS**

At the end of 2007 the future unfunded liability of the State to members is estimated to be K2,507.9 million (2006:K1,596 million), which is not included in the "Liability for Accrued Benefits".

**(a) Exited members**

Before 2003, employer obligations, being obligations of the State of PNG, were met on an emerging basis. As members exited the Fund, the State was legally obliged to match the benefit accruing to the member from the member's contributions in the ratio of 8.4% to 6%. The total benefit was paid to the member by the Fund, with the State reimbursing the Fund for its share.

**(b) Employer contributions**

From 2003, employers commenced remitting directly to the Fund the full 8.4% employer contributions on behalf of their members. The State was only required to contribute 25% of the 8.4% employer contribution for 2003 and 2004, 50% for 2005 and 2006, 75% for 2007 and 2008 and 100% from 2009 onwards. As contributions are only recognised on a cash basis, the total amount owing by the State is not recognised in the Fund's statement of net assets.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 13 FINANCIAL INSTRUMENTS

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) Use of derivative financial instruments**

The Fund's investment manager generally does not use derivative financial instruments.

**(b) Credit risk exposures**

The Fund has no significant concentrations of credit risk. It has policies in place to ensure that there is an appropriate spread of risk. The Fund does not have any significant exposure to any individual counterparty or industry.

**(c) Interest rate risk exposures**

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.

**(d) Currency risk exposures**

The Fund is exposed to foreign exchange rate movements on international investments. It does not have any specific hedging policies to mitigate against this risk but the Fund does monitor the impact of this risk on an ongoing basis and has determined that the current exposure does not constitute a material risk for the Fund.

**(e) Share price risk exposures**

The Fund is exposed to equity securities price risk. These arises from investments held by the Fund and are classified on the statement of net assets as financial assets at fair value.

**(f) Net fair values of financial assets and liabilities**

The Fund's financial assets and liabilities are included in the statement of net assets at amounts that approximate net fair value.

### 14 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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

- 31 January 2008 - loss of K21 million
- 29 February 2008 - gain of K39 million
- 17 March 2008 (date of this report) - gain of K12 million

2007	2006
K	K

### 15 NOTES TO THE STATEMENT OF CASH FLOWS

**Cash and cash equivalents**

For the purpose of this statement of cash flows, cash includes cash on hand and on call deposits with banks and is net of bank overdrafts. Cash as at the end of the year as shown in the statement of cash flows is reconciled to the related item in the statement of assets as follows:

Cash on hand	2,759	2,759
IBD deposits (maturities up to 90 days)	302,863,921	178,662,487
Bank call deposits	8,095,145	9,393,289
Balance at Bank	(8,147,230)	562,715
	302,814,595	188,621,250

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 K	2006 K
<b>15 NOTES TO THE STATEMENT OF CASH FLOWS</b>		
Reconciliation of cash flow from operations with total revenues less expenses and benefits paid		
Total revenues less expenses and benefits paid after income tax	743,096,348	151,159,166
Add/(less) non-cash items:		
Depreciation on property, plant and equipment	695,406	663,679
Depreciation on investment property assets	846,265	673,876
Loss on disposal of property, plant and equipment	-	42,743
Loss on disposal of investment property assets	-	66,637
Profit on sale of shares in listed equities	(3,506,875)	(1,015,727)
Profit on sale of shares in unlisted equities direct investment expenses	10,308,927	10,830,639
Fair value gain arising from changes in net market value of investments	(422,441,048)	(78,295,967)
Net cash provided by operating activities before change in assets and liabilities	328,999,022	84,125,046
Changes in assets and liabilities during the year:		
(Increase)/decrease in receivables	(19,539,903)	(9,835,436)
Increase/(decrease) in benefits payable	(486,457)	(59,976)
Increase/(decrease) in trade and other creditors	3,465,751	(55,982,331)
Increase/(decrease) in current income tax liabilities	(25,402,495)	135,216
Increase/(decrease) in deferred income tax liabilities	2,065,743	228,507
Cash flow from operating activities	289,101,661	18,611,026

