



2016
Annual Report



“building our future”

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Mission, Vision & Corporate Values

Vision

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

Mission

To provide financial security for our Members and their families.

Corporate Values

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

Customer

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

Innovation

Constantly seeking new and innovative ways to manage our operations while fully meeting members needs;

Accountability

Taking responsibility for what we say and do;

Team Work

Working together in the knowledge and understanding that collectively our decisions and actions can make a difference;

Transparency

Ensuring that our decisions are guided by policies fully endorsed by our members;

Professionalism

Committing to continuously improving, learning and applying world's best practice in whatever we do; and

Integrity

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

Our Key Competencies

Operational

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

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

Adopting & Grow

Organisational management principles which are conducive Change to allow niche growth opportunities; and

Relationship

Maintaining

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

Chairman's Statement



Chairman's Statement

Anthony Smaré | Chairman

On behalf of the Nambawan Super Board, it is my pleasure to present the 2016 Annual Report.

Nambawan's key highlights in 2016:

- K404 million in after tax profit,
- K5.8 billion in net assets,
- 159,989 members,
- 23,825 members doing voluntary contributions including 3,011 Choice Super members,
- 3,867 members for Retirement Savings Account.

The Board is pleased with the overall results of the Fund for its Members given the challenging year economically for Papua New Guinea in 2016. Nambawan has recorded a profit of K404 million in after-tax profit which has enabled the Fund to give a 9% crediting rate to our member's accounts. The 9% crediting rate has also been applied to the balances of the Retirement Savings Accounts (RSAs) of retired members as well as those who are still yet to be paid their unfunded State component by the State.

The strong profit achieved in 2016 was a result of prudent careful management of investments, good governance and a strong focus on realized gains. We know that our members have found the downturn of the last four years challenging,

but in that time Nambawan Super has been able to achieve total profits of K1.4 billion, growing the fund from K3.7 billion in 2012 to K5.8 billion today, and accruing significant benefits for members. It is worth noting that with the 9% crediting rate for 2016, NSL has achieved its investment objectives of averaging CPI + 2% for the last four years.

This is an opportune time to take stock. The last three years has been a period of restoration for the fund wherein the fund resolved legacy challenges, particularly in relation to risk management, investment strategy and transactional efficiency. Important decisions were made to address those areas, the first being the introduction of relevant expertise to the Board and Management. The fund's investment strategy was overhauled, focusing on realized gains, and establishing internal investment capacity in the fund, coupled with a dispassionate review of all of the Fund's investments, particularly property and unlisted equity. A stronger risk culture was fostered with a boost to internal audit capability. Financial reporting and compliance have



improved with significant investment in technology, training and leadership. The fund's relationship with members was made paramount with significant investment in improving the membership experience and transactional efficiency - which saw the implementation of initiatives such as 24 hour turnaround for member's queries, establishment of a call center with best practice functionality, and the use of mobile phone applications among the more notable. In 2016, the Fund saw the departure of three important contributors to the efforts described above – director and Chair of the Fund's Audit & Risk Committee Bruce Wilson stepped down from the board due to family reasons, CEO Garry Tunstall retired at the end of his employment contract, and Chief Financial Officer Chetan Chopra took up a role with another

Chairman's Statement - cont.

Anthony Smaré | Chairman

organization in which the Fund is a core investor. These gentlemen go with the gratitude of the Board, the staff and members of the Fund for their leadership, dedicated service and their contribution to the tremendous progress made by the Fund over the last three years as outlined above.

So what opportunities do the next three years hold for the Fund? In my view a leap needs to be

made in deepening the relationship with the members, with the fund learning more about the needs and circumstances of its members and their families to ensure that it becomes a more effective partner for its members' financial well being through new products and services. Technology will play an important role in this leap, and to that end, the board has created a Technology subcommittee, to oversee the fund's ICT strategy, looking at new technology and approaches such as block chain and artificial intelligence. We are proud that Nambawan Super is the first organisation in the country with a Technology board committee. The Fund also needs to continue to take strategic long term investment positions in key parts of the PNG economy that will grow strongly over the next twenty years.

The Fund will look to sectors that

will grow in the next twenty years, particularly in relation to the new economy and energy and must do so with an eye on the impact of the fourth industrial revolution will have on the PNG economy. The Fund will also continue its renewal of our property portfolio with iconic large precinct developments, in the same vein as our new iconic Nambawan Super Plaza development in the Port Moresby CBD.

The biggest challenge that the Fund must resolve in the next 12 months is the unfunded superannuation liability that the State owes to a significant number of NSL members. The issue has not been adequately addressed over the past 20 years, and it ranks as the State's biggest liability issue which may become insurmountable if the Fund continues its level of growth. The existing process as outlined in the



Superannuation Act, whereby the State pays an exiting employee the unfunded superannuation it owes them at retirement is not working as intended as the State does not adequately prioritise its obligations to the affected employees over other demands for State resources. This has led to the situation where 2,348 members are still waiting for the State Share contributions amounting to K96.24 million since December 2015.

Accordingly, in accordance with the Trustee's statutory and common law duties to its members, Nambawan

Super has had to take legal action against the State on behalf of the exited members to whom the State owes these unfunded superannuation arrears. Despite the court action, the State and the Fund are working cooperatively on various options, to moderate the State's unfunded superannuation liability. The Trustees directors and I are committed to resolving the unfunded liability issue in full, one way or another, to the benefit of our affected members.

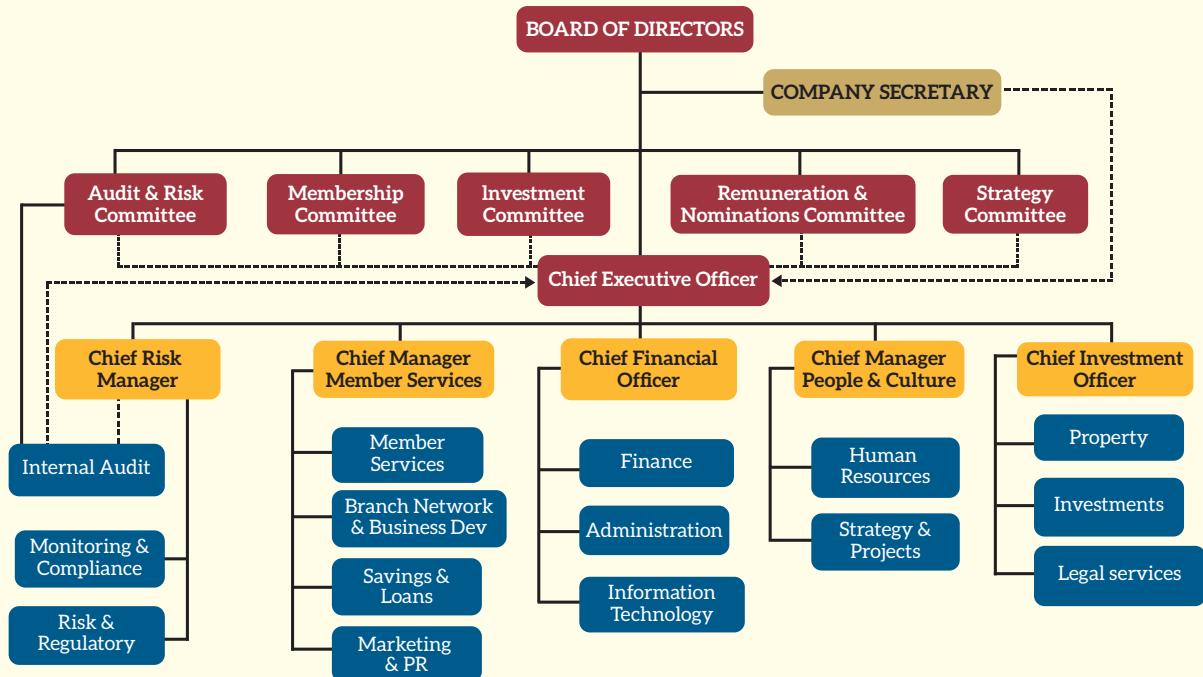
In summary, dear Members, your fund Nambawan Super has had

a solid year in 2016 despite the challenging economy and we are tracking well in our plan to build a world class superannuation fund. On behalf of my board, and the management and staff of the Fund, I thank all Members and our stakeholders throughout our beautiful country for your continued trust and loyal support.



Anthony Smaré
Chairman of the Board

NSL ORGANISATIONAL STRUCTURE



Board of Directors



Board of Directors



ANTHONY SMARÉ
Chairman

Director since August 2012

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



LADY AIVU TAUVASA
Deputy Chairperson

*Non-Executive Director
Director since September 2014*

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



LESIELI TAVIRI
Non-Executive Director

Director since September 2014

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

Board of Directors - cont.



REGINALD MONAGI
Non-Executive Director
Director since September 2014

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



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

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



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

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



ALAN KAM

Non-Executive Director
Director since March 2014

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

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



LUTZ HEIM

Non-Executive Director
Director since July 2016

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



BRUCE WILSON

Non-Executive Director
Director since January 2014

Mr Bruce Wilson was previously the Chief Financial Officer of Sunsuper, Brisbane for 13 years and has over 30 years' experience in financial management. Mr Wilson has held a number of senior positions with Kern Corporation, Bank of Queensland and First Australian Building Society Limited. Other positions include Member Elected Director of the Bank of Queensland Limited Officers Superannuation Fund, Member of The Smith Family, Queensland Development Board, Member of Accounting Standards and Audit Practices Committee (Institute of Chartered Accountants, Queensland), Founding Chairman of Chartered Accountants in Business Committee (Qld). Mr Wilson is Chairman of the Audit & Risk Committee and a member of the Investment Committee.

Chief Executive Officer's Statement



Chief Executive Officer's Statement

Garry Tunstall | CEO

Nambawan Super continued to see improvements in technology and constant innovation to reshape and transform customer experiences for our members whilst still being able to provide the best returns possible given market conditions.

However, members are disappointed that the State continues to not meet its obligations and pay the overdue unfunded component and overdue unfunded payments for retiring public sector workers. Management whilst continually trying to collect these funds remain frustrated by a lack of capacity.



Financial Results and Returns

Given the difficult local economic situation, our members will be pleased to hear that the fund made 9 percent interest for its members. I know members will always expect high returns, however, members should also realize that this may not always be possible as investments that NSL make can fluctuate in value at any given time. Notwithstanding the continual movement in the economic conditions and shifting investment markets, members can rest assured NSL will always endeavor to do what is in their best interests.

New Direction

In 2016, NSL wanted to ensure all members were aware of our services and capabilities so made a significant push to educate and provide financial literacy around the country. A considerable number of employer and employee based

programs and open air events were conducted in Lae, Mt Hagen, Goroka, Kokopo, Madang, Arawa, Kerema and other towns. These events concentrated on giving members the right to ask questions and to quiz executive management and to seek new products and services that may suit them in the future. The Fund has gained some valuable insights from its members and will be working towards building new products in the future. NSL also placed a great deal of effort into brand awareness through increased strong radio, television and other media promotion. This has seen NSL become very popular in the market to a point where it is regarded by 83% of participants through marketing surveys as preferred to other Funds. Just this alone has seen terrific opportunity for growth in the business and a number of employers knocking on our doors for service. This was a

totally different story a couple of years ago.

NSL has revitalized its strategic agenda and is in the process of developing a forward operational and technology based platform to take it forward for the next 5 years. This will help take the fund to the next level of growth and innovation.

New Office Premises

NSL moved into a new Head office known as Deloitte Haus (previously old parliament house) with space specifically designed to meet the future needs of the Fund. Apart from the great view overlooking the harbour the new office has a very modern look and is much more spacious and comfortable for member and client interaction. The fit out is based on the best practice open office where management and staff communicate and work together as a team. Work also

Chief Executive Officer's Statement - cont.

