

Nambawan Super For Everyone

2019 Annual Report





Contents

Who we are	2
Context of the Fund	4
Our story	6
Chairman's Statement	8
CEO's Statement	12
Our Strategy	14
Fund snapshot year in review	16
How we work	18
Our Governance	21
Our Board	22
Board committees	24
People and Culture	26
What we do	30
Investment approach	32
Our members and employers	38
Supporting Statements	42
Fund Administrator's Statement	44
Investment Manager's Statement	48
2019 Annual Report Statistics Compilation	57
Financial Statements	58
Nambawan Super (Declarations)	60
Independent auditor's report	62
Nambawan Super (Statements)	64
Nambawan Super (Notes)	68

Who we are

Context of the Fund	04
Our story	06
Chairman's Statement	08
CEO's Statement	12
Our Strategy	14
Fund snapshot (year in review)	16



Context of the Fund

Nambawan Super is PNG's largest superannuation fund and it's for everyone, no matter who they are or where they work.

Our members

As a profit-to-members fund, we exist to deliver real returns and create wealth for members to enjoy a reasonable standard of living after retirement.

Our operating environment

Economic environment

The general level of economic activity in PNG in 2019 was static, resulting in minor valuation changes of companies and properties in which we invest. Underlying earnings were good, although some investments did not perform as well as we would have liked. In particular, Fast Moving Consumer Goods (FMCG) companies had a tough year, and returns from our two major PNG FMCG companies, Paradise Foods and SP Brewery, were not as strong as in previous years.

The Government has been exploring and implementing a range of measures to improve fiscal management and rein in national debt.

Some ideas, such as the transformation of its State-Owned Enterprises, could provide good opportunities for superannuation funds to further support the State to keep these assets in PNG ownership. But just like any investment opportunity it will be considered on its merits with particular focus on good governance and returns so it is in the best interest of members.

Throughout 2019, Nambawan Super experienced significant delays in payments from the State, especially rental payments. However, we made significant progress with the State on the issue of unpaid public sector employer contributions for exiting members with service from prior to 2009, with PGK235 million received during 2019.

With the Covid-19 pandemic in play at the time of preparing the 2019 Annual Report, Nambawan Super is preparing for what could be the toughest year in the Fund's history.

Strategic environment

Nambawan Super is reaching the end of a five-year strategy cycle. Over the past five years the Fund has focused on four strategic pillars:

- Financial Sustainability - Leading Profitable Superfund
- Service and Operational Excellence - Top Performing Organisation in PNG
- High Performing People and Culture - Employer of Choice
- Governance - Role Model Superfund

Nambawan Super operates in an environment with few competitors, but where long-standing beliefs are held within the community about super fund membership bases.

Throughout 2019 Nambawan Super invested in a refreshed brand and a campaign designed to more fully embrace our diverse membership and challenge long-standing perceptions about the Fund's membership base.

Growing member numbers and focusing on retaining members once they finish work are important to the sustainability of the Fund. Nambawan Super is committed to growing our membership base in the informal and private sectors and retired members.

In 2019 an intense focus was directed at setting the strategic framework to develop the next five-year plan that will drive Nambawan Super performance from 2021 – 2025.

Regulatory environment

In the year 2000 the *Superannuation (General provisions) Act* introduced crucial reforms to governance, investment decision-making, sustainability and regulation that have underpinned the success of the superannuation sector during the past 20 years.

Independent Trustee Boards were introduced, as was independent investment advice through the external Licensed Investment Manager. This led to better investment decisions and higher returns to members. Nambawan Super has not had a negative return during this time – a considerable feat when you consider what has happened in the world economy over the last two decades.

A key to making the funds sustainable has been the compulsory payment of employer contributions to members' accounts in each pay cycle.

The sector has been well-regulated by the Bank of Papua New Guinea, which grew in sophistication at the same time as super funds grew in size and complexity.

Twenty years is a long time, and we welcome the Superannuation Review due to commence in 2020 to ensure legislation remains relevant and supports superannuation funds to perform well into the future.

Nambawan Super continues to advocate for the roll-out of superannuation to all employees, not constrained by time in employment or size of employer. With no government-provided welfare safety net, it is important that workers save during their working life so that they can give themselves the best chance of having a dignified retirement.

Our story

Saving isn't always easy. Over the generations we've tackled it in a variety of ways.

We worked our customary land, planting and nurturing our garden – understanding that today's labour would bear fruit tomorrow and, when well-planned and cared for, even provide for future generations.

Our work enabled us to accumulate wealth, like pigs and shell money.

While this continues today, for most of us saving is now in the form of cash currency... and increasingly superannuation.

Just as we will always protect our land, our superannuation savings are well worth protecting. Like our treasured land, we should plan and consider how to use our super so it will benefit current and future generations.

Because superannuation is a new type of wealth.

While you work, your super grows your wealth through your contributions and returns from investments. The longer you keep the money in your super account invested, the more there'll be to enjoy in retirement.

Being with the right super fund means we can get on with our lives with a sense of comfort, control and pride, while our fund goes about building our savings.

The right super fund is with us while we get on with our work.

It's like family – looking after our interests, sticking with us year-in, year-out, through all the phases of our life.

And it means when we finally stop working and the income stops, our super savings will be there in retirement; for us and our family.

While Nambawan Super keeps getting bigger, attracting more members, and doing more, for more Papua New Guineans, there are still many people who aren't part of the super system.

Super is compulsory for many in PNG, and in one form or another, it's available to all workers. But not all choose to save, and Nambawan's ultimate ambition is for all workers to actually participate and build their retirement savings.

That inclusive ambition is reflected in Nambawan's history. It began as a fund exclusively for the benefit of government workers - it continues to look after them – and now it's open to everyone; to every worker throughout the country.

Members come from all walks of PNG life - from workers in hotels and hire car companies to fishermen, and from cocoa, coffee and copra farmers to the employees of the country's biggest companies as well as public servants such as teachers, nurses and police officers.

No matter what you do, where we work or whatever our cultural ties, it's devotion to family that binds us together.

Nambawan embraces that spirit. It looks after its members like family - because to Nambawan, that's what they are.







Chairman's Statement

Anthony Smaré

On behalf of the Nambawan Super Board it is my pleasure to present the 2019 Annual Report. It is a bittersweet moment, as this will be my last Annual Report as Chairman of the Fund. I was appointed acting Board Chair in 2013 and then formally appointed as Chair in 2014. Accordingly, my formal six year tenure limit as Chair expires in 2020 under the Superannuation Prudential Standards. So in this statement, I am giving you some last parting words of advice and encouragement.

Chairman's highlights for 2019 and the Transformation since 2013.

It is clear to all that over the last 7 years, Nambawan Super has undergone a significant transformation. In 2013, the Fund was looked upon unfavourably in the marketplace – the Fund did not enjoy the confidence and trust of members and stakeholders, and there was widely a perception of poor service and performance. We have had to engineer a turnaround to win back the trust and support of our members and to deliver on the Fund's extraordinary potential to create and sustain wealth for our members. To do this, we refocused the Fund on its core purpose – serve our members to provide each a sustainable retirement outcome so that they could retire with dignity. Today, our members and stakeholders all agree that we have achieved a transformation in the performance, operations and public perception of the Fund and that Nambawan Super is universally regarded as one of the premier organisations in our country, to the pride of our humble members.

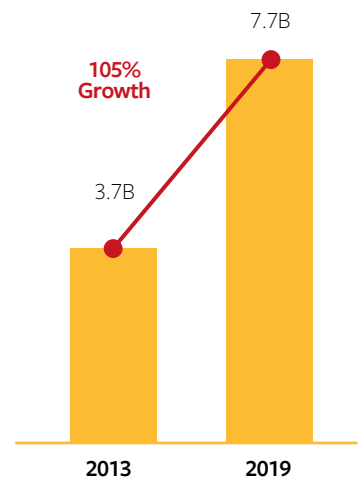
Significant improvements have been made in infrastructure and processes to dramatically improve member engagement and service levels.