**16 RELATED PARTY DISCLOSURES**

- (a) The Trustee of the Fund throughout the year was NSL Limited. 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:
- |                       |                   |
|-----------------------|-------------------|
| Sir Nagora Bogan, KBE | Mr Kerenga Kua    |
| Mr Ravu Vagi          | Lady Aivu Tauvasa |
| Mr Greg Taylor        | Mr Leon Buskens   |
- (b) During the financial year the Fund earned interest on term deposits of K157,053 (2006:K148,118) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management. As at 31 December 2007, the term deposits placed with Kina Finance Limited were K6.1 million (2006:K5.0 million). These transactions were carried out on commercial terms and rates.
- (c) As at 31 December 2007, Moki N0.10 Limited fully repaid interest on loan of K9.8 million and principal amount of K12.5 million.
- (d) Big Rooster (PNG) Limited is a wholly owned investment of Nambawan Super. As at 31 December 2007 Big Rooster owed Nambawan Super a sum of K13,916 (2006:K13,916) which is included under debtors.
- (e) Lawes Road apartments is jointly owned by Nambawan Super and Comrade Trustee (50% each). The Fund manages the apartments and as at 31 December 2007 owed K526,503 (2006:K452,256) to Comrade Trustees.
- (f) Nambawan Super has 85% shareholding in Paradise Foods Limited. In the books this is recorded as an investment in unlisted equity.
- (g) Nambawan Super has 65% shareholding in Coastwatchers Court Limited, a company which owns a 32 apartment residences in Port Moresby. All apartments are currently leased out through a real estate agent.
- (h) Nambawan Super has 50% shareholding in Pacific Building Services Management, a newly established lift maintenance company.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 17 CONTINGENT LIABILITIES

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

The Fund over invoiced the Independent State of Papua New Guinea ("the State") for its share of pension payments and therefore a provision based on management's best estimates of K6.72 million was made as at 31 December 2003.

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

#### (b) Litigation Claims

The Fund received a number of litigation claims, including claiming damages for unfair rental lease cancellation, claims relating to member withdrawals and post employment benefit claims. The board of directors have reviewed these cases and will take the appropriate course of action to defend, then in the Board's view, none of these claims are expected to result in significant losses to the Fund.

### 18 DIRECTORS DISCLOSURE

Name	Nature of Interest	Companies
Sir Nagora Bogan	Director	Coprez Holdings Limited, Inventive Nook Limited Coprez Communications Limited James Cook Limited Ahi Holdings Limited
	Director/CEO Manager	In Touch Media Limited FM Morobe Limited
	Director as NSL nominee	Bank South Pacific Limited Paradise Food Limited
	Member	Lutheran Church of PNG
Kerenga Kua	Director	Endeyaudu Limited Fikor Limited Finance Corporation Limited
	Partner Provision of Legal services	Posman Kua Aisi Lawyers Nambawan Super Limited Kina Funds Management Limited ANZ Bank (PNG) Limited QBE Insurance (PNG) Limited Big Rooster (PNG) Limited
	Director as NSL nominee	
	Director	TFG International Limited (Australia)
Gregory Taylor	Director as NSL nominee	Kumul Hotels Limited Marsh Insurance Limited Paradise Foods Limited
Ravu Vagi	Director as NSL nominee	Big Rooster (PNG) Limited
Lady Aivu Tauvasa	Director as NSL nominee	Kumul Hotels Limited
Leon Buskens	Shareholder	Bambi Elementary School
	Director as NSL nominee	Brian Bell & Company Limited Moki No.10 Limited Alotau International Hotel Credit Corporation Limited Coastwatchers Court Limited
	Independent Director	Telikom Limited Transparency International

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**18 DIRECTORS DISCLOSURE**

Directors remuneration						
Name of director	Total remuneration	Board meetings attended	Audit & risk committee meetings attended	Membership committee meetings attended	Investment committee meetings attended	
Sir Nagora Bogan	K52,500	4/4	4/4	-	6/10	
Kerenga Kua	K42,000	4/4	-	2/4	-	
Aivu Tauvasa	K38,068	4/4	-	-	-	
Greg Taylor	K100,833	4/4	-	-	10/10	
Ravu Vagi	K38,280	4/4	-	3/4	-	

**19 SENIOR MANAGEMENT DISCLOSURE**

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

Name	Nature of interest	Company
Wayne Smith	Director as NSL nominee	Kumul Hotels Limited
		Hunter Limited
		Big Rooster (PNG) Limited
		Brian Bell & Company Limited
		Coastwatchers Court Limited
		Moki No.10 Limited
Ms Asi Pako	Director as NSL nominee	Pacific Building Services Maintenance Limited
		Kumul Hotels Limited
		Hunter Limited
		Big Rooster (PNG) Limited
		Pacific Building Services Maintenance Limited

**20 SPECIAL DISCLOSURE**

- (a) Reconciliation between International Financial Reporting Standards (IAS 26) and BPNG Superannuation Prudential Standard 3/2006.