Garry Tunstall | CEO



commenced on another major project next to Deloitte Haus called Nambawan Plaza which will comprise of two residential towers, boutique shops, and restaurants.

A new modern Islands regional office was opened in Kokopo becoming the fourth regional centre to receive a major facelift after Lae, Goroka and Aopi Centre in Waigani. The next in line is the Mt Hagen office which should start in the coming year. NSL is still pushing to better service our members in outlying and rural areas through our agreement established with Post PNG that has enabled the fund to use their offices to expand and develop our distribution reach. NSL expects to be able to connect to over 30 different locations throughout the country, close to doubling its current distribution network.

This is a fantastic avenue for NSL to provide real service to those members that generally cannot get any service in the more remote areas. We hope to continue to develop and plan for member outreach in the years ahead.

Call centre

Our members will be proud to know that Nambawan Super now has a state-of-the-art Call Centre. The call centre exceeds international benchmarks with 98% of calls being answered within 5 seconds. The World Bank (IFC) benchmark is that

80% of calls have to be responded to within 20 seconds. To make it easier for our members we have successfully unified its Call Centre number which is now 1599. This should reduce the cognitive load for members so they can easily remember only one number. This ensures Nambawan members and stakeholders can easily remember one Call Centre number and be serviced promptly.

Improved Governance & Culture

We now have a stronger internal audit and risk management focus and governance with annual plans and appointment and development of staff. We are proud to say that we have not had any fraud for the past several years due to stringent and tight operating processes and procedure. Our culture of continuous improvement and change has seen the organization transform to ensure members are serviced in all that they want within a 24 hour timeline. There is still a great deal to do to improve and achieve this goal however members can be assured that the team is working in conjunction with its service providers to achieve this end.

To make sure our staff provide the best service for our members NSL has invested in staff training and development in 2016. These trainings are aimed at breeding a new team of people that are totally committed to members and

getting results. All staff have spent at least one full day learning about other areas of the business and cross skilling and training within respective departments is a key objective.

Another important area that we have been working hard on is improving our governance in terms of monitoring and reporting to the NSL Board on investments. In this regard we now have all our major investee company Boards with an NSL Representative Director so that the Fund can keep up to date and monitor performance of the investments. It is also important for our Funds Manager (Kina Funds Management) to keep up to date monitoring processes for Investments. This then supplements assessments and monitoring by NSL management to ensure trends are heading in the right direction. There has been considerable work undertaken to rectify a number of longstanding and difficult legacy issues, particularly in the property investment space. We have sold a number of properties that were not providing the returns required and have planned to divest a number of others in the New Year. Of course we are also developing new property investments to take over from the old ones sold and have great plans for residential, office and retail space in the Port Moresby area in the coming couple of years.

Savings & Loans

The Society continues to grow and produce good results including in better meeting the needs of its members. There were two particular milestones in 2016 which were the establishment of a new Board for the Society, which, spent considerable time and effort developing a 2017-2019 Strategic Business Plan for the Society. An important consideration under that Plan is a more generous loan ratio to be introduced in 2018.

It is also pleasing to note that NSLS has successfully migrated to a new system that has seen improved turnaround times for service to members. The new system has a number of technology enhancements for members including SMS, online capability and mobile telephone applications. This services will most certainly reduce waiting queues at our branches as members will now be able to obtain an up to date account balance, apply for loans, make withdrawals at the push of a button without having to personally visit our branches.

Farewell

I would also like to announce that this is my last year with Nambawan Super. I wish to express sincere thanks to all the wonderful staff that have worked diligently to often long hours to meet the strategic agenda set for them. It has all been for the benefit of you the

members and your families. I also take this opportunity to thank all the individuals and associations who have helped Nambawan Super throughout 2016. It would be remiss of me not personally thank you all for your support, assistance and guidance over the last 3 years plus of my tenure with the fund.

Similarly, I wish to convey my personal appreciation to our regulator the Bank of Papua New Guinea for the tremendous support and guidance provided during my tenure. To the Chairman and Board of Directors of Nambawan Super I wish you continued success and achievements for the benefits of our members. We have assembled an outstanding group of people that are all aligned to work hard in our Members best interests and this is certainly evident by our results in 2016.

A tremendous effort by all concerned and well done.



Garry Tunstall
Chief Executive Officer

Human Resources Report



Human Resources Report

Nambawan Super in 2016

Our People

As the leading Superannuation Industry in the country, Nambawan Super prioritizes to serve the best interest of its members. In order to meet this, we need to retain and attract the best people with the right qualifications, skills, abilities and attitude to work closely with members allowing them to reach their potential.

Starting 2015, NSL has set a benchmark to recruit people with University Qualifications to help service our members.

Our Culture

Building a work environment where culture is conducive for productive employees is an important aspect for Nambawan Super. The People & Culture Team have created culture change initiatives to motivate employees. One of the highlights for 2016 was the NSL Fun Day which was hosted at the Taurama Aquatic Centre. The fun day was an incentive to include staff and their families to enjoy a day of fun and laughter. Other initiatives included the biggest loser competition, Mix and Mingle with staff and the Fantastic Quiz Competition.

Learning and Development

Learning and Development is an important aspect in Nambawan Super as we operate in a dynamic environment where the business is influenced by external factors. The current economic, climate, legislative and regulatory changes are the factors that affect the flow of the business and our people need to be equipped with the information and resources to stay in line with the demands of our operation. In 2016 all NSL Staff in line with their individual Development Plan undertook learning and development activities over the course of the year, including short courses, conference and seminar

attendance, extension studies and overseas training.

Highlights for 2016

- Eight graduates took part in the second graduate development program.
- Hosted NSL's first ever outdoor fun event at Taurama Aquatic Centre.
- Move to New Office Space (Deloitte Haus).
- Overall, employee engagement in 2016 was 77.2% compared to 73% in 2015.
- Benchmark for training was 6080 hours.

Senior Management Salaries

The following table shows the number of employees in different salary bands during 2016.

Salary range	No. of employees
K100,000 – K150,000	21
K150,000 – K200,000	5
K200,000 – K 250,000	2
K250,000 – K 300,000	2
K300,000 –K600,000	4
K600,000 – K 750,000	1
K750,000 – K 800,000	2
K800,000 – K 900,000	1
K901,000 – K 1,500,000	1

Management Team



Garry Tunstall
Chief Executive
Officer



Vere Arava
Chief Financial
Officer



Charlie Gilichibi
Chief Manager
Member Services



Loka Niumatairua
Chief Manager
People & Culture



Dr. Stephen Nash
Chief Investment
Officer



Andrew Esler
General Manager
Property



Leo Kamara
Chief Risk Officer



Patricia Taureka
Company Secretary



Salamat Chapau
Senior Finance
Manager



Rebecca Habitein
Manager Finance



Presley Semi
Head of PMO & IT



Chris Mota
Manager
Member Services



Thomas Opa
Manager
Branch Network



Raymond Palangat
Manager
PR & Marketing



George Koi
Manager Legal



Rossie Kambua
Manager
Internal Audit

Corporate Governance



Corporate Governance

Nambawan Super (“the Fund”) is a defined contribution fund (accumulation fund), approved under the Superannuation General Provisions Act 2000. The Fund is governed by the Board of Directors of Nambawan Super Limited, the Fund’s Corporate Trustee (“the Trustee”).

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

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

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

The BPNG Superannuation Prudential Standard 7/2012

Corporate Governance sets out specific requirements for Board Structure as well as Board responsibilities including investment, risk management and remuneration for License Holders and its officers to ensure that Licence Holders are prudently managed and that reasoned, informed and impartial decisions are made in the best interest of the members of ASF’s.

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

As of 31 December 2016 the Committee comprised Mr Bruce

Wilson as Chairman, Mr Reginald Monagi, Mrs Lesieli Taviri and Mr Lutz Heim as committee members with David Guinn as External Expert.

The Remuneration and Nomination Committee has two key roles: to help the Board set appropriate, fair and responsible remuneration practices and to identify suitable candidates to fill vacancies on the Board, Standing Committees and from the Executive Management as they arise. As at 31 December 2016 the committee comprised Professor Albert Mellam as Chairman, Mr Anthony Smare, Lady Aivu Tausava, Professor David Kavanamur, Mr Alan Kam and Mrs Lesieli Taviri as committee members.

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

Corporate Governance - cont.

on risks evaluated placements. As at 31 December 2016, the committee comprised Mr Alan Kam as Chairman, Mr Anthony Smare, Mr Reginald Monagi and Mr Lutz Heim as committee members.

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

During the year the Membership Committee discussed and made determinations on a wide range of issues on behalf of Members, including timely recording of Member's contributions, reducing the State contribution arrears, benefit payments, Nambawan

The composition of the Committee is key to its ability to represent Fund Member's interests and give them a strong voice.



Savings & Loans Society and Retirement Savings Account issues, Housing Advances, Member communications, group life insurance and proposed superannuation legislative amendments.

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

At the end of December 2016 the Committee comprised Directors of Nambawan Super Limited, Lady Aivu Tauvasa as Chairlady, Professor Albert Mellam, Professor David Kavanamur, Reginald Monagi and from union representatives, Martin Kenehe from PNG Teachers

Association, Santee Margis from PNG Energy Workers Union, Helen Are'e from Amalgamated General Workers Union, Dumo Mamato from PNG Fire Fighters Union, Lowa Tambua from PNG Police Association, Damien Aiyebaibai from Correctional Services Employees' Association, Fredrick Kebai from the PNG Nurses Association and Emma Faiteli from the Public Employers Association.

Fund Administrator's Statement

Kina Investment & Superannuation Services Limited

2016 YEAR IN REVIEW

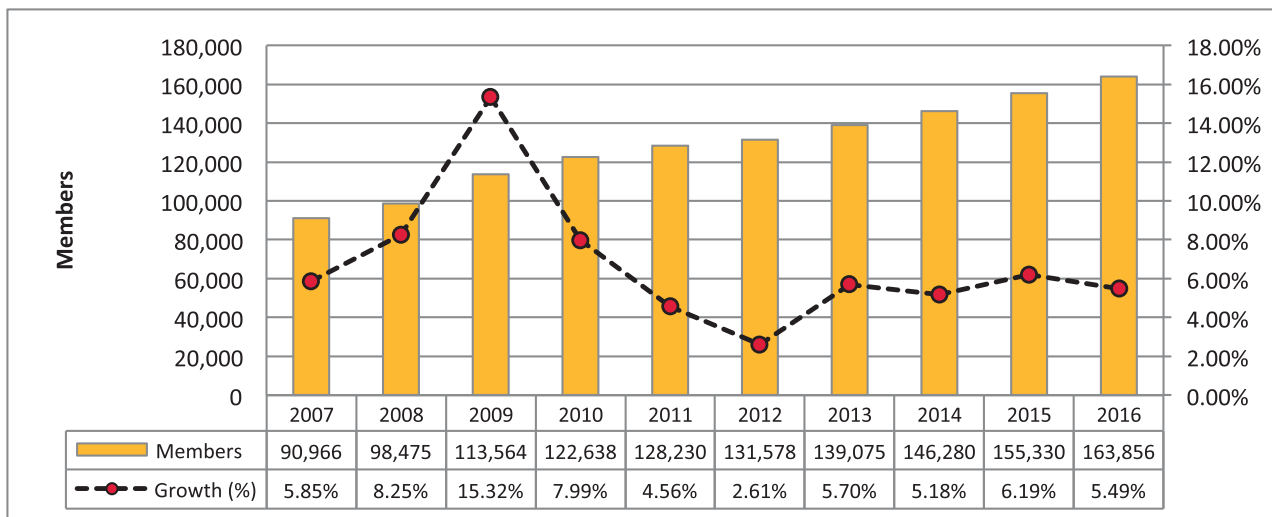
Delivering superior customer service is and has always been our highest priority and we are therefore pleased to have completed 99.98% of all member/employer requests within our agreed service level of one day. This result was achieved through continuous improvement and streamlining of administration processes and upgrades to the technology that supports our fund administration services.