In 2019, despite significant challenges to the PNG economy, Nambawan Super has returned a record K504 million in net profit. This equates to 7% interest being crediting on member savings. Members should be very happy with this result for 2019, achieved in very difficult economy conditions.

I commend the Board, the members of the Membership Committee, CEO Paul Sayer, CFO Vere Arava, management and our fantastic and hardworking staff for 2019's outstanding results for our members.

Over the last 7 years, Nambawan Super's total assets have grown from K3.7 billion to nearly K8 billion in 2019, adding K3 billion in profit to our members accounts, while paying out K2.3 billion in withdrawals to retired members, delivering on our mandate of providing strong sustained investment returns to members over the last 7 years. The Fund is the best performing investment fund in the country.

105% Net Asset Growth over 7 years



Financial Highlights

19



▲ record net profit

K504
million

▲ interest return

7%

▲ voluntary savings

K30
million

▲ Management expense ratio

1.2%
MER

It is important to reflect how these returns have been achieved. In my view, they are a result of five major decisions which have contributed to ensuring that your Fund is the country's best performing Superannuation Fund

- a. **Focussing on our core purpose** – The core purpose of the Fund, the reason for the Fund's existence, is to provide a sustainable retirement outcome to the Fund's members. All decisions made by Fund need to be viewed through that primary lens.
- b. **Investing for Realised returns** – We decided in 2013 to focus on realised gains (cash returns) to provide sustainable returns instead of unrealised gains (paper profits) and to invest accordingly. Unrealised gains tend to go up when economies are rising, but sink when economies fall and expose members to a loss. Realised cash gains provide more reliable returns in both good times and bad times.
- c. **Keeping management costs as close to 1% as possible** – We focused on keeping the management expense ratio (MER), or the cost of managing the Fund, kept as low as possible. In my view MER should be kept as close to 1% of net assets as possible. Every kina saved in management costs each year can increase the profit of the Fund and accelerate compound interest growth for members savings.
- d. **No investment reserve** – PNG Super funds had a practice over many years to hold back some investment profit from one year to cover for possible investment loss in the next year. In my view, this practice unfairly denied full profit to exiting members, covered for poor investment decisions, and significantly impacted compound interest returns for ongoing members. We stopped that practice in 2014 and ensured that as much of each year's profit as possible was credited to members' accounts after catering for operational risk.
- e. **Building an offshore investment portfolio** – It was important that we built an offshore investment portfolio, so that if our investments in PNG struggled, members could still benefit from the growth of international markets. It was designed to be an offshore investment outrigger canoe to stabilise our main canoe of investments in PNG.

The effect of the above decisions is that we maximised investment return for members at all stages of their working life – those retiring soon and those who were just starting their careers. Nambawan Super is PNG's best performing superannuation fund over the last 7 years.

“

We refocused the Fund on its core purpose – serve our members to provide each a sustainable retirement outcome so that they could retire with dignity.

”

	Nambawan Super		Nasfund		CTSL	
	Net asset Value (K billion)	% Asset Growth	Net asset Value (K billion)	% Asset Growth	Net asset Value (K billion)	% Asset Growth
2019	7.683	12%	5.24	10.2%	0.598	4.6%
2018	6.890	7%	4.753	5.3%	0.572	3.8%
2017	6.415	11%	4.514	7.0%	0.551	8.8%
2016	5.779	12%	4.219	7.2%	0.506	11.6%
2015	5.171	9%	3.936	5.8%	0.454	2.4%
2014	4.764	12%	3.719	11.0%	0.443	0.4%
2013	4.268	14%	3.350	20%	0.441	10%
2012	3.743	16%	2.799	17%	0.400	10%



▲ Chairman Anthony Smaré and members opening Nambawan Super Plaza in 2019

The membership has increased 50% - up from 130,000 to nearly 200,000 – which includes our growing private, informal and SME member base, with 30% of our employers now drawn from the private sector.

I am pleased that members are growing their savings through voluntary contributions, - more than 30,000 members voluntarily contributing savings worth now K174 million. However, these numbers should be higher – you should be aiming to put in an extra K10 for every K200 you earn each fortnight because with the power of compound return in the Fund, that K10 each fortnight could be worth thousands to you when you retire. Keep saving!

I am very happy that more than 11,000 thousand members benefited from over K175 million of housing advances over the last seven years to build, buy or improve their homes for their families. This is an important way that the Fund can provide for you and your family whilst you are still working - the housing advance to shelter your family while you are still working.

We have seen progress in property. Nambawan Super Plaza, our luxury development in Port Moresby CBD was opened by our members in 2019 to public acclaim and recognition as PNG’s top commercial office and residential precinct. Our new residential, shopping and commercial precinct in Waigani to rival Vision City, Rangeview, is on track in construction and will be impressive when completed. We are progressing with our planning for our affordable housing initiative for members at 9 Mile, NCD – the Fund purchased this land for affordable housing back in 1990, but has fought court battles to protect it from people who want to take it. We have won the court battles and are now advancing our planning.

Since the Fund’s successful court decision in 2018 against the State regarding unpaid public sector employees contributions from prior to 2009, the State has made K235 million in payments for their exited employees in 2019 and at the time of writing had met payments up to November 2019. The issue is yet to be resolved in full, but excellent progress has been made and the State remains committed to meetings it obligation, for which we are thankful.

Corona virus Crisis is Greatest Challenge

The Corona Virus pandemic is the greatest crisis the world has faced in the last century. It has had a catastrophic effect on the global and national economies, and has fundamentally changed the way that nations trade and the way that humans live. It poses a significant risk to the Fund, our members and our stakeholders.

“

It is one of the great honours and privileges of my life to have been trusted to lead the transformation of this Fund

”

Accordingly, in 2020 the Fund may not achieve the investment returns members have seen from the past seven years. However, because of the work we have done years, I believe that the Fund is positioned to be more resilient and durable than most other organisations in PNG. In the face of this pandemic, I strongly urge you to stay focused on your long term retirement objectives – keep making your super contributions, start or increase your voluntary super contributions, keep making sensible financial decisions, and trust in the Fund to invest your money well for the long term to build retirement wealth for you. Keep the faith, it has led to the creation of real wealth for you, and it will continue to do so over the long term.

Keep protecting your Fund

PNG's history has taught us that there are always people who look at big pots of money and think it should be used for other purposes. But Nambawan Super's assets solely belong to its members, to be used for their retirement and not for any other purpose. It must be protected by the Fund, but also by members and their families. Fight and protect Nambawan Super so that it can provide a dignified retirement for you.

Farewell and Thankyou.

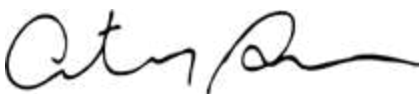
There have been many significant achievements and gains made by Nambawan Super over the last seven years, and it has been possible due to the combined efforts of a great many people including current and former Directors, current and former members of management, current and former employees of the Fund, and all stakeholders including the Government.

I am succeeded by Reg Monagi as Chairperson of the Board – a capable and experienced Director of the highest ethics. He is part of a strong board in Deputy Chairperson Lesieli Taviri, Professor Albert Melam, Professor David Kavanamur, Karen Gibson, Alan Kam, Lutz Heim and Richard Sinamoi, supported by CEO Paul Sayer, CFO Vere Arava and very committed staff of the Fund. The members are in good hands for the future.

As many of you know, my mother was a community school teacher and my father was a kiap - they were members of the Fund for most of their working lives. The Fund played an important role in the life of my family growing up and in where I, my wife and my siblings are now. I understand the sacrifice that our members make in giving such a large part of their lives to working to build our country, and how important it is for the Fund to be there for them and their families. It is why I have always felt a deep emotional connection to Nambawan Super, our members and their families. I truly know how important Nambawan Super is to you and your families.