These financial statements of Nambawan Super were prepared in compliance with International Financial Reporting Standards (IFRS).

Effective 30th June 2006 the Bank of Papua New Guinea issued Superannuation Prudential Standard 3/2006 - "Financial Statements - Format & Disclosure Requirements" for compliance by all superannuation funds in Papua New Guinea.

The distinctive difference between the two formats is that under the applicable IFRS, contribution income and benefits payments are taken directly to the statement of changes in net assets whereas under BPNG Prudential Standard 3/2006 these items are taken to the statement of changes in members funds. Due to the difference in treatment, the profit before income tax under applicable IFRS and BPNG Prudential Standard differs by K253,300,312 (2006:K3,116,269) reconciled as follows:

	Applicable IFRS 2007	PNG Prudential Standard 3/2006 2007	Applicable IFRS 2006	BPNG Prudential Standard 3/2006 2006
Operating income	113,742,287	113,742,287	113,014,390	113,014,390
Fair value gains	406,009,797	406,009,797	61,303,669	61,303,669
Contribution income *	349,148,386	-	91,966,028	-
	868,900,470	519,752,084	266,284,087	174,318,059
Less:				
Operating expenses	18,970,750	18,970,750	13,700,327	13,700,327
Benefit payments	95,848,074	-	95,082,298	-
	114,818,824	18,970,750	108,782,625	13,700,327
Net income before tax	754,081,646	500,781,334	157,501,462	160,617,732

\* In December 2007 the Fund received K250 million from the State as partial settlement of its outstanding share of contributions.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

2007  
K

2006  
K

**20 SPECIAL DISCLOSURE**

(b) Operating statement - in accordance with BPNG Prudential Standards 3/2006

**Income**

Interest income	33,352,498	41,892,961
Dividend income	39,686,326	33,887,234
Property rental income	36,210,608	28,111,472
Movement in fair value of investments	422,441,049	78,295,967
Less: Direct investment expenses	(16,431,251)	(16,992,298)
Other income	4,492,855	9,122,723
	519,752,085	174,318,059

**Expenditure**

Administrative expenses	8,457,910	7,775,182
Trustee fees	271,681	97,195
Board fees & expenses	484,127	246,822
Fund administrator's fees	2,026,967	1,659,997
BPNG regulatory charges	409,075	1,522,703
Depreciation of property, plant & equipment	695,406	663,679
Donations	170,500	105,900
Advertising	668,661	339,053
Other operating expenses	5,786,423	1,189,796
	18,970,750	13,700,327

Operating surplus before tax	500,781,335	160,617,732
Less: Income tax expense	(10,985,299)	(6,342,296)
Operating surplus after tax	489,796,036	154,275,436

Direct investment expenses include Investment Managers' fee of K6,122,324

**DECLARATION BY TRUSTEE**

In our opinion the accompanying statement of changes in net assets, statement of net assets, statement of cash flows, together with the notes to and forming part of the financial statements, have been properly drawn up so as to respectively exhibit a true and fair view of state of affairs of the Fund as at 31 December 2007 and its performance for the year then ended.

For and on behalf of the board of directors of the trustee.



SIR NAGORA BOGAN  
Chairman of Board



MR KERENGA KUA  
Deputy Chairman of Board

**DECLARATION BY MANAGEMENT**

In our opinion the accompanying statement of changes in net assets, statement of net assets, statement of cash flows, together with the notes to and forming part of the accounts, have been properly drawn up so as to respectively exhibit a true and fair state of affairs of the Fund as at 31 December 2007 and its performance for the year then ended. We are of the opinion that:

- (a) the results of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal character;
- (b) no circumstances have arisen which would render any amount shown in the statements misleading;
- (c) the current assets of the Fund, including debtors, are expected to realise in the ordinary course of business at least the value at which they are included in the statement; there are no contingent liabilities that could materially affect the ability of the Fund to meet its obligations as and when they become due.



MR LEON BUSKENS  
Managing Director



MS ASI PAKO  
General Manager Finance & Administration



[www.nambawansuper.com.pg](http://www.nambawansuper.com.pg)