It is also pleasing to see growth in the number of members using the Super Text, Super Online and the Super Mobile Application to connect with their superannuation and better plan for their retirement.

We continued to invest in our people to arm them with the skills they need to service Nambawan Super and its members, and to help them to be leaders in the Superannuation Industry. Throughout the year, all staff completed training from the Association of Superannuation Funds of Australia (ASFA) including Ms. Sharon Punau who become the first Papua New Guinean to graduate with the Diploma in Superannuation.

FUND MEMBERSHIP

Membership numbers increased by 5.49% from 155,330 to 163,856 throughout the year. Total membership consists of 121,145 active members; 38,844 inactive members and 3,867 Retirement Savings Account (RSA) members. Total funds under administration were K5.18 billion including K135 million for RSA members. Over the past 10 years membership numbers have increased by an average 6.71% p.a. 33% (54,658) of the total. Fund members are however, yet to provide all bio data particularly their 'Date of Birth'. We would encourage members to identify themselves at a Namabwan Super office and provide these details as this will help us service you even better.





RETIREMENT SAVINGS ACCOUNT (RSA)

In 2016, the number of Retirement Savings Account holders increased from 3,686 to 3,867, with member funds totalling K135 million. K47 million was paid to members throughout the year which was the highest amount since 2005 when the RSA product was first launched.

RSA Payment Type	2015		2016	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Full Benefit Payment	524	K6.50	646	K7.68
Death Benefit	52	K2.82	38	K1.43
Partial Payment	4,521	K30.05	5,633	K34.71
Regular Fortnight	4,247	K3.70	7,810	K3.18
Total	9,344	K43.07	14,127	K47.00

CHOICE SUPER

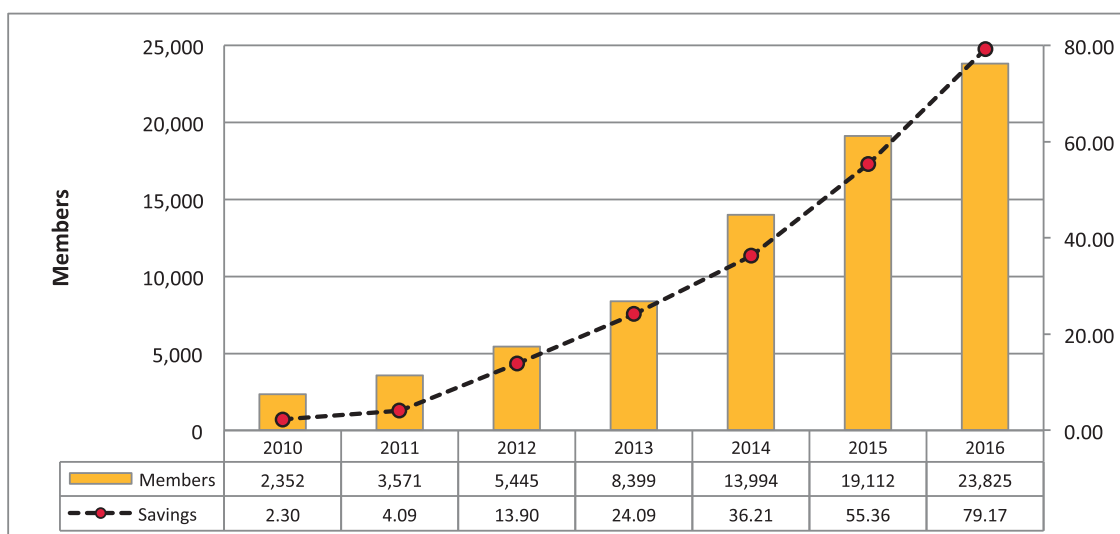
A total of 1,326 new members joined the Choice Super Fund during the year, bringing the total number of members to 3,011, and total savings to K2.16 million. This is a positive result as the aim of this product is to enable informal sector workers to contribute funds for their retirement.

CONTRIBUTIONS

Total contributions for the year 2016 were K465.06 million which consists of K309.5 million from the government on behalf of public servants and K155.56 million from private sector companies.

VOLUNTARY CONTRIBUTIONS

There was a significant increase in voluntary contributions in 2016, up 43% from the previous year from K55.36 million to K79.17 million. This was mainly driven by an increased number of members opting to make extra contributions towards their retirement savings in the same period. There are now 23,825 members making voluntary contributions and these members will enjoy healthier account balances.





BENEFIT PAYMENTS

A total of 6,307 benefit payments were processed during the year, totalling K224.02 million.

Super Exits	2015		2016	
	No. of Payments	Amount K(million)	No. of Payments	Amount K(million)
Resignation, Retrenchment, Retirement, Termination, Transfers out	5,051	K323.30	3,611	K175.98
Death Benefits	644	K74.98	571	K44.76
Monthly Unemployment Benefits	2,448	K2.89	2,304	K2.85

HOUSING ADVANCE

In 2016, K30.28 million in housing advances were paid out on behalf of 2,245 members who applied for the purpose of building a house or improving their existing houses.

TOGETHER IT'S POSSIBLE

Kina Investments and Superannuation Services prides itself on supporting Namabwan Super by providing members and employers with the best customer service possible. To make this happen we continue to invest in our people and technology, as well as offering members additional services such as financial education and advice to help them better plan for their retirement. We look forward to helping members to achieve their retirement in 2017 and beyond.

Adam Fenech

General Manager

Kina Investment & Superannuation Services

Investment Manager's Statement

This statement is submitted by Kina Funds Management (KFM), a subsidiary company of Kina Securities Limited (KSL). KFM is the Licensed Investment Manager (LIM) for NSL. This report outlines the drivers of the Fund's performance, and provides the allocation breakdown of its investment holdings. The report also discusses changes in Strategic Asset Allocation (SAA) of the Fund and other investment activities, made in order to enhance and sustain the medium term growth objectives of the Fund.

1. Legislation

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

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

2. Investment Strategy

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

The Fund's principle objective is to provide a return, after fees and taxes in excess of the PNG Consumer Price Index (CPI), plus 2%, over the medium term.

The SAA of the Fund is subject to regular review, as part of the prudent management of the Fund's assets, so as to ensure the SAA remains relevant to the cash flow

position, and liability characteristics of the Fund, which are constantly evolving. Generally, the focus of the SAA is to diversify risks, so as to ensure an acceptable, but not excessive, level of volatility, while adding to the risk adjusted performance, and preserving the capital base of the portfolio.

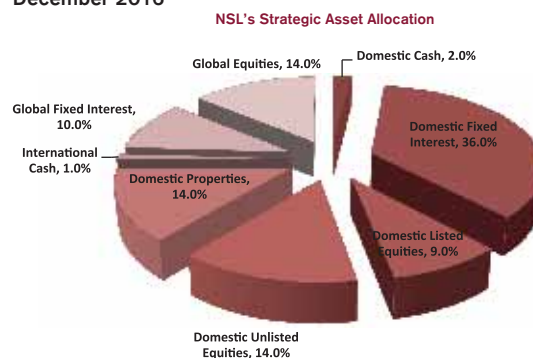
During the 2016 calendar year, the Trustees of the Fund, in conjunction with KFM, undertook a detailed review of the SAA of the Fund. In doing so the services of Mercer were engaged. Mercer is a leading global asset allocation consultant, who provided valuable input and guidance to the review of SAA.

As a consequence of the review, the asset allocation was changed so as to increase the diversification of the Fund's assets. Diversification is a beneficial characteristic for the Fund to have, as part of the SAA. Diversification means, among other things, that the assets of the Fund are not excessively exposed to any single investment factor. Over the long term, diversification reduces the volatility of return for the Fund, all else being equal.

Additionally, the SAA of the Fund was revised in order to increase the level of overall diversification. Specifically, the key change was to add international bond investments to the asset mix, thereby reducing the level of international equity exposure in the SAA.

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

Figure 1: Fund's Strategic Asset Allocation (SAA) as at 31 December 2016

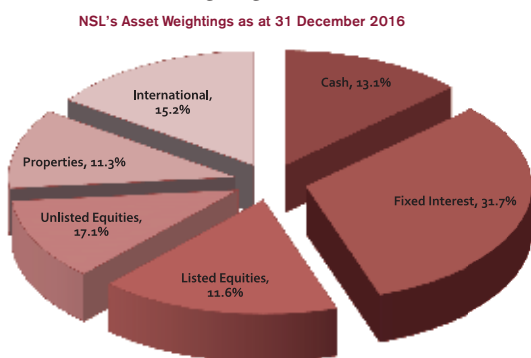


Investment Manager’s Statement - cont.

3. Investment Portfolio Performance

The Fund’s investment portfolio, including the RSA and reserves, increased to approximately K5.8 billion, as at 31 December 2016, which represents a substantial increase from the prior year. The increase in the portfolio was mainly due to investment income, and was partially offset by net withdrawals from the Fund. The investment income is primarily attributable to dividend, rents, interest income, and variations in the value of international investments. The chart below presents the actual portfolio as at year end.

Figure 2: Fund’s Asset Weightings as at 31 December 2016



4. Portfolio Composition

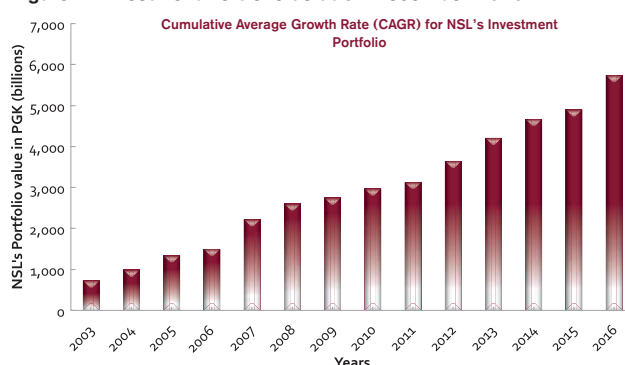
The Fund continually maintains its investments in line with the agreed SAA. Moreover, in close collaboration with its LIM, the Fund constantly monitors its investments and reacts to the prevailing market conditions, and expectations, in line with the investment policy. As discussed above, the SAA is periodically reviewed as it has been in the period being reported on. The following table compares the actual mix of investments in the portfolio at the end of the current year and the end of the previous year.

Figure 3: Composition of Investment as at 31 December 2016

Asset Class	% Holdings	
	31-Dec-16	31-Dec-15
Cash	13.1	5.7
Fixed Interest	31.7	33.5
Unlisted Equities	17.1	19.9
Listed Equities	11.6	12.2
Property	11.3	12.7
International	15.2	16.0
Total Portfolio	100.0	100.0

Figure 4 below shows the increase in the Fund, since 2003. It is instructive to note that the net asset value of the Fund has increased significantly since 2003 with an average cumulative growth rate (CAGR) of 20.67% per annum.

Figure 4: Investment Portfolio as at 31 December 2016



Source: KFM, NSL

5. Portfolio Composition by Asset Class

5.1. Cash

The Fund’s domestic cash allocation comprises bank, at call accounts, and term deposits, with a term less than 182 days to maturity, at the time of issue. As at 31 December 2016, the Fund has around 22% of the total portfolio in cash. The Fund has achieved a significant benefit from holding substantial amounts of offshore cash, against a backdrop of a weakening PNG Kina. Domestically, high levels of cash reflected the following: (i)

advance planning for cash flow needs for approved investment projects that will come to fruition in the next 12 to 18 months, (ii) a general lack of suitable investment opportunities that met the Fund's strict investment criteria, and (iii) an inability to obtain adequate foreign exchange from the controlled exchange rate scheme, as adopted by BPNG.