It is one of the great honours and privileges of my life to have been trusted to lead the transformation of this Fund and protected the Fund for our members and their families since 2013. I hope that the members and their families appreciate my service. Over this journey, I have been fortunate to have had the support of my wife, my parents and family. Between the Nambawan Super team (the board, staff, and stakeholders) and the members, we have done truly good work that we can all be proud of. But there is still more that we need do.

Keep contributing to your Fund. Be proud of your Fund. Protect your Fund.
Nambawan Supa, emi supa bilong mipela olgeta!



Anthony Smaré

Chairman of the Board



CEO's Statement

Paul Sayer

It is my pleasure to join with Chair of Nambawan Super, Mr Anthony Smaré, to present the 2019 Annual Report. Nambawan Super had a standout year. However, it is difficult to relish the great results of 2019 with the knowledge that investment markets are experiencing the biggest downturn in 100 years.

As this report is being prepared Nambawan Super is facing the sobering issue of the Covid-19 Crisis and unfolding global economic uncertainty.

Given these unusual times, I will briefly reflect on some of the best outcomes for 2019 before focusing on how Nambawan Super is prepared to weather the current economic climate.

Firstly, the Fund achieved a record net profit of K504, which has been distributed to members via a 7% interest payment. That is a real return to members of 4.1%. Over the past 10-years we averaged a 7.4% return that provided for a 2.2% real return (see graph below of Compound Annual Returns).

Superannuation is a long-term investment and 2019 was a good year. It is pleasing to see that over the long term Nambawan Super is consistently delivering real returns for members.

Throughout this Annual Report you will see many of the highlights of 2019 in greater detail, from openings of a new branch in Kimbe and a major new property investment in Port Moresby. The Fund has also invested in our team, with the commencement of new leadership training programs that invest in the future leaders of Nambawan Super and a front line investment in more branch staff to better serve members.

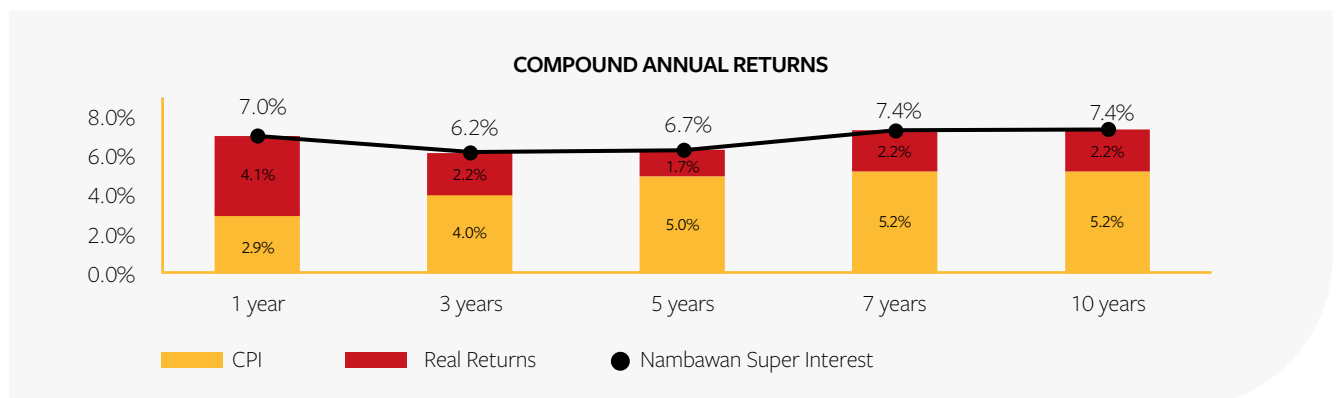
These outcomes result from focus being applied by our team members to the strategic framework across four key pillars:

- Financial sustainability
- Service and operational excellence
- High performing people and culture
- Strong governance

We are coming to the end of the strategy cycle and are commencing on setting the strategic framework for the next five-years to ensure Nambawan Super continues to grow and achieve excellent outcomes for you our members.

Managing the Fund through the Covid-19 health and economic crisis has required a huge effort engaging with Regulators and Government Representatives at the highest levels. We have been working collaboratively with all Authorised Superannuation Funds in Papua New Guinea, so that as an industry we are responding with one voice.

The success of the superannuation funds over the past 20 years is down to not just the Investments or the organisation, but the legislative framework and excellent regulatory measures that ensure contributions are regularly and routinely paid, and withdrawals are limited to the purpose for which superannuation is intended - primarily retirement.



Member Highlights



In times of economic hardship, whether that is on a micro scale being felt by individual members and their families, or at a macro scale experienced by Governments at the highest level, superannuation is seen as a potential saviour. However, any crisis response must be measured, so as to not to jeopardise the purpose of the Fund, which is to prudently manage our members' retirement savings.

The money contributed by and for members is not simply held in a bank account or as cash – it is invested. It is pooled together and spread throughout many businesses in PNG and around the world. The money is put to work to earn returns for members. Some contributions are invested to build multimillion-kina property developments creating jobs and opportunities for Papua and New Guinea tradespeople and small businesses that supply to the developments or become tenants. Over the long-term, this approach will continue to deliver results for members and the country. But in the short term, the amounts that can be distributed are limited and must be managed carefully to ensure members, especially retiring members, receive their entitlements when they are expecting them.

Nambawan Super is committed to supporting the State and our members as best we can through these difficult times. However, our response must be sensible and balanced to ensure all members' savings are protected and that once this crisis has passed, members will still have retirement savings that continue to work hard for their future.

Around the management of our Covid-19 response, work must go on. The team at Nambawan Super is looking to utilise digital channels to continue to deliver member engagement and education. Our new branch in Mt Hagen will open. Our investment team is managing liquidity to ensure we can respond to members' needs. Our Board will meet and provide the necessary oversight and advice to our operations.

Nambawan Super is PNG's largest and best-performing superannuation fund. We are for everyone, no matter who they are or where they work.

On behalf of our people and members, I acknowledge the hard work of the Board's Chairman, Anthony Smaré, who in 2020 is stepping down after completing the maximum tenure of six years heading up the Board of the Trustee. Anthony's passion for the Fund has driven a stronger dedication to and connection with members.

I also thank the Independent Directors, Committee members, investment manager, fund administrator and the many service providers who make it possible for Nambawan Super to service our members. Finally, I thank the hardworking staff of Nambawan Super across the country who put our members' needs first every day.

Paul C Sayer
Chief Executive Officer

▲ total membership base

199,351
members

across Employer Super, Retirement Savings and Choice Super

▲ contributions received

K770
million

▲ benefit payment made

K464
million

▲ Retirement Savings Account members (RSA)

8.5%
to a total of 4,720

▲ Choice Super members

49.5%
to a total of 13,245

▲ income stream recipients

479

Our Strategy

**Our strategic plan is developed by the Board and Management to provide shared focus and goals that set the path to achieve our vision:
To be the best superfund for Papua New Guinea, serving members and living global standards.**

Our Strategic Roadmap 2018-2020

Leading Profitable Superfund Financial sustainability

Business approach

Grow, improve and diversify our investment portfolio

Value to members

Deliver real returns to members with an acceptable level of risk

Business approach

Enhance investment methodologies and maximise investment income

Value to members

Members' savings are invested using a consistent framework to ensure real returns with acceptable risk.

Business approach

Grow NSL & NSLS businesses

Value to members

Support members' short-term saving needs through NSLS. Ensure members savings deployed into Nambawan Super's businesses are performing as well as possible.

Top Performing Organisation Service and operational excellence

Business approach

Educate, communicate and engage with stakeholders and members

Value to members

Help members make great decisions for their financial futures

Business approach

Develop a hybrid service delivery strategy with e-distribution channels

Value to members

Offer the best quality service for members across a wide variety of channels

Business approach

New product development

Value to members

Meet the changing needs of members and the market with products and services to help ensure their financial future.

Business approach

Refine IT strategy driven by members' needs and priorities, management and research.

Value to members

Support members across PNG with efficient and reliable systems.