5.2. Fixed Interest

The Fund's fixed interest allocation, or fixed interest portfolio, comprises bank term deposits, government securities, and corporate loans, with a term equal, or more, than 182 days to maturity, at the time of issue. As at 31 December 2016, the value of Fixed Interest Portfolio was around 39.9% of the total investment portfolio.

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

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

5.3. Domestic Equity

The domestic equity allocation, or the domestic equity portfolio, consists of listed and unlisted equities. As at 31 December 2016, the Fund's allocation to this asset class was 31% of the Fund value; a modest increase on the prior year value.

5.3.1. Listed Equity

As at 31 December 2016, domestic listed equity was around 11.60% of the Fund. The domestic listed equity portfolio increased somewhat in value,

compared to 2015, which was primarily due to the decrease in share prices of Credit Corporation Limited (CCL), and City Pharmacy Limited (CPL). However, these declines were offset by a rise in the share price of Bank South Pacific Limited (BSP).

The below Figure shows the holdings of the Fund, in terms of domestic listed equity,

Figure 5: Domestic Listed Equities as at 31 December 2016

Listed Equities	Stock Exchange	Industry/ Sector
Bank South Pacif Ltd	POMSoX	Banking/Finance
Credit Corporation Ltd	POMSoX	Finance/Property
City Pharmacy Limited	POMSoX	Health/Retail
Kina Securities Limited	POMSoX/ASX	Banking/Finance

Source: KFM, NSL, POMSoX

5.3.2. Unlisted Equity

As at 31 December 2016, domestic unlisted equity was roughly 19.3% of the Fund.

The Fund reviewed a number of investment proposals during the year. Lead times for unlisted investments tend to be quite long, and information intensive, and as such, many of these proposals remained under consideration at the end of the calendar year.

In addition to new investments, the Fund constantly reviews those investments already held by it. During the year the Fund exited some investments. Typically, such exits will be to do the following: (i) to reduce exposure to selected entities, due to governance related issues, (ii) to crystallise the returns of those entities that have significantly appreciated, and (iii) to divest those investments that are relatively small in terms of the overall portfolio, and which are not yielding an adequate risk adjusted return.

Investment Manager's Statement - cont.

Figure 5: Domestic Unlisted Equities as at 31 December 2016

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

Source: KFM, NSL

5.4. Property

The domestic property portfolio is comprised of commercial, residential, industrial, and unimproved land. As at 31 December 2016, this asset class was approximately 10.12% of the Fund.

The Fund has continued the implementation of the property strategy, which involves the following activities: (i) divesting non-core and underperforming assets while providing adequate maintenance to all properties, and (ii) upgrading existing key assets.

During the year, the Fund completed the first stage of the Nambawan Plaza precinct, with Port Moresby's leading office facility, now known as 'Deloitte Haus', well established on the site of Old Parliament House. Leasing of the space has progressed well, with Deloitte signed most recently as a tenant. Other significant tenants have recently been secured for 'Deloitte Haus'.

Development of the area continues, on time and on budget, with construction of the second stage of the Nambawan Plaza precinct now well underway. When complete, the precinct will consist of a world-

class mixed use office, residential, entertainment, and retail complex, complete with green areas for outdoor entertainment and recreation.

Specifically, the Fund remains focused on optimising profitability on core property asset holdings. The 'divestment' initiative, which is currently underway, is expected to further streamline, and improve the composition of this asset class. In turn, this procedure will lead to an improved risk-return profile for the Fund, and a diminished exposure to sub-optimal holdings.

Figure 6: Domestic Unlisted Equities as at 31 December 2016

Properties	Location	Description
COMMERCIAL BUILDINGS		
Aopi Centre (S405 L15 Waigani Drive)	Port Moresby	Tower 1 has ground and 5 upper levels. Tower 2 has ground and 4 upper levels.
Vulupindi Haus (S390 L12, 13 & 14 Waigani Drive)	Port Moresby	Ground and 4 upper levels Commercial Office Complex in Waigani.
Burns House (S20 L3, 4 & 5 Champion Parade)	Port Moresby	Ground and 6 upper levels Commercial Office Complex in the CBD.
Era Rumana (S20 L12 Champion Parade)	Port Moresby	
Mogoru Moto (S20 L13 Champion Parade)	Port Moresby	Ground and 9 upper levels Commercial Office Complex in the CBD.
Revenue Haus (S20 L11 Champion Parade)	Port Moresby	Ground and 11 upper levels Commercial Office Complex in the CBD.
Port Tower (S3 L21 Hunter Street)	Port Moresby	Ground and 5 upper levels Mixed Use Commercial/ Residential Complex in the CBD.
Morobe Haus (S6 L47, 4th Street)	Lae	Ground and 4 upper Level Commercial Office Complex in the CBD.
Nambawan Super Haus (S49, L3,4,5,6 & 7)	Lae	Ground and 6 upper levels Mixed Use Commercial/ Residential Complex.
INDUSTRIAL PROPERTIES		
Bowman Warehouse (S64 L15&16)	Port Moresby	Industrial Property.
NSL Gordons - Warehouse (S64 L17)	Port Moresby	NSL Data Storage Facility.
Voco Point Warehouse (S42, L5 & 6)	Lae	Industrial Property.

Properties	Location	Description
RESIDENTIAL APARTMENTS		
Pacific Vista (S42 L14)	Port Moresby	7 x 3 Bedroom Executive Apartments located on Ogoa Street.
Bayside Apartments (Portion 178)	Port Moresby	42 x 2&3 Bedroom Residential Units located at Koki.
Lawes Road (S7 L24)	Port Moresby	20 x 2&3 Bedroom Units located on Lawes Road. NSL owns 50% of the property.
Portion 212 (Portion 212, Boundary Road)	Lae	40x 2&3 bedroom residential units.
Cedar Units (S33 L11 Hibiscus St.)	Lae	8 x 3 Bedroom Residential Units.
Hibiscus Street, Eriku (S41 L3)	Lae	6 x 3 Bedroom Residential Units.
Malolo Estate Properties	Port Moresby	Housing Estate
VACANT PROPERTY		
9 Mile Land (Portion 2159)	Port Moresby	Agricultural Land.
Malolo Estate (145-152)	Port Moresby	Housing Estate.
Kokopo Market Land (S22 L7 & 8)	Kokopo	Vacant undeveloped land.
Koki Land (Portion 176)	Port Moresby	Staff Housing.
PROPERTIES IN HOLDING COMPANIES		
Coastwatcher Court Ltd (S25 L37)	Port Moresby	Holding company that owns 31 constructed apartments on Touaguba Hill. NSL owns 65% of the company.
Waigani Asset Limited	Port Moresby	Holding company that owns the new OPH building in down town Port Moresby. NSL owns 65% of the company.
Old Parliament House Limited	Port Moresby	Holding company that owns 2 commercial properties in Waigani. NSL owns 65% of the company.
Moki Ltd	Port Moresby	Vacant land between Tisa Haus & Telikom Rumana
Morobe Front Holdings Ltd (S27 L47)	Lae	Holding company that owns the Lae Waterfront Land as its sole asset.
UPCOMING DEVELOPMENTS		
Touaguba Apartments (S63 L22 Daugo Drive)	Port Moresby	New 12 unit residential construction on Touaguba Hill.
Ex Post PNG (S387 L20)	Port Moresby	Vacant land in Waigani for possible commercial development.

Source: KFM, NSL

5.5. International

The international investments of the Fund include international cash, international term deposits, international listed equities, international unlisted equities, and international property. The total international portfolio holding as at 31 December 2016 was approximately 15.20% of the Fund.

During the year Trustees reviewed the international investment strategy for the Fund. As a result of this review, a number of changes have been made, so as to improve diversification of the Fund.

The Fund has an allocation to international assets of 25.0% as part of the agreed SAA. Within this allocation, the Trustees have decided to split the exposure, so that 10.0% of the SAA is now allocated to international bonds and 15.0% to international equities.

Foreign exchange shortages, due to the controls imposed by BPNG, remained a constraint on the ability of the Fund to fully implement its offshore asset allocation. Initially, the Fund will implement the international equities component of the SAA, and then follow that up with international bonds, once foreign exchange is available for investment.

Figure 7: International Listed Equities as at 31 December 2016

Listed Equities	Industry/Sector
Black Rock Wholesale Indexed Australian Equity Fund	Australia Market (ASX 300)
Black Rock Wholesale Indexed International Equity Fund	Global Fund ex Australia
Vanguard International Shares Index Fund	Global Fund ex Australia
Acadian Global Managed Volatility Equity Fund	Global Managed Volatility Fund
Vulupindi Haus (S390 L12,13&14 Waigani Drive)	Port Moresby
Kina Securities	Financial Services

Source: KFM, NSL, Black Rock, Vanguard, Acadian

The investment held in Whitehelm Capital, previously Access Capital Advisors, was sold during the year.

Statistics Summary

2016 Annual Report Statistics

	Unit	2016	2015	2014	2013	2012	2011
PROFITABILITY							
Total Investment Income	K(m)	539	414	443	492	429	90
Total Expenses	K(m)	82	75	78	64	63	52
Income Tax Expense	K(m)	53	59	28	18	16	14
Net Profit After Tax	K(m)	404	280	337	410	350	24
BALANCE SHEET							
Net Assets	K(m)	5,779	5,171	4,764	4,268	3,743	3,235
Net Asset Growth	%	12	9	12	14	15	5
Reserves	K(m)	92	102	91	47	47	47
Reserves as a % of Net Assets	%	1.6	2.0	1.9	1.1	1.24	1.46
Retirement Savings Account Balance	K(m)	134	133	114	107	89	81
RETURN TO MEMBERS							
Rate of Return on Funds Employed	%	9	6	8	10.3	15	6.8
Interest Credited to Members	%	9	5.8	7	11.25	11	2
Headline Inflation Rate	%	6.8	6.4	6.6	4.7	1.6	6.9
Real Return to Members	%	2.2	-0.6	0.4	6.55	9.4	-4.9
MEMBERSHIP							
Number of Members	No.	159,989	155,330	146,280	139,075	131,578	128,230
Average Wealth Per Member	K	36,121	33,290	32,568	30,688	28,449	25,892
Number of RSA Participants	No.	3,895	3,686	3,099	2,741	2,562	3,327
Average Number of Pensioners	No.	562	564	535	376	382	448
MEMBER CONTRIBUTION & PAYOUTS							
Contributions	K(m)	464	534	450	453	584	562
Gross Exit Payouts	K(m)	223	406	290	338	443	425
Number of Exit Payments	No.	3,678	3,503	2,944	3,328	5,291	4,502
Total Pension Payments	K(m)	2	2	2	2	2	2
TRUSTEE EXPENSES							
Management Expenses	K(m)	38	35	37	30	26	17
Investment and Administration Expenses	K(m)	44	40	40	34	37	35
Management Expense Ratio (MER)	%	0.66	0.68	0.79	0.70	0.69	0.53
Number of Staff	No.	140	120	142	124	121	133

Financial Statements

For the Year ended 31 December 2016

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Independent auditor's report

To the members of Nambawan Super

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Nambawan Super (the Fund), which comprise the statement of net assets available for benefits as at 31 December 2016, and the statement of comprehensive income, statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the financial statement requirements embodied in the Companies Act 1997 and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Fund as at 31 December 2016, and its financial performance and cash flows for the year then ended.