Business approach

Integrate new and existing systems and databases.

Value to members

Support members across PNG with efficient and connected systems, making our team more productive.

Business approach

Identify and implement reliable communication infrastructure.

Value to members

Offer reliable service to members from all corners of PNG.

Each day Nambawan Super’s people come to work to pursue the Fund’s mission to grow and protect member funds and provide financial security to and through their retirement by:

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



Nambawan Super is nearing the end of a five-year strategy cycle and planning for the next Nambawan Super Strategic Plan commenced in 2019 and is working on the next strategy cycle, 2021-2025.



Employer of Choice
High-performing people and culture

Business approach

Design a culture that is conducive to better outcomes and higher efficiency

Value to members

Enable a high-performing team to deliver exceptional member outcomes

Business approach

Align HR value chain processes to the new NSL culture, vision and values

Value to members

Ensure the right processes are in place to support a high-performing team dedicated to the delivery of exceptional member outcomes

Business approach

Succession planning

Value to members

Ensure the member outcomes can continue to be achieved in the future by growing an internal talent pool.

Business approach

Leadership development

Value to members

Consistent member outcomes achieved through strong internal and industry thought leadership.

Business approach

Grow our people through learning and people development.

Value to members

Ensure good member outcomes and consistent experience by continually developing our people.

Role Model Superfund
Governance

Business approach

Corporate governance (maintain Board & Prudential Standards)

Value to members

Members’ savings are well- managed

Business approach

Risk Management and Internal Audit

Value to members

Safeguard members’ savings by managing strategic and operation risk and focusing on continual improvement by maintaining independent oversight.

Business approach

Relationship-building with regulator and key stakeholders

Value to members

Members benefit through advocacy and engagement that protects their savings.



Fund snapshot year in review

**K504
million**

Record net profit



K7.7 billion

Net asset value

7%

Credited
to member
accounts



K30 million

Saved voluntarily



199,351

Fund members



RSA

4,720

Retirement
Savings Account
(RSA) members



K464 million

In benefit payments made to members



13,245

Choice Super members



K770 million

Contributions received



479

RSA fortnightly income stream recipients



989

Members received Housing Advance



49%

Male



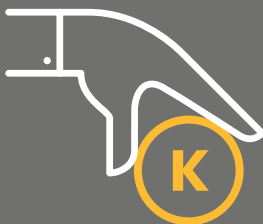
51%

Female

Gender balanced workforce

39,976

Members making voluntary contributions



How we work

Our Governance	21
Our Board	23
Board committees	24
People and Culture	26



Sr. Gaugara Ph
Midwife






**Nambawan
Super**
For Everyone

Our Governance

Why this matters to us

Nambawan Super is entrusted with the retirement savings of everyday, hardworking Papua New Guineans. Superannuation savings are often the only savings our members have accrued through decades of work and, for many, service to the public. Superannuation savings form an incredibly important asset that, if well managed, helps members and their families live with dignity for many years in their retirement.

Prior to the introduction of the **Superannuation (General Provisions) Act 2000** (The Act), PNG superannuation funds lacked the necessary oversight, systems and processes to manage these savings for the benefit of members.

The Act remedied that, introducing crucial reforms to governance, investment decision-making, sustainability and good regulation.

A key to making the superannuation funds sustainable has been the compulsory payment of employer contributions to members' accounts. The deployment of this home-grown pool of investment capital is helping build the nation while making returns for members.

Good governance ensures that, as a profit-to-members fund, Nambawan Super delivers real returns for members over the long term – and we have the good fortune of also being able to invest directly into building PNG.

How we create value

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

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

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

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



Nine
Trustee
Directors

Two
Female
Directors

Nine
Member
Representatives

Five
Committees

Six
Board
Meetings in 2019

44
Committee
Meetings in 2019

Our Board

Chairman



Anthony Smaré
Independent Director
since August 2012

Deputy Chairpersons



Lady Aivu Tauvasa
Deputy Chairperson
to June 2019.
Independent Executive Director
since September 2014



Lesieli Taviri
Non-Executive Director then
Deputy Chairperson from June
2019 to current. Independent
Director since September 2014

Trustee Directors



Alan Kam
Independent
Non-Resident Director
since March 2014



Lutz Heim
Independent Director
since July 2016



Professor Albert Mellam, PhD
Independent Director
since August 2012



Karen Gibson
Independent
Non-Resident Director
since February 2017



**Professor David
Kavanamur, PhD**
Independent Director
since August 2012



Reginald Monagi
Independent Director since
September 2014



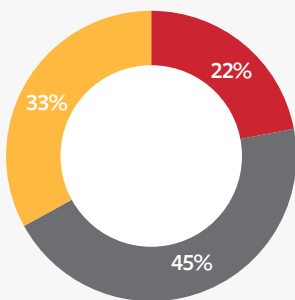
Richard Sinamoi
Independent Director since
December 2019

Case Study

Board changes in 2019

Lady Aivu Tauvasa, Deputy Chairperson, retired from the Board on 12 June 2019, in accordance with clause 15.5 of the Nambawan Super Constitution and BPNG Prudential Standard 7 of 2012 on Corporate Governance, which limits the amount of time Directors can remain on an Approved Super Fund Board to a maximum term of nine years. Mrs. Lesieli Taviri became Acting Deputy Chairperson on 27 July 2019. Richard Sinamoi was appointed to the Board on Monday 2 December 2019.

Board Tenure



- 0-3 years
- 4-6 years
- 7-9 years

If you would like to know more about our Board

Visit nambawansuper.com.pg/about-us/our-board/



Dan Siaguru-Khaisir
Trainee Director



Des Yaninen
Trainee Director



Priscilla Kevin
Trainee Director

PNG's future Directors

The scarcity of Directors with the appropriate skills, knowledge and behaviours has been an enduring issue within Papua New Guinea's private sector. In response to this issue, in 2019 Nambawan Super commenced a two-year Trainee Director program designed to give aspiring, young professionals board level exposure.

The program aims to:

- Identify and create a pool of aspiring Directors to succeed into PNG company directorship roles.
- Provide aspiring Directors with mentorship and the opportunity to experience and participate in governance processes at Nambawan Super.
- Assist the industry and private sector of PNG by developing a directorship development program that generates a better-skilled pool of young professionals who aspire to become industry leaders through directorship roles.
- Promote good governance and high ethical practices.

Trainee Directors attend and participate in meetings of the Board and its Committees. They must adhere to the Trainee Directors' Code of Conduct and have the opportunity to undertake a director professional development program funded by Nambawan Super to further their careers as company directors.

While Trainee Directors have no power to vote on resolutions, they do participate in discussion on matters under Board consideration.

Board Committees

Board Committees have specialised responsibility and support the Board to provide robust oversight of the management of Nambawan Super.

Committee members consist of Independent Directors who report to the full Board. The Membership Committee consists of both Directors and Member Representatives from Unions and the Department of Personnel Management (DPM).

Board performance

Zac Zahner of Effective Governance Australia prepared an independent assessment of the Nambawan Super Board Candidate Competency Report in 2019 which covered, amongst other things, Board skills assessment.

Areas assessed:

1. Behavioural competencies
2. Governance competencies
3. Technical competencies and
4. Industry specific competencies.

Looking ahead

In May 2020, Anthony Smaré will resign as Board Chairman after serving six years as Chair of Nambawan Super. This is in line with the BPNG Prudential Standard on Corporate Governance that limits the amount of time a Director can remain Chairperson of an Approved Super Fund Board to six years. The Board of Directors has voted Reginald Monagi as the replacement Board Chairperson.

Director renewal and succession has commenced with advertising for three Director positions which will be undertaken in line with BPNG regulations that state that Directors can only be appointed for terms of three years.

The Board is committed to strategic planning to set the coming five-year direction for the Fund. Engagement with BPNG will be ongoing and the Board welcomes the Superannuation Review that is due to commence in 2020.