Basis for opinion

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

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

Independence

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

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

Information other than the financial statements and auditor's report

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

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

Responsibilities of the trustee for the financial statements

The directors of Nambawan Super Limited, being the Fund's trustee, are responsible, on behalf of the Fund, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the financial statement requirements embodied in the Companies Act 1997 and other generally accepted accounting practice in Papua New Guinea, and for such internal control as the directors of the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

We confirm in relation to our audit of the financial statements for the year ended 31 December 2016:

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

Who we report to

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



PricewaterhouseCoopers
PricewaterhouseCoopers

GE Burns
Partner
Registered under the Accountants Act 1996

Port Moresby
9 May 2017

Statement of Comprehensive Income

For the Year ended 31 December 2016

	Note	2016 K'000	2015 K'000
INCOME			
Interest	9(a)	203,155	205,919
Dividends	9(b)	113,568	211,222
Property rentals	9(c)	59,455	59,061
Net gains/(losses) on assets at fair value	9(d)	139,006	(83,767)
Foreign exchange gain, net	9(e)	18,492	16,923
Other income	9(f)	4,906	5,086
		538,582	414,444
EXPENSES			
Investment and administration expenses			
Direct investment property expenses		19,078	21,769
Fund administration fees		7,434	7,012
Investment manager's fees		6,467	5,974
Property administration expenses		3,678	3,896
Investment monitoring expenses		973	872
Loans and receivables impairment expenses		6,369	-
		43,999	39,523
Management expenses	10	37,698	35,265
Operating profit		456,885	339,656
Income tax expense	11(a)	52,724	59,480
Profit after income tax		404,161	280,176
Other comprehensive income		-	-
NET INCREASE IN NET ASSETS FROM OPERATIONS AVAILABLE FOR BENEFITS		404,161	280,176

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

Statement of Changes In Net Assets Available For Benefits

For the Year ended 31 December 2016

	Note	2016 K'000	2015 K'000
Net increase in net assets from operations available for benefits		404,161	280,176
Contributions/transfers			
Member contributions	12(a)	465,058	534,251
Housing withdrawals repayments	12(b)	11,853	8,823
Transfer to retirement savings plan (RSA)	12(d)	30,011	53,745
		506,922	596,819
Benefits expenditure			
Benefits payments and transfer to RSA	12(a)	224,012	406,436
Housing advances or member withdrawals	12(b)	30,273	20,100
Pension	12(c)	2,149	2,208
Retirement savings benefit payments	12(d)	46,806	41,647
		303,240	470,391
Net increase in net assets available for benefit		607,843	406,604
Net assets available for benefits - beginning of the year		5,170,858	4,764,254
NET ASSETS AVAILABLE FOR BENEFITS		5,778,701	5,170,858
Comprising			
Members accounts and pensioner funds	12(a-c)	5,551,098	4,886,270
Retirement savings account	12(d)	134,878	140,541
Reserves	12(e)	92,725	144,047
TOTAL MEMBERS' FUNDS		5,778,701	5,170,858

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

Statement of Net Assets Available For Benefits

As at 31 December 2016

	Note	2016 K'000	2015 K'000
ASSETS			
Investments			
<i>Financial assets at fair value</i>	4(a-e)	3,459,038	3,656,420
<i>Loans</i>	4(f)	401,289	370,693
<i>Investment properties</i>	4(g)	578,019	509,272
<i>Assets held for sale</i>	4(i)	12,727	17,929
Total investments		4,451,073	4,554,314
Cash and cash equivalent	7	772,735	343,043
Short term deposits	5	486,000	95,106
Receivables	6	108,897	229,592
Property, plant and equipment	3	17,515	10,129
Income tax receivable	11(b)	459	-
Total assets		5,836,679	5,232,184
LIABILITIES			
Income tax payable	11(b)	-	9,190
Deferred income tax payable, net		13,720	16,992
Benefits payable	11(c)	1,720	1,626
Employee benefits payable		2,329	3,089
Creditors and other liabilities	8	40,209	30,429
Total liabilities		57,978	61,326
NET ASSETS AVAILABLE FOR BENEFITS		5,778,701	5,170,858

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

For and on behalf of the Board



Anthony Smaré
Chairman



Aivu Tauvasa
Deputy Chairlady

Statement of Cash Flows

For the Year ended 31 December 2016

	Note	2016 K'000	2015 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		470,788	415,578
State share of benefit payments received		75,000	67,692
Benefits paid		(242,862)	(450,116)
Housing advance or member withdrawals	12(b)	(30,273)	(20,100)
Repayments from Housing advances received	12(b)	11,853	8,823
Purchase of financial assets and short term deposits		(554,791)	(380,361)
Proceeds from sale of financial assets		724,413	353,684
Payment for investment property development & acquisition		(50,543)	(53,225)
Proceeds from sale of investment properties		17,656	23,445
Interest received		156,087	183,841
Dividends received		178,168	146,622
Property rentals and other income received		56,397	62,580
Investment and administration expenses paid		(62,435)	(36,730)
Income tax paid	11(b)	(65,645)	(33,230)
Net cash from operating activities		683,813	288,503
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan drawdown	4(f)	(53,053)	(80,789)
Proceeds from loan repayments	4(f)	36,083	17,845
Net cash flows from financing activities		(16,970)	(62,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(8,884)	(7,498)
Proceeds on sale of property, plant and equipment		-	1,220
Net cash flows used in Investing activities		(8,884)	(6,278)
Net increase in cash and cash equivalents		657,959	219,281
Cash and cash equivalents - beginning of the year		438,149	218,868
Unrealized foreign exchange component in cash balance		6,627	-
CASH AND CASH EQUIVALENTS - end of the year		1,102,735	438,149
Comprising:			
Cash on hand and at banks	7	772,735	343,043
Short term deposits (maturity within 90 days)	5	330,000	95,106
		1,102,735	438,149

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 2016

1. GENERAL INFORMATION

Nambawan Super is an approved Fund under the Superannuation General Provisions Act 2000 ("Act"). The Fund is primarily a defined contribution (or accumulation) fund which provides benefits to its members in accordance with the Act. The majority of the contributors are from the public sector with the "State" as the major employer, however since the introduction of the superannuation reforms, membership now includes private sector organisations. In 2005, the Fund introduced a new post-employment product for exiting members in the form of Retirement Savings Accounts (RSA). This facility allows members who exit the Fund to transfer all or part of their benefits to an RSA. The advantages of an RSA are the continued security of funds in retirement, and the ability to make regular withdrawals from the account in line with retirement needs. Balances are not subject to tax where statutory levels of withdrawals are not exceeded.

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

NSL is domiciled in PNG and the registered office is:

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

The financial statements have been authorised for issue by the directors on 5 May 2017. The Board of Directors have the power to amend the financial statements after they are issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions, estimates and judgment are significant to the financial statements include, the measurement of financial assets at fair value and investment properties, and accounting for the receivable from the State.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue recognition

Investment income

Investment income, comprising interest on government securities, term deposits, debentures, loans and rental income, is brought to account on an accrual basis.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income as part of 'dividend income' when the Fund's right to receive payments is established. Changes in the net market value of assets are recognized in the Statement of Comprehensive Income in the periods in which they occur.

Contribution income

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

(b) Foreign currency translation

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

The rates used as at 31 December were:

	<u>2016</u>	<u>2015</u>
AUD	0.4381	0.4578
USD	0.3225	0.3400
GBP	0.2547	0.2276

(c) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

(d) Financial assets

The Fund classifies its investments in the following categories:

- (i) financial assets at fair value through profit or loss,
- (ii) loans and receivables, and
- (iii) held to maturity financial assets.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition.

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

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

(ii) Loans and receivables

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

(iii) Held to maturity

Financial assets held to maturity are non-derivative with fixed or determinable receipts and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. The Fund does not hold any financial assets to maturity at balance date.

Recognition and derecognition

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

or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value of 'financial assets at fair value' through profit or loss, category are presented in the Statement of Comprehensive Income within 'net gains on assets at fair value' in the period they arise. Interest on debt securities at fair value through profit or loss is recognised in the Statement of Comprehensive Income within 'interest income' based on the effective interest rate.

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

The Fund's equity interests in controlled entities and entities in which it holds significant influence are treated as financial assets and classified as 'financial assets at fair value through profit or loss'. Loans and receivables are carried at amortised cost using the effective interest method.

(e) Investment properties

Investment properties are recognised initially at cost, including the transaction costs, if any. Investment properties are subsequently valued at each reporting date at "fair value" (note f) once construction is complete or they are available for use. Changes in fair value are recorded in the Statement of Comprehensive Income 'net gains/(losses) on assets at fair value'.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Fund

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Statement of Comprehensive income during the period in which they are incurred.

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

Land and buildings (which are not investment properties) are shown at fair value based on annual valuations by external independent registered valuers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Land is not depreciated. Buildings (not considered investment properties) are depreciated over the following estimated useful lives (reviewed annually)

<i>Buildings</i>	<i>4.50 %</i>
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(f) Fair value estimation

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

The fair value of financial assets not traded in an active market is determined using valuation techniques. A variety of techniques are used by the Fund using assumptions based on market conditions existing at the reporting date. Valuation techniques used include the use of comparable recent arm's length transactions,

reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

(g) Receivables

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

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

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

(h) Cash and cash equivalents

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

(i) Income tax

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(j) Benefits payable

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

(k) Employee benefits

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

(l) Creditors and other liabilities

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

(m) Assets held for sale

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

(n) Goods and Services Tax (GST)

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

(o) 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 2016

(p) Adoption of new or revised standards and interpretations

(i) Standards, amendment and interpretations effective in the year ended 31 December 2016

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2016.

- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation. These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', on depreciation and amortisation. These amendments clarify that the use of revenue-based methods to calculated depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- Amendments to IAS 27 'Separate financial statements' on the equity method. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Annual improvements 2014 makes minor changes to IFRS 5, IFRS 7, IAS 19 and IAS 34.
- Amendments to IAS 1 'Presentation of Financial Statements' form a part of the IASB's Disclosure

Initiative and clarifies guidance in IAS 1 on a number of issues including:

- Materiality – disclosures specified in IFRS only need to be included in financial statements if they are material to the entity.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. However, entities should not aggregate or disaggregate information in a manner that obscures useful information. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order
- Other comprehensive income (OCI) arising from investments accounted for under the equity method: the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of OCI.
- Amendments to IFRS 10 and IAS 28 on 'investment entities applying the consolidation exemption'. The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2016 or adopted early

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

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses (effective 1 January 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9, 'Financial Instruments' (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

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

- identify contracts with customers
 - identify the separate performance obligations
 - determine the transaction price of the contract
 - allocate the transaction price to each of the separate performance obligations, and
 - recognise the revenue as each performance obligation is satisfied.
- Amendments to IFRS 15 (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).
 - IFRS 16, 'Leases' (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
 - The timing of expense recognition will also be brought forward although the impact on reported profit is not expected to be significant.
 - Amendments to IAS 40, 'Investment property' (effective 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
 - Annual improvements 2015 – 2016 makes minor changes to IFRS 1, IFRS 12 and IAS 28.
 - IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.
 - The Fund has yet to complete its investigations into the potential impact these new pronouncements may have on measurement or recognition of certain transactions and balances.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Critical accounting estimates, judgments and disclosures

(1) Fair Value of Assets

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

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

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

Fair value of Government Inscribed Stock and Treasury Bills

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

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

Fair value of investment properties

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

The valuation models adopted by the valuers do require estimation and assumptions on the part of the valuer and changes in estimates and assumptions about these factors could affect the reported fair values of the investment properties.

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

(2) Receivable from the State

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

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

Management continuously assesses the recoverability of these receivables considering the nature of the debt, past history, likelihood of settlement and any relevant information available to management. Based on this assessment, a provision for impairment is recognised in the financial statements for potentially uncollectable rental outgoings and interest.

As at 31 December 2016, the State owes the Fund K66.6 m (2015: K135.6 m) in respect of the State's share of exit payments made by the Fund.

Directors consider the State's share of exit payments receivable and the outstanding rentals to be fully recoverable.

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

3. PROPERTY PLANT AND EQUIPMENT

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

2016	Housing		Office Buildings		Vehicles		Total K'000
	Land & Buildings K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	
COST OR REVALUATION							
At 1 January 2016	33	499	6,686	957	3,723	1,459	13,357
Additions	-	84	2,403	3,895	2,502	-	8,884
Transfers	-	-	(6,229)	6,229	-	-	-
Disposals	(33)	(257)	-	(182)	(1,654)	(290)	(2,416)
At 31 December 2016	-	326	2,860	10,899	4,571	1,169	19,825
ACCUMULATED DEPRECIATION							
At 1 January 2016	11	236	-	253	1,641	1,087	3,228
Depreciation	-	40	-	324	320	105	789
Disposals	(11)	(145)	-	(137)	(1,155)	(259)	(1,707)
At 31 December 2016	-	131	-	440	806	933	2,310
NET BOOK VALUE							
At 31 December 2016	-	195	2,860	10,459	3,765	236	17,515
2015	Housing		Office Buildings		Vehicles		Total K'000
	Land & Buildings K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	
COST OR REVALUATION							
At 1 January 2015	1,674	563	-	287	3,768	1,459	7,751
Additions	-	1	6,686	668	143	-	7,498
Reclassification	-	-	-	3	(3)	-	-
Disposals	(1,641)	(65)	-	(1)	(185)	-	(1,892)
At 31 December 2015	33	499	6,686	957	3,723	1,459	13,357
ACCUMULATED DEPRECIATION							
At 1 January 2015	125	237	-	156	1,435	928	2,881
Depreciation	10	56	-	98	360	159	683
Disposals	(124)	(57)	-	(1)	(154)	-	(336)
At 31 December 2015	11	236	-	253	1,641	1,087	3,228
NET BOOK VALUE							
At 31 December 2015	22	263	6,686	704	2,082	372	10,129

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS

	2016 K'000	2015 K'000
(a) Government Inscribed Stocks & Treasury Bills - onshore		
Balance at the beginning of the year	1,346,933	1,332,577
Purchases during the year	46,434	242,939
Maturities during the year	(73,423)	(225,075)
Fair value gain/(loss) from change in net market value	71,453	(3,508)
Balance at the end of the year	1,391,397	1,346,933
(b) Financial assets – unlisted shares (onshore)		
Balance at the beginning of the year	1,135,855	1,186,791
Reclassification during the year	18,200	-
Divestments during the year	(1,550)	(12,635)
Fair value (loss) from change in net market value	(50,680)	(38,301)
Balance at the end of the year	1,101,825	1,135,855
(c) Financial assets – unlisted shares (offshore)		
Balance at the beginning of the year	26,584	29,830
Divestments during the year	(26,584)	(5,705)
Fair value gain from change in net market value	-	2,459
Balance at the end of the year	-	26,584
(d) Financial assets - listed shares (onshore)		
Balance at the beginning of the year	600,022	626,937
Investments during the year	-	11
Divestments during the year	(537)	(17,359)
Fair value gain/(loss) from change in net market value	62,125	(9,567)
Balance at the end of the year	661,610	600,022
(e) Financial assets - listed shares (offshore)		
Balance at the beginning of the year	547,026	494,018
Investments during the year	352,357	137,411
Divestments during the year	(601,847)	(89,078)
Fair value gain from change in net market value	6,670	4,675
Balance at the end of the year	304,206	547,026
Total financial assets at fair value	3,459,038	3,656,420

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

	2016 K'000	2015 K'000
(f) Loans		
Balance at the beginning of the year	370,693	260,622
Drawdowns made	53,053	80,789
Payments received	(36,083)	(17,845)
Conversion of debt to equity (Note 4b)	(18,200)	-
Interest charged	31,826	47,127
Balance at the end of the year	401,289	370,693

The loans attract interest at an average rate of 10.05% (2015: 11.8 %). Interest is repayable monthly and the principal amount is repayable in accordance with the respective loan agreements, with maturities varying between 2015 and 2018. The majority of this interest is on construction loans given to related companies – Waigani Assets Limited (K95m) and OPH Limited (K292m)

(g) Investment properties

Properties at fair value

Balance at the beginning of the year	454,097	423,755
Additions	3	1,027
Transfer from capital work in progress	47,700	88,361
Transfer from property, plant and equipment	-	1,315
Transfer to assets held for sale	(4,432)	-
Disposals and write-offs	(9,314)	(17,070)
Fair value gain/(loss) from change in net market value	34,645	(43,291)
Balance at the end of the year	522,699	454,097

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

Balance at the beginning of the year	55,175	97,642
Additions	50,540	52,198
Transfer to investment properties	(47,700)	(88,361)
Transfer to assets held for sale	-	(4,771)
Disposals and write-offs	(2,695)	(1,533)
Balance at the end of the year	55,320	55,175
Total investment properties	578,019	509,272

Investment properties with fair values of K578 million (2015: K509 million) had their fair values determined by independent valuers. The valuations were conducted by Savills Valuations Pty Ltd, Australia. All professionals used by Savills have AAPI registrations and CPV qualifications approved by the Australian Property Institute.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

	2016 K'000	2015 K'000
(h) Assets held for sale		
Properties held for sale	12,727	17,929
<p>Certain properties of the fund are held for the purpose of sale. These sales are expected to be completed within a period of a year.</p>		
TOTAL INVESTMENTS	4,451,073	4,554,314

(i) Asset Allocation	Holding Interest (%)		Portfolio Value (K'000)	
	2016	2015	2016	2015
Asset Class				
<i>Onshore</i>				
Equities				
Listed	15	13	661,610	600,022
Unlisted	25	25	1,101,825	1,135,855
Other financial assets at fair value	31	30	1,391,397	1,346,933
Property	13	11	578,019	509,272
Assets held for sale	-	-	12,727	17,929
Loans	9	8	401,289	370,693
<i>Offshore</i>				
Equities				
Listed	7	12	304,206	547,026
Unlisted	-	1	-	26,584
Total excluding short-term deposits	100	100	4,451,073	4,554,314

Listed Equities - onshore	Industry	Valuation Method	Value (K'000) 2016	Value (K'000) 2015
Bank South Pacific Ltd	Banking	Last Bid Price		
City Pharmacy Ltd	Wholesale/Retail	Last Bid Price		
Credit Corporation Ltd	Finance	Last Bid Price		
Total			661,610	600,022

Other Financial Assets at Fair Value	Industry	Valuation Method	Value (K'000) 2016	Value (K'000) 2015
Government Inscribed Stock	Banking & Finance	BPNG Rates		
Treasury Bills	Banking & Finance	BPNG Rates		
Total			1,391,397	1,346,933

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation

	Industry	Valuation Method	Value (K'000) 2016	Value (K'000) 2015
Alotau International Hotel	Hotel	Net Assets		
Brian Bell & Company Ltd	Wholesale/Retail	COE		
Capital Insurance Group Ltd	Wholesale/Retail	COE		
Capital Way Holdings Ltd	Insurance Broker	COE		
Coastwatchers Court Ltd	Telecommunications	Net Assets		
Gazelle International Hotel Ltd	Property	Net Assets		
Kumul Hotels Ltd	Hotel	DCF		
Pacific Building Mgt Svcs Ltd	Property-development	Net Assets		
Paradise Foods Holdings Ltd	Building Maintenance	DCF		
PNG Water Ltd	Food & Snacks	COE		
Post Courier Ltd	Utilities	COE		
South Pacific Brewery Ltd	Media	COE		
Toyota Tsusho (PNG) Ltd	Brewery	COE		
Westpac Bank (PNG) Ltd	Motor Vehicle	COE		
OPH Ltd - Ordinary shares*	Banking	Net Assets		
Waigani Asset Ltd	Property	Net Assets		
Total			1,101,825	1,135,855

Net assets - net assets on a going concern
CR - capital raising documentation

COE - capitalization of future maintainable earnings
^^ - method of valuation changed from prior year

DCF - discounted cash flow

* OPH Limited, major property asset achieved practical completion in February 2016. As at 31 December 2016 the Investment was fair valued of which the cost of investment exceeded its fair value. This resulted in a fair value loss for this investment.

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

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

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation (continued)

Property	Section/ Allotment	Milinch	Value (K'000) 2016	Value (K'000) 2015
Commercial				
Aopi Centre	409 – (15)	Hohola (POM)		
Vulupindi Haus	390 – (12,13,14)	Hohola (POM)		
Burns Haus	20 – (3,4,5)	Granville (POM)		
Era Rumana	20 – (12)	Granville (POM)		
Mogoru Moto	20 – (13)	Granville (POM)		
Revenue Haus	20 – (11)	Granville (POM)		
Port Tower	3 – (21)	Granville (POM)		
Morobe Haus (Vele Rumana)	6 – (19 & 20)	Lae		
Nambawan Super Building	49 – (41 & 23)	Lae		
Residential				
Pacific Vista Apartments	42 – (2)	Granville (POM)		
Bayside Apartments	Portion 178	Granville (POM)		
Lawes Road Apartments	7 – (24)	Granville (POM)		
Portion 212 Apartments	Portion 212	Lae		
Cedar Apartments	11 – (33)	Lae		
Hibiscus Street Apartments	41 – (3)	Lae		
Malolo Estate Properties		8 Mile (POM)		
Light Industrial				
Bowmans	64 – (15)	Hohola (POM)		
NSL Warehaus	64 – (16)	Hohola (POM)		
Voco Point Warehaus	42 – (5 & 6)	Lae		
Under Development				
Touaguba Apartments	63 – (22)	Granville (POM)		
Ex Post PNG	387 – (20)	Boroko (POM)		
Vacant Land				
9 Mile Land	2159	Bomana (POM)		
Malolo Estate	145 – (13-26)	8 Mile (POM)		
Kokopo Market		East New Britain		<i>Sold</i>
Koki Land		Koki (POM)		
Total			578,019	509,272
Loans				
	Industry	Value (K'000) 2016	Value (K'000) 2015	
PNG Power Ltd	Utilities			
OPH Ltd	Property			
Morobe Front Holdings	Property			
Waigani Asset Ltd	Property			
Total		401,289		370,693

The above includes loans to other related companies namely: Waigani Assets Limited K95m (2015: K127m), OPH Ltd K292m (2015: K224m) and Morobe Holdings K1.5m (2015: Nil).

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

(j) Asset Allocation (continued)

Assets Held For Sale	Section/Allotment	Milinch	Value (K'000) 2016	Value (K'000) 2016
Malolo Estate	145 – 152	8 Mile (POM)	<i>Sold</i>	
Goroka Land		Goroka		
Angco Property	5 – (1)	Goroka		
Angco Property	6 – (1)	Goroka		
Angco Property	6 – (2, 3, 5)	Goroka		
Total			12,727	17,929

Listed Equities - offshore	Industry	Valuation Method	Value (K'000) 2016	Value (K'000) 2015
Oil Search Ltd	Petroleum & Gas	Last Bid Price	<i>Sold</i>	
Vanguard International Index Fund	Indexed Funds	Last Bid Price		
Blackrock Wholesale Index	Indexed Funds	Last Bid Price		
Blackrock Wholesale International Equity Fund				
Kina Securities	Financial Services			
Acadian Global Managed Volatility				
Total			304,206	547,026

Unlisted Equities - offshore	Industry	Valuation Method	Value (K'000) 2016	Value (K'000) 2015
Southern Water	Infrastructure	Last Bid Price	<i>Sold</i>	
Total			-	26,584

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

Investment	Type	% Holding	% of Net Assets 2016	Value (K'000) 2016	Value (K'000) 2015
Bank of South Pacific	Listed equity	12.32	9.0	518,330	426,183
Bank of PNG	GIS/T Bills	N/A	24.2	1,391,397	1,346,934
South Pacific Brewery	Unlisted equity	19.99	8.5	490,352	486,336

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

(l) Sensitivity analysis

Particulars	Movement in share price by +/- 10%	Movement in exchange rates by +/- 10%	Movement in interest rate by +/- 1%
Impact to total portfolio in kina value	96.6	84	13.5
Impact to total portfolio in percentage	1.7	1.5	0.2

(m) Fair Value Hierarchy

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

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

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

2016	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
<i>Financial assets</i>				
Government inscribed stocks and treasury bills	-	1,391,397	-	1,391,397
Listed securities	965,816	-	-	965,816
Unlisted securities	-	-	1,101,825	1,101,825
<i>Non-financial assets</i>				
Assets held for sale	-	-	12,727	12,727
Investment properties	-	-	578,019	578,019
	965,816	1,391,397	1,692,571	4,049,784
2015				
<i>Financial assets</i>				
Government inscribed stocks and treasury bills	-	1,346,933	-	1,346,933
Listed securities	1,147,048	-	-	1,147,048
Unlisted securities	-	-	1,162,439	1,162,439
<i>Non-financial assets</i>				
Assets held for sale	-	-	17,929	17,929
Investment properties	-	-	509,272	509,272
	1,147,048	1,346,933	1,689,640	4,183,621

There were no transfers between levels during the year.