Committee	Chair	Members
<p>Audit and Risk Committee</p> <p>Provides independent review and objective appraisal of the financial and operational activities of Nambawan Super. The Committee provides the Board with objective information to assess compliance with policies and procedures and information necessary for it to fulfil its responsibilities in making informed financial and operational decisions in the best interests of the Fund and its members.</p>	Lutz Hiem	Reginald Monagi Lesieli Taviri Karen Gibson
<p>Remuneration and Nomination Committee</p> <p>Assists the Board through three key roles to:</p> <ol style="list-style-type: none"> 1. Set appropriate, fair and responsible remuneration practices; 2. Identify suitable candidates to fill vacancies on the Board, Standing Committees and the Chief Executive Officer as they arise; and 3. Provide advice on Policies relating to appointment, renewal, succession and performance within the Company. 	Professor Albert Mellam	Lady Aivu Tauvasa to June 2019 Professor David Kavanamur Alan Kam Karen Gibson
<p>The Investment Committee</p> <p>Responsible for ensuring that all investments made by the Fund are within the requirements set by BPNG and in the best interests of Nambawan Super members. The Board may issue separate resolutions or delegations to the Investment Committee from time to time.</p> <p>The Investment Committee takes advice from the Licensed Investment Manager (LIM), in conjunction with NSL management.</p>	Alam Kam	Reginald Monagi Lutz Heim Anthony Smaré (observer)
<p>Transformation Committee</p> <p>Assists the Chief Executive Officer and Management to identify and strategise relevant technological and strategic improvements as key enablers of sustainable and competitive growth.</p>	Lesieli Taviri	Karen Gibson Lutz Heim Professor David Kavanamur
<p>Membership Committee</p> <p>Ensures the Board, Chief Executive Officer and Executive Management remain responsive to members' needs and provides an essential consultation forum between the Fund and the Membership.</p>	Lady Aivu Tauvasa to June 2019 Reginald Monagi from July 2019	Reginald Monagi Professor Albert Mellam
<p>Member Representatives</p> <p>PNG Teachers' Association (PNGTA) Teaching Service Commission PNG Energy Workers Union PNG Fire Fighters Union PNG Police Association Correctional Services Employees' Association PNG Nurses' Association Public Employees' Association</p> <p>Department of Personnel Management (DPM)</p>		Kila Avei , Vice President Mathew Pobaya, Commissioner Santee Lou Margis, General Secretary Mamata Dumo, Representative Lowa Tambua, President Daniel Mollen, President Fredrick Kebai, President Robert Kutapai, President Warren Ilaraki, Alternate Taies Sansan, Acting Secretary Vele Ravugamini, Deputy Secretary, Alternate

People and Culture

Why this matters to us

The members of Nambawan Super are hardworking, everyday Papua New Guineans who have entrusted their savings to us. They rely on Nambawan Super to grow their savings, delivering real returns, so after a lifetime of working they can retire and live comfortably. To do this, we need a workforce with diverse skills that is purpose-driven and single-minded in its focus to do what is best for our members.

How we create value

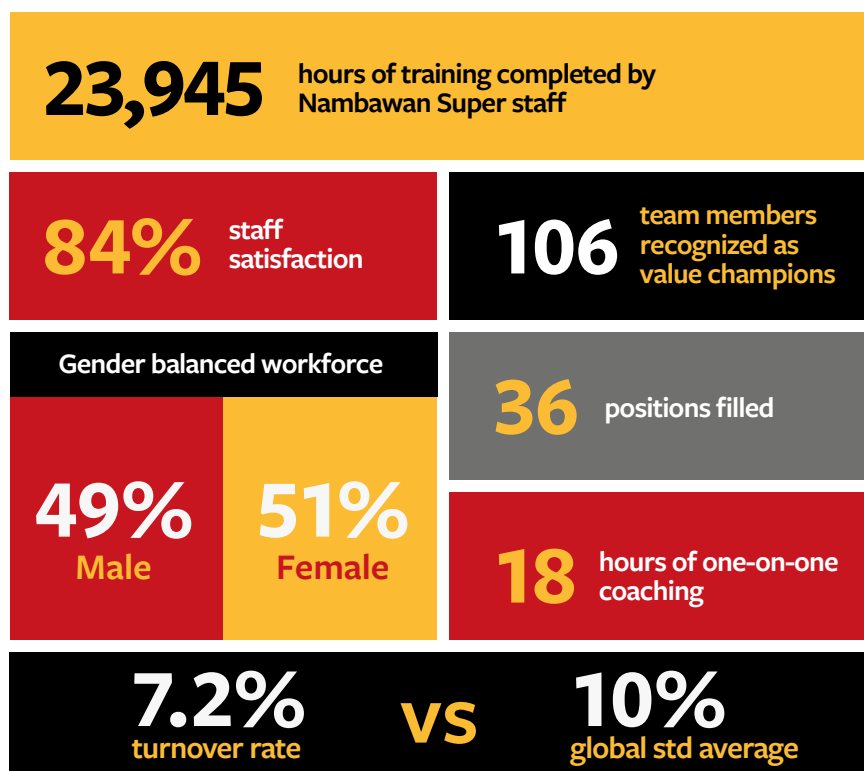
Creating a high-performing team is about more than recruitment and onboarding, although we do that too. The foundation begins with a solid structure that allows flexibility so that we can add positions to meet the evolving requirements of the business.

With a strong strategic framework in place, Nambawan Super's team needs to be able to look to the future, set goals, strive to achieve them and prepare insightful reports.

We aim to always attract and retain the best talent in PNG, to ensure we have capacity to grow the fund, to continuously improve and to offer quality experiences for our members.

We are changing the Nambawan Super culture through a long-term organisational development program. Nambawan Super employees are actively evolving our corporate culture to one that values service excellence, collaboration, openness, trust and innovation – enabling all team members to perform at their best within the team.

Performance



Emerging leaders program

Nambawan Super has been succession planning to limit the impact of key-person risk to the business. In 2019 Nambawan Super invested in 9 staff members to undertake a tailored emerging leaders program, growing the skills of more experienced team members and investing in the next generation of leaders.

The first group will complete the course in 2020 with a presentation of the learning project that participants are working on during the program.

Nine participants

Five Managers

Four Team Leaders

One officer

Four Women

Five Men

18 hours of 1-on-1 coaching

358 hours of group training

Case Study



Culture Champions

Culture Champions was established in 2019 to build a network of change agents across the organisation. Throughout the year, Culture Champions (or CCs for short) participated in a range of sessions to be inducted and engaged in culture change activity.

This willing group of Nambawan Super staff developed and executed rituals and events to bring the wider team together.

Policy and Action to prevent Family and Sexual Violence

PNG has a high incidence of Family and Sexual Violence (FSV). FSV reduces productivity, increases absenteeism, and greatly raises costs associated with employee turnover and security.

Following from our 2018 adoption of a Family and Sexual Violence policy, in 2019 Nambawan Super became a Bel Isi Corporate Partner.

This membership provides our staff access to the best Family and Sexual Violence case management service available in PNG. It includes telephone support, face-to-face counselling, support navigating legal systems, safe housing and a 24-hour, 7-day-a-week emergency secure transport program.

Executive Team members participated in the 2019 Bel Isi Leadership Forum, discussing many complex facets of preventing violence.

Nambawan Super is committed to supporting women who experience violence and supporting men to not commit violence.

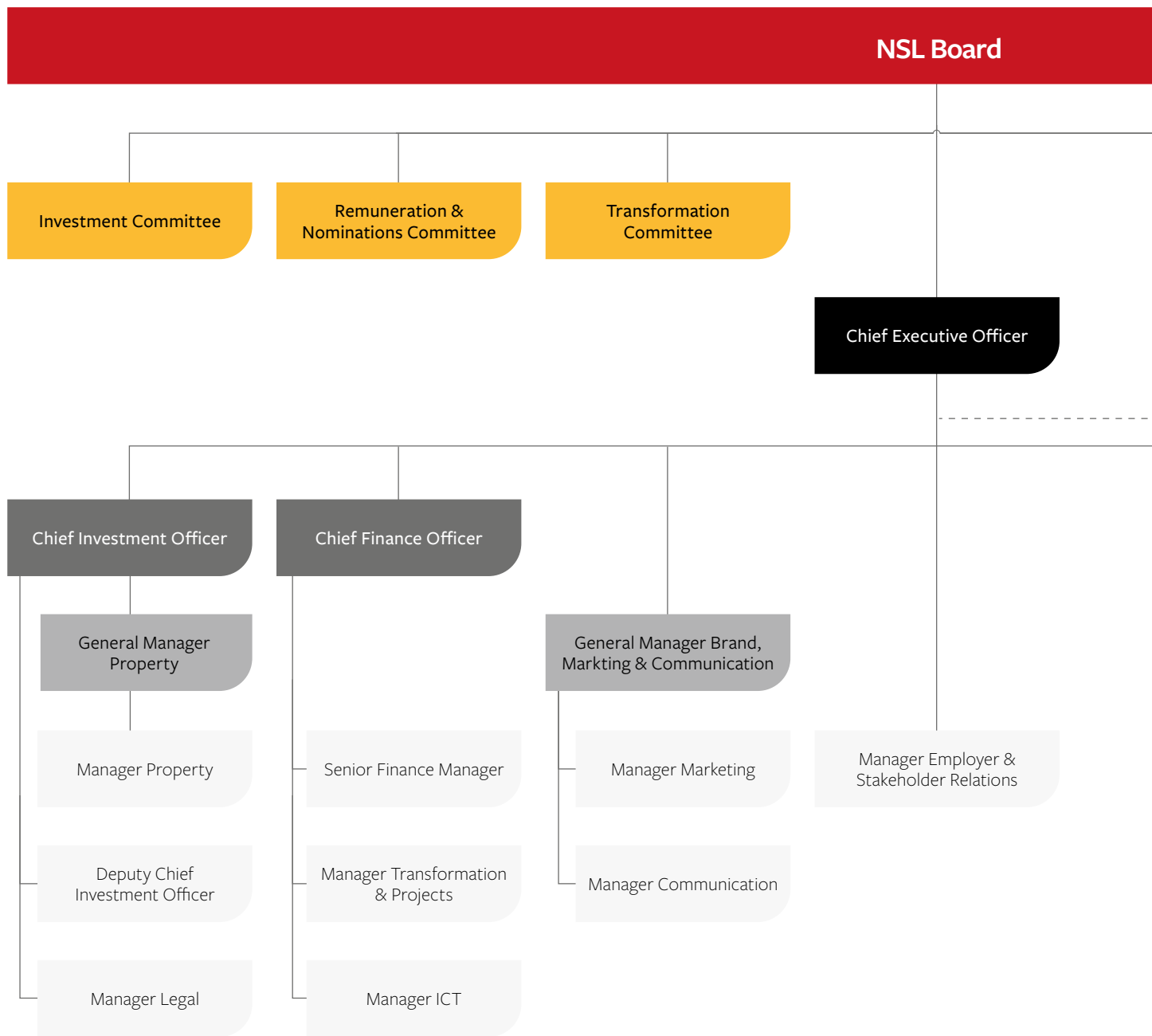
Find out more about Bel Isi, visit belisipng.org.pg

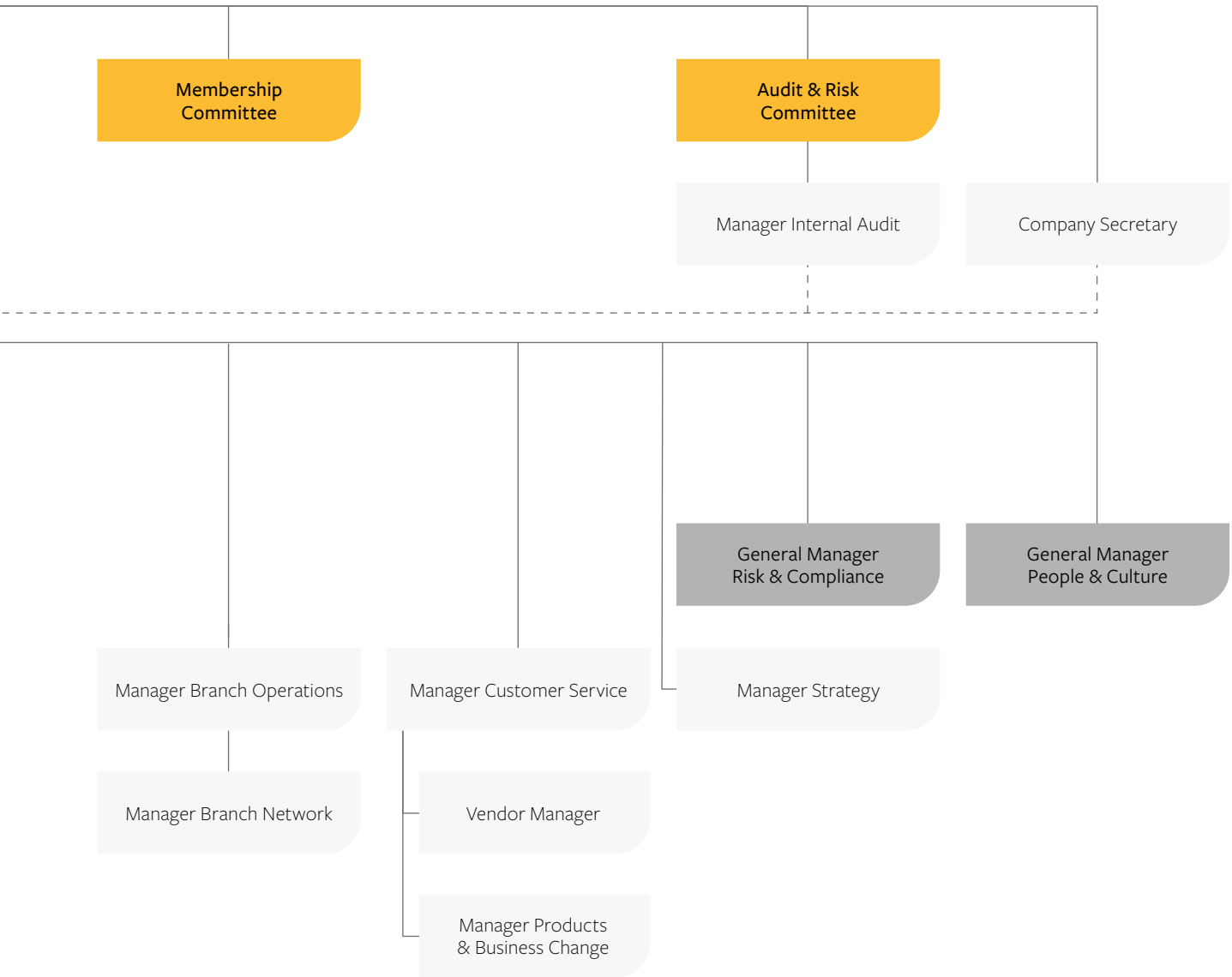
Looking ahead

Over the next 12 months we will see a number of projects come to fruition with the deployment of new technologies to improve performance management and offer eLearning to the Nambawan Super team.

Our focus on ensuring our team are sufficiently skilled to perform well in their current roles will remain, with sector and job training across the team. To ensure we have a team able to deal with challenges of the future, there remains focus on growing capability. An international secondment program will commence (Covid-19 may impact commencement of this program), with two team members working with an international super fund. The Emerging Leaders Program will commence with a second cohort.