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

4. INVESTMENTS (CONTINUED)

(m) Fair value Hierarchy (Continued)

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily POMSOX or ASX equity investments. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

- Quoted market prices, results of Bank of PNG auction or dealer quotes for similar assets or instruments
- Other techniques such as multiples of future maintainable earnings, net asset values or discounted cash flow analysis are used to determine value of the remaining financial instruments.

5. SHORT TERM DEPOSITS

Term deposits (maturities within 90 days) - onshore
Term desposits (maturities within 3 to 5 months) - onshore

	2016 K'000	2015 K'000
Term deposits (maturities within 90 days) - onshore	330,000	95,106
Term desposits (maturities within 3 to 5 months) - onshore	156,000	-
	486,000	95,106

6. RECEIVABLES

Rental debtors
Less: Provision for doubtful debts

Share of member withdrawal benefits owing by the State

Sundry debtors
Related parties receivable
Dividend receivable
Accrued interest income
Prepayments and GST refundable
Staff housing scheme

Rental debtors	18,902	14,299
Less: Provision for doubtful debts	(5,702)	(2,694)
	13,200	11,605
Share of member withdrawal benefits owing by the State	66,605	135,631
Sundry debtors	126	409
Related parties receivable	10,173	-
Dividend receivable	-	64,600
Accrued interest income	11,416	2,148
Prepayments and GST refundable	7,025	14,763
Staff housing scheme	352	436
	108,897	229,592

(i) Impaired rental debtors

As at 31 December 2016, K5.7 million (2015: K2.7 million) relating to rental debtors were considered impaired and were provided for. The ageing of these receivables is as follows:

Over 12 months

Over 12 months	5,702	2,694
	5,702	2,694

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

6. RECEIVABLES (CONTINUED)

(i) Impaired rental debtors (continued)

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

	2016 K'000	2015 K'000
Opening balance	2,694	2,694
Receivables impaired during the year	6,369	-
Write-offs during the year	(3,361)	-
	5,702	2,694

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

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

(ii) Past due but not impaired

At 31 December 2016, rental debtors of K12.8 million (2015: K7.2 million) were past due but not impaired. These relate to a number of independent tenants for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

3 to 12 months	12,291	7,165
Over 12 months	570	39
	12,861	7,204

The other classes within receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Fund does not hold any collateral as security.

7. CASH AND CASH EQUIVALENTS

Banks – offshore	513,096	201,217
Banks – onshore	259,627	141,812
Cash on hand	12	14
	772,735	343,043

8. CREDITORS AND OTHER LIABILITIES

Creditors	13,745	9,581
Members' deposits	8,253	-
State pension liability	6,644	6,644
Member insurance payable	5,980	5,980
Rental bond fees	4,228	4,533
Deposits on sale of properties	1,359	1,168
State-share received in advance	-	2,523
	40,209	30,429

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

9. INCOME

	2016 K,000	2015 K,000
(a) Interest		
Government inscribed stock and Treasury bills	147,546	146,927
Loans	38,117	51,508
Short-term deposits	11,518	3,433
Share of member withdrawal benefits owing by the State	5,974	4,051
	203,155	205,919
(b) Dividends		
Listed equities	67,100	59,720
Unlisted equities	46,468	151,502
	113,568	211,222
(c) Property rentals		
Gross rental income	59,455	59,061
(d) Net gains/(losses) on assets at fair value		
Unrealised fair value gains/(losses)		
Listed equities	68,795	(4,892)
Unlisted equities	(50,680)	(35,842)
Investment properties	34,645	(43,291)
Government inscribed stock & treasury bills	71,453	(3,508)
Realised fair value gains/(losses)		
Listed equities	(3,373)	2,964
Unlisted equities	12,109	(4,040)
Investment properties	6,186	4,842
Government inscribed stock and treasury bills	(129)	-
Net fair value gains/(losses)	139,006	(83,767)
(e) Foreign exchange gains	18,492	16,923
(f) Other income		
Bad debts recovered	3,384	2,864
Insurance proceeds	754	-
Other income	586	197
Management fees received	182	-
Investment commitment fees	-	2,000
Directors' fees received	-	25
	4,906	5,086

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

10. MANAGEMENT EXPENSES

	2016 K,000	2015 K,000
Staff remuneration	15,554	13,640
Office expenses	6,202	8,895
Professional fees	5,988	2,545
Directors' fees & expenses	2,164	2,014
BPNG license fees	2,068	1,939
Contributor expenses	1,085	197
Staff housing and other benefits	983	3,078
Depreciation on property plant and equipment	789	683
Loss on sale of fixed assets	709	336
Advertising	653	385
Travel expenses	628	505
Auditor's remuneration - statutory audit services	435	360
Vehicle expenses	180	149
Auditor's remuneration - other services	141	77
Conferences and workshop	96	145
Donations	23	12
Benefits payments	-	305
	37,698	35,265

11. INCOME TAX

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

(a) Income tax expense

Operating profit	456,885	339,656
Prima facie tax at 25%	114,221	84,914
Tax effect of:		
Fair value changes in investments	(32,731)	20,732
Dividend rebate	(33,717)	(35,262)
Depreciation on investment properties	(318)	(960)
Foreign exchange gain - capital account	(2,967)	(4,230)
Other	111	85
Prior estimation adjustments	8,125	(5,799)
Income tax expense for the year	52,724	59,480

Current year income tax expense comprises of:

Current income tax	47,871	49,601
Deferred income tax	(3,727)	15,678
Prior estimation adjustments	8,125	(5,799)
	52,724	59,480

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

11. INCOME TAX (CONTINUED)

(b) Income tax receivable/(payable)

	2016 K,000	2015 K,000
Opening balance	(9,190)	7,181
Current income tax	(47,871)	(49,601)
Prior estimation adjustments	(8,125)	-
Tax payments	65,645	33,230
Closing balance	459	(9,190)

(c) Deferred income tax

Opening balance at the beginning of the year	(16,992)	(7,113)
Movement during the year	3,272	(15,678)
Prior estimation adjustments	-	5,799
Closing balance	(13,720)	(16,992)

Comprising

Investment properties	(10,039)	-
Interest receivable	(2,854)	(326)
Rent receivable	(4,725)	(3,053)
Foreign exchange gain – non capital	(1,657)	-
Dividend receivable	-	(16,150)
Prepaid insurance	1,131	152
Fixed assets	117	(891)
Employee benefits	582	883
Doubtful receivables and loans	1,425	254
Losses	325	1,474
Other accruals	1,975	665
	(13,720)	(16,992)

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

12. MEMBERS FUNDS

Members' funds are represented by contributor funds, contributor housing withdrawals, pensioner funds and retirement savings accounts, together with a reserve. Contributor funds are credited with contributions on a cash received basis. For 2016, interest allocated to contributor funds was determined on member balances at a rate of 9% (2015: 5.8%) based on a daily time weighted basis.

Contributor housing withdrawals comprise of withdrawals from contributor funds, which are repaid by way of additional contributions at a minimum rate of 2% and from member's entitlements at the time of exit where the advance is not fully restored at the time of exit.

	2016 K,000	2015 K,000
(a) Contributor funds		
Opening balance	4,964,692	4,570,924
<i>Add</i>		
Members' contributions received during the year	206,916	183,113
Employers' contributions received during the year	255,517	230,486
Unallocated contributions	-	127
Transfers from other funds	2,625	1,852
State contribution on exit payments	-	118,673
	465,058	534,251
Interest allocation	444,351	265,953
	5,874,101	5,371,128
<i>Deduct</i>		
Member benefits paid during the year *	(190,720)	(231,133)
State Share paid - on exit	-	(118,673)
Transfers to RSA during the year	(30,011)	(53,745)
Unemployment benefits paid	(3,281)	(2,885)
	(224,012)	(406,436)
Closing balance	5,650,089	4,964,692
*Benefit payment details		
Retirement	(145,965)	(177,536)
Death	(44,755)	(53,597)
	(190,720)	(231,133)
(b) Housing Advances		
Opening balance	(85,350)	(74,073)
Advances or member withdrawals	(30,273)	(20,100)
Repayments received	11,853	8,823
Closing balance	(103,770)	(85,350)

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

12. MEMBERS FUNDS (CONTINUED)	2016 K,000	2015 K,000
(c) Pensioner funds		
Opening balance	6,928	9,136
Payments during the year	(2,149)	(2,208)
Closing balance	4,779	6,928
Total members accounts and pensioner funds	5,551,098	4,886,270
(d) Retirement savings account		
Opening balance	140,541	121,252
Transfers during the year	30,011	53,745
Interest allocation	11,132	7,191
Payments during the year	(46,806)	(41,647)
	134,878	140,541
TOTAL CONTRIBUTOR FUNDS	5,685,976	5,026,811
(e) Reserves		
Retained earnings and general reserve	70,000	121,322
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve - property	1,447	1,447
	92,725	144,047
TOTAL MEMBERS FUNDS	5,778,701	5,170,858
The amounts held in the above reserve account are unallocated benefits for the members. These reserves may be allocated to the members at the discretion of the Trustee after considering the necessary prudential and statutory requirements.		
(f) Movement in retained earnings and general reserves		
Beginning balance	144,047	137,015
Net increase in net assets from operations available for benefits	404,166	280,176
Interest allocated to contributors funds	(455,483)	(273,144)
	92,725	144,047

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

13. FUNDING ARRANGEMENTS

(a) Unfunded Liability of the State

At the end of 2016 the future unfunded liability of the State to members is estimated to be K2,069 million (2015: K2,069 million). This is not an obligation of the Fund.

(b) Exiting members

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

Up until December 2015, the statutory total benefit was paid to the exiting members by the Fund voluntarily, including the unfunded portion that was the State's responsibility, regardless of arrears in payments by the State. At the end of each month the Fund invoiced the state the State for these exit payments made on behalf of the State. Since December 2015, the Fund has only been paying exiting members the funded portion of the members' total benefits, being the accumulated contributions received and interest within the Fund to the time of exit.

As at 31 December, 2016 the State's unpaid obligations for such benefits paid prior to December 2015 by Nambawan Super on behalf of the State is K66.6 million (2015: K135.6 million) which is included in receivables.

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

(c) State's Obligations on Employer contributions

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

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

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13. FUNDING ARRANGEMENTS (CONTINUED)

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

In 2012 the State started remitting the full 8.4% employer contributions on a fortnightly basis and therefore did not owe the Fund at year ended 31 December 2016 for such contributions but remains liable for the unpaid portions in relation to earlier years.

14. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) and credit risk. The Trustee has appointed an Investment Committee with a charter to maintain and manage the investments of the Fund. The Investment Committee has appointed a Licensed Investment Manager in accordance with Section 8 of the Superannuation (General Provisions) Act 2000.

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

(a) Market risk

(i) Foreign exchange risk

The Fund is exposed to foreign exchange risk in relation to international investments and deposits. The Fund does not have any specific hedging policies to mitigate this risk but the Fund does monitor the impact of this risk on an ongoing basis. Approximately 7% (2015:13%) of investments are offshore investments subject to foreign exchange risk.