Nambawan Super Organisation Chart

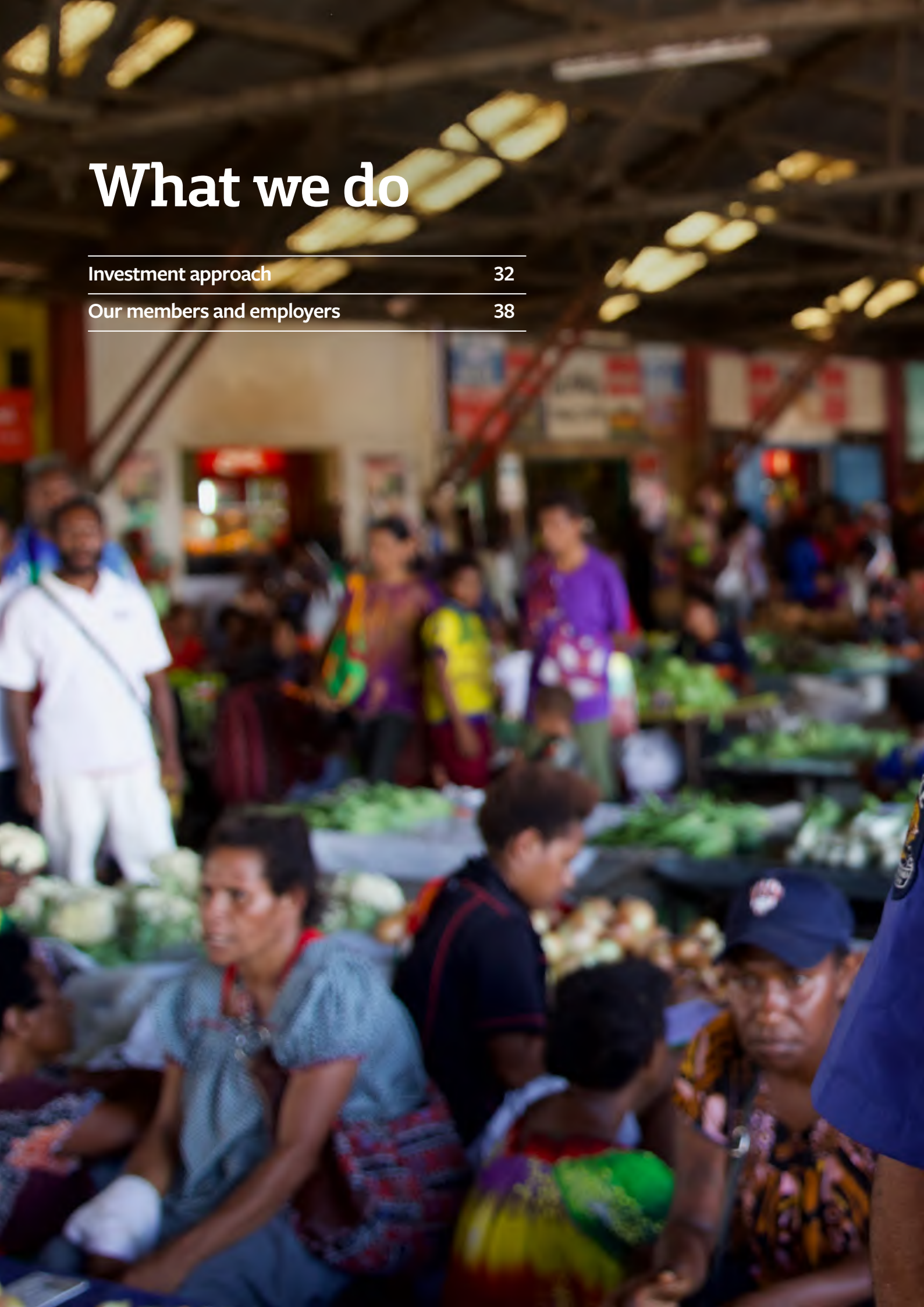




What we do

Investment approach 32

Our members and employers 38





Investment approach

Why this matters to us

Focusing on improving investment performance delivers better returns to members.

In fact, what's made Nambawan Super the country's most successful fund over the past 20 years is its strategic investment approach, investing members' money across global markets for diversity and in the local economy.

Nambawan has a proven track record in investing members' funds so that they'll grow, and through benefiting members, PNG also grows.

How we create value

A great proportion of member funds are invested in brands Papua New Guineans use and consume every day, such as BSP, Westpac, Paradise Foods, Toyota, Kumul Hotels (Holiday Inn), City Pharmacy, Credit Corporation, Queen Emma Chocolate, Gala Ice Cream and SP Brewery, which means members are not only getting good returns, they're also proud part-owners of major PNG properties and companies – organisations that create local jobs and boost economic activity.

Nambawan puts members and their super savings first and will always advocate for them – we are fully independent of government.

We do not invest in businesses that run against the best interests of PNG. We pride ourselves on our integrity and trustworthiness, and out governance and accountability processes.

How we invest

We have a strategic approach to investment and are constantly considering what changes we should be making to our investment mix to ensure strong, long-term returns for members. As member contributions are received, the Fund must decide how and where to use savings to ensure real returns for members.

Long term

Superannuation is a long-term investment, and rewards from consistent savings accrue over the long term. We follow international best practice and follow a disciplined investment approach – especially in times when markets are turbulent. Members who patiently save a portion of their wages through superannuation benefit in the long term through compounded returns. It is common in the later years of a member's working life that their annual interest earned and paid to their account will exceed their annual cash contributions.

Diversification

We invest member savings in a diversified range of investments, sometimes described as “not putting all your eggs in one basket”. This is one of the best ways to reduce the risk that any one investment might do badly in any given period and negatively affect a member's retirement plans.

Member retirement savings are invested in government bonds, commercial and residential property, and local and international companies. Over the past decade, we have also patiently built up overseas investments, which enables us to access a much wider range of investments not otherwise available in PNG. We can thus benefit from the profits earned by international IT companies and other industries not available in PNG.

Locally-based

We employ a team of professionals that are all locally based, and are able to draw upon international expertise. Our people are also continually improving their skills and expertise, often through internationally recognised continuing education.

We aspire to operate at the standards expected internationally, while always being mindful that engagement with local businesses requires an understanding of local ways of operating.

Performance

The Fund enjoyed strong underlying earnings - in particular interest and dividend income. This was the result of prolonged effort over several years to improve the cash earnings of the fund and to reduce reliance on gains in valuations when calculating annual returns to members.

Investment Overview

Profit to member only

As a profit for member only fund, members reap the return from our diverse investment with no other shareholders taking a return.

Asset base of K7.7 Billion

Over the past 10 years Nambawan Super has grown its asset base from K2.8 billion to K7.7 billion



Investment objective and risk tolerance

Our principle objective is to provide real net return, after fees, taxes and CPI of +2% over the medium term. Our risk tolerance is to minimise negative returns no more than four years in twenty or a 20% chance of a negative return in any given year.

International portfolio

To provide a strong, long term performance, NSL invests across PNG and overseas.

Diverse and balanced portfolio

Our investment portfolio is made up of a wide range of property, listed equities (both local and global), unlisted companies, bonds and cash.

Performance

The Fund enjoyed strong underlying earnings - in particular interest and dividend income. This was the result of prolonged effort over several years to improve the cash earnings of the fund and to reduce reliance on gains in valuations when calculating annual returns to members.

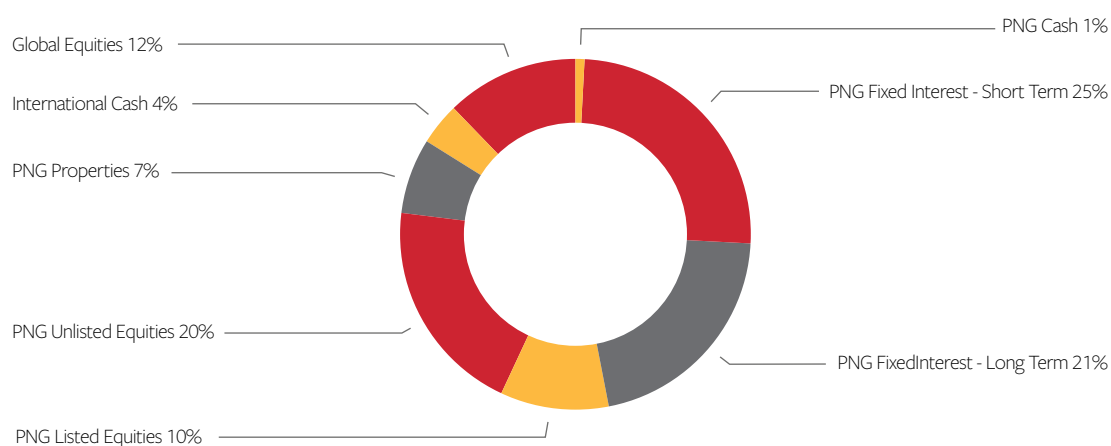
PNG Listed Equities, mainly Bank of South Pacific, continued to generate strong returns to members. However PNG Unlisted Equities had a negative return for the year. This was due mainly to reduced valuation for Paradise Company Limited, as well as SP Brewery. SP Brewery has in the past contributed strongly, and in 2019 saw falling volumes as due to increase alcohol taxation.

International investments contributed very strongly, due to strong international investment market performance. In 2020 we aim to increase allocation to international investments as and when we can access foreign exchange.

The Trustee Board is keen to further diversify investments over the coming year, which will reduce reliance on PNG interest and dividend income, while also improving the liquidity profile of the Fund's investment portfolio.

Asset Class	Portfolio Weight	Return	Contribution	Rank
PNG Cash	1%	2%	0.0%	7
PNG Fixed Interest - Short Term	25%	8%	1.9%	4
PNG Fixed Interest - Long Term	21%	11%	2.3%	3
PNG Listed Equities	10%	30%	3.1%	1
PNG Unlisted Equities	20%	-14%	-2.7%	8
PNG Properties	7%	7%	0.5%	5
International Cash	4%	3%	0.1%	6
Global Equities	12%	22%	2.6%	2

Weight by Asset Class*



*There are minor variations in how Nambawan Super records our assets, to how the Fund's Investment Manager records them. The difference noted in PNG Properties and PNG Unlisted Equities weighting relates to how Nambawan Super categorises some property related investments as PNG Unlisted Equities.

Case Study



Member's newest asset now open

One of the Fund's newest investments, Nambawan Super Plaza, opened in May 2019 and welcomed the first residents who will enjoy living in the exquisite Penthouse Apartments and Crowne Plaza's Residences.

The Precinct is expected to return a significant revenue stream once fully tenanted – money that will go directly to our members as a part of their annual interest rate.

Nambawan Super Plaza is part of a Precinct that includes commercial, residential, hotel, leisure and restaurant facilities to tenants and visitors alike. Members of Nambawan Super own nearly 90% of this exciting new asset.

The Penthouses Apartments are a new level of luxury for Port Moresby, with 14 beautifully finished and furnished apartments.

Two other buildings make up the precinct: Deloitte Haus was opened in 2016 and consists of A-grade commercial office space spread over 11 floors, with access to 4 levels of secure underground car parking; and the Crowne Plaza Residences, an apartment tower which consists of 54 two- and three- bedroom serviced apartments managed by InterContinental Hotels Group.

Retail and Commercial leases are also available in the precinct that, with unbeatable views and 24-hour security, will become one of Port Moresby's most popular destinations for work and leisure.

Creating Jobs and Skills to build PNG

Nambawan Super is not just investing in buildings, it is investing in people. Before the new precinct opened its doors, the benefits of the project were being felt through employment opportunities and training offered during construction. At the height of construction, 600 Papua New Guineans were employed on the project. Due to the complexity of the buildings' designs, and the level of luxury and prestige that was achieved, there was opportunity for many of these people to receive up-skilling.

Many of those employed to build Nambawan Super Plaza are now working on Nambawan Super's next property development project, Rangeview Heights Precinct.

Complete

Nambawan Super Plaza

- 3 towers
- 54 Serviced Apartments
- 14 Luxury Penthouses
- 11 floors commercial
- 24-hour security
- 500 secure, undercover car parks
- Restaurant opening 2020

Under construction

Rangeview Heights

- 2 commercial buildings
- 280 commercial car parks
- 88 townhouses
- 140 residential car parks.
- K296m development cost
- 2022 expected completion
- 680 current local jobs

Case Study



Maintaining member assets

Buildings are long-lived assets and need regular maintenance.

In 2012, the Board recognised that maintenance had been delayed for many large buildings owned by the Fund, and launched a multi-year rehabilitation program. That program was completed in 2019.

In 2019, Nambawan Super once again commissioned a full audit of the Fund's property portfolio, and we have started work on the next multi-year phase of maintenance to keep buildings owned by the Fund in good condition in order to attract and retain tenants.

The need to maintain and, where necessary, refurbish our properties has become starkly obvious in Port Moresby especially, as a construction boom over the past decade means commercial and residential tenants have a wide choice of modern buildings. Property owners cannot control rental prices, which can go up and down over time, but as trustee of member assets we can make sure that properties owned by the Fund are well maintained. That, plus great service to our tenants, will mean that existing and prospective tenants will choose to stay in Nambawan Super buildings for the long term – which is the timeframe over which we seek to build wealth for members.

Revenue Haus

- Fully leased to the Internal Revenue Service for many years.
- More than 20 years old
- Recognised as a first-class office building at time of construction
- Maintenance had been delayed
- Initiated multi-year repair program to maintain the building at a high standard.

Rectification works were undertaken with the tenant in the building, including:

- Repairing the external façade
- Replacing air conditioning units
- Replacement of critical building systems including lifts and generators
- Refurbishment to interiors.

Looking ahead

We constantly think about what might happen, and how bad events impact our members. With exceptional circumstances at the start of 2020, we are yet to see how investment returns will be impacted by year's end. This period of turbulence has been an important reminder of how quickly markets and investments can shift and change. Our increased focus on cash returns has sheltered our members from the sudden and large fall in asset valuations. This is a good example of the benefit of diversification. However, in such an economic climate it is extremely difficult to predict future outcomes.

The exceptional events of early 2020 reminded us that even using our best efforts, we cannot predict the future. The Trustee Board therefore includes contingency plans and takes a long term view when investing members' savings. The emergence of COVID-19 in late 2019 and early 2020 very quickly changed the outlook for the world economy, and for PNG. It is too early to determine how this will impact Fund returns in 2020, but past experience shows that by adhering to a solid, thoughtful investment strategy, members' best interests will be served.

The Fund's Investment Strategy includes a long term focus to increase the Fund's investments in offshore assets, which will enable better diversification than if restricted to just PNG assets. This will also enable the Fund to invest in assets that are much more readily sold and converted into another asset, or cash, or even converted back to PNG Kina if larger-than-anticipated member retirements require more cash to pay out members.

The Trustee Board has in place a sensible Investment Strategy, focused on maximising returns whilst balancing risk, and at the same time ensuring enough cash will be on hand to pay members as they retire and exit the Fund.

▲ record net profit

K504
million

▲ interest return

7%

▲ net asset value

K7.7
billion

PNG Brands owned by Nambawan Super members



Our members and employers

Why this matters to us

Nambawan Super members are PNG's nation makers. They are humble and hard working. Their career success also comes with the responsibility – and sometimes the burden - of being a provider. The currency might change, but cultural obligations do not.

Superannuation is a new type of wealth and our members need to learn new skills to manage and protect their superannuation savings so it will benefit them and their family.

Every Nambawan Super member should be able to look forward to a dignified retirement – a fitting reward for a lifetime of work.

Members need the right products, and greater awareness and education to make the best decisions for their financial future while they are working and when they retire.

How we create value

Education and Awareness

Our Branch network delivers a comprehensive member awareness program around PNG.

National Employer Conference

Branch Member Awareness events

Employer specific awareness and education, especially for retiring members

Hausples expo and Cultural shows across