(ii) Price Risk

The Fund is exposed to equity securities price risk. These arise from investments held by the Fund and are classified on the Statement of Net Assets Available For Benefits as financial assets at fair value. The Fund's investment manager does not use derivative financial instruments to reduce risks in the share and currency markets and to increase or decrease the Fund's exposure to particular investment classes or markets.

(iii) Interest rate risk

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to rental customers, including outstanding receivables. The Fund has no significant concentrations of credit risk with the exception of the Government of PNG.

(c) Fair value gain on financial assets

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

(iv) Liquidity risk

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

The table below shows the Fund's financial liabilities in relevant maturity grouping:

	Less than 1 year K'000	1-2 years K'000	2-5 years K'000	Over 5 years K'000	Total K'000
31 December 2016					
Benefits payable	1,720	-	-	-	1,720
Employee benefits payable	2,329	-	-	-	2,329
Creditors and other liabilities	40,209	-	-	-	40,209
	44,258	-	-	-	44,258
31 December 2015					
Benefits payable	1,626	-	-	-	1,626
Employee benefits payable	3,089	-	-	-	3,089
Creditors and other liabilities	30,429	-	-	-	30,429
	35,144	-	-	-	35,144

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

15. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

As at the date of signing these Financial Statements management was not aware of any subsequent events of significance that would have a material impact on the financial statements as at 31 December 2016.

16. RELATED PARTY DISCLOSURES

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

Mr Anthony Smare	Mr Alan Kam	Professor Albert Mellam
Lady Aivu Tauvasa	Mrs Lesieli Taviri	
Professor David Kavanamur	Mr Reginald Monagi	
Mr Bruce Wilson (resigned 31st December, 2016)		
Mr. Lutz Heim (appointed on 25th July, 2016)		

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

Name of director	Role	Total Remuneration	Board meetings attended	Audit & Risk Committee meetings attended	Remuneration & Nomination Committee meetings attended	Investment Committee meetings attended	Membership Committee meetings attended
Anthony Smare	Chairman	K133,250	5/5	2/5	4/6	11/11	n/a
Aivu Tauvasa	Director	K110,440	4/5	n/a	6/6	n/a	5/5
Bruce Wilson	Director	K112,540	4/5	5/5	n/a	7/11	n/a
David Kavanamur	Director	K103,030	5/5	n/a	5/6	n/a	3/5
Albert Mellam	Director	K100,710	5/5	n/a	3/6	n/a	2/5
Alan Kam	Director	K113,011	4/5	n/a	3/6	9/11	n/a
Lesieli Taviri	Director	K103,610	4/5	4/5	6/6	n/a	n/a
Reginald Monagi	Director	K107,670	5/5	4/5	n/a	10/11	4/5
Lutz Heim (appointed 25th of July 2016)	Director	K20,550	2/2	2/2	n/a	n/a	n/a

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

16. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Directorship disclosure – key management

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

Name	Role	Nature of interest	Company
Garry Tunstall	CEO	Independent Director Director as NSL Nominee	Air Niugini Limited Brian Bell Limited
Vere Arava	Chief Financial Officer and Acting CEO	None	None
Andrew Esler	General Manager Properties	Director as NSL Nominee	Coastwatchers Court Ltd Fernvale Ltd Moki No.10 Ltd Morobe Front Holding Ltd OPH Ltd Waigani Asset Ltd
Dr. Stephen Nash	Chief Investment Officer	None	None
Patricia Taureka	Company Secretary	Director as NSL Nominee	Fernvale Ltd Moki No.10 Ltd Morobe Front Holding Ltd
Leo Kamara	Chief Risk Manager	None	None
Charlie Ghilichibi	Chief Manager Member Service	None	None
Loka Niumatairua	Chief Manager People and Culture	None	None

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

16. RELATED PARTY DISCLOSURES (CONTINUED)

Any directors fees paid to members of the executive management for being directors as NSL nominees on certain boards are paid to NSL.

Compensation

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

	2016 K'000	2015 K'000
Salaries	4,442	3,650
Leave accruals	343	645
	4,785	4,295

The key management have accommodation provided for by the Fund, as do many staff.
The following table shows the number of employees in different salary bands during 2016.

Salary Range	Number of Employees	
	2016	2015
K100,000 – K150,000	21	18
K151,000 – K200,000	5	2
K201,000 – K250,000	2	5
K251,000 – K300,000	2	1
K301,000 – K600,000	4	3
K601,000 – K700,000	1	2
K701,000 – K800,000	2	1
K801,000 – K900,000	1	1
K901,000 – K1,500,000	1	1
K1,500,000 +	-	-

During the financial year the Fund earned interest on term deposits of K162,411 (2015: K53,236) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management Limited.

- (d) The Kina group also provides Investment Management and Fund Administration services, related fees paid to the Kina group amounted to K5.9 million (2015: K5.4million) and K7.43 million (2015: K7.01 million) respectively.
- (e) Nambawan Super holds controlling equity interests and associated Director positions in the following unlisted entities based in PNG.
- | | |
|-------------------------------------|--|
| Coastwatchers Court Limited | Nambawan Savings & Loan Society Limited |
| Gazelle International Hotel Limited | OPH Limited |
| Kumul Hotels Limited | Pacific Building Management Services Limited |
| Moki No. 10 Limited | Paradise Foods Limited |
| Morobe Front Holdings Limited | |
| Fernvale Limited | |

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

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

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

(b) Litigation claims

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

(c) Commitments for Capital Expenditure

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

2016 K'000	2015 K'000
14,075	34,766

(d) Commitments for investment expenditure

The Fund has committed to invest in an Offshore Fund which makes capital calls on an as needs basis. There were no committed amounts in relation to this equity investment at 31 December 2016 (2015: nil).

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

18. DIRECTORS' DISCLOSURE

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

Notes to and Forming Part of the Financial Statements

For the Year ended 31 December 2016

18. DIRECTORS' DISCLOSURE (CONTINUED)

Name	Nature of interest	Companies
Professor David Kavanamur	Shareholder	Bank South Pacific Limited
	Shareholder	Credit Corporation (PNG) Limited
	Director (NSL Nominee)	Gazelle International Hotel Ltd
	Director	Institute of National Affairs
	Director (NSL Nominee)	KHL Subco Limited
	Director (NSL Nominee)	Kumul Hotels Limited
	Shareholder	Oil Search Limited
	Director	Rabaul Microfinance
Bruce Wilson (resigned 31 December 2016)	Trustee	The Kennea-Wilson Family Trusts buys, sells and holds shares on the ASX from time to time
Lutz Heim (appointed at 25th of July 2016)	Shareholder/Director	Yunkimp Pty Limited
	Director	Equito Pty Limited These two entities are registered in Australia and associated with an Australian family trust and has no investments in PNG. They hold real estates and do not trade in shares.

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

19. CAPITAL MANAGEMENT

The Capital of the Fund is represented by the Member's Funds. The amount of the Member's Fund can change significantly depending on the valuation of the assets and liabilities of the Fund. The Fund's objective in managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide return to members and maintain a strong capital base to support the development of the investment activities of the Fund.

The Investment Committee, directors and management monitor capital on a regular basis. The Fund is subject to interest credit and reserving requirements of the Bank of Papua New Guinea and Superannuation Act 2000.

20. COMPARATIVES

The presentation of the prior year Members Funds (Note 12) was restated to allocate the interim and annual interest crediting earned by each member. The impact of the restatement is presented below:

	2015 K'000	Adjustments	2015 K'000 As restated
Contributor Funds			
(a) Contributor funds	5,058,998	(94,306)	4,964,692
(b) Housing Advances	(84,958)	(392)	(85,350)
(c) Pensioner funds	6,922	6	6,928
(d) Retirement savings account	87,603	52,938	140,541
	5,068,565	(41,754)	5,026,811
Reserves			
Retained earnings and general reserve	79,568	41,754	121,322

Declaration by Trustee and Management

For the Year ended 31 December 2016

DECLARATION BY TRUSTEE

In our opinion the accompanying Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members Funds, Statement of Cash flows, together with the Notes to and forming part of the Financial Statements, are drawn up so as to present a true and fair view of the state of affairs of the Fund as at 31 December 2016, and its performance for the year.

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

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

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

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



ANTHONY SMARE
Chairman



LADY AIVU TAUVASA
Deputy Chairlady

Dated at Port Moresby the 5th day of May 2017

DECLARATION BY MANAGEMENT

In our opinion the accompanying Statement of Net Assets Available for Benefits, Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits and Statement of Cash flows, together with the Notes to and Forming Part of the Financial Statements, are drawn up so as to present a true and fair view of the state of the affairs of the Fund as at 31 December 2016, and its performance for the year then ended.

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

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

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

For and on behalf of the Nambawan Super Management.



VERE ARAVA
Acting Chief Executive Officer



SALAMET CHAPAU
Senior Finance Manager

Dated at Port Moresby the 5th day of May 2017

Directory

NAMABWAN SUPER - HEADQUARTERS

Level 2, Deloitte Haus
McGregor St, Town
PO Box 483, Port Moresby
General Office Enquiries 1599
Call Centre 1599
Email: callcentre@nambawansuper.com.pg

FUND ADMINISTRATOR

Kina Investment & Superannuation Services
PO Box 1141, Port Moresby, NCD
Ph: 180 1414 / 308 3888
Fax: 308 3899
Email: super@kina.com.pg

INVESTMENT MANAGER

Kina Funds Management Limited
PO Box 1141, Port Moresby, NCD
Ph: 308 3888
Fax: 308 3899
Email: funds@kina.com.pg

PROVINCIAL OFFICES

AOPI MEMBER SERVICE CENTRE

Level 1, Aopi Centre, Waigani

ALOTAU

Ground Floor, Chascorp Building
PO Box 272, Alotau, MBP
Email: nslalotau@nambawansuper.com.pg

BUKA

Ground Floor, Go-Well Building
PO Box 19, Buka, AROB
Email: nslbuka@nambawansuper.com.pg

GOROKA

Level 1, Henganofi Development
Corporation Building
PO Box 757, Goroka, EHP
Email: nslgoroka@nambawansuper.com.pg

KAVIENG

Level 1, Unit 1, North Cape, Building,
Nusa Parade
PO Box 567, Kavieng
Email: nslkavieng@nambawansuper.com.pg

KIMBE

Kimbe Post Office
PO Box 593, Kimbe, WNB
Email: post_nsl_kbe@postpng.com.pg

KIUNGA

Kiunga Post Office 1599
Email: post_nsl_kga@postpng.com.pg

KOKOPO

Level 1, Sing Wo and Sons Building,
William Road
Email: nslrabaul@nambawansuper.com.pg

KUNDIAWA

Kundiawa Post Office
Email: post_nsl_kdw@postpng.com.pg

LAE

Ground Floor Nambawan Super Haus
PO Box 1289, Lae, MP
Email: nsl_lae@nambawansuper.com.pg

MADANG

Madang Post Office
Email: post_nsl_mdg@postpng.com.pg

MANUS

Madang Post Office
Email: post_nsl_mns@postpng.com.pg

MENDI

Mendi Post Office 599
Email: post_nsl_mdi@postpng.com.pg

MT HAGEN

Ground Floor, Gapina Building
PO Box 1574, Mt Hagen, WHP
Email: nslhagen@nambawansuper.com.pg

POPONDETTA

Ground Floor, Opic Building
PO Box 87, Popondetta, NP
Email: nslpopondetta@nambawansuper.com.pg

VANIMO

Vanimo Post Office
Email: post_nsl_van@postpng.com.pg

WABAG

Wabag Post Office
Email: post_nsl_wbg@nambawansuper.com.pg

WEWAK

Wewak Post Office
Email: post_nsl_wwk@postpng.com.pg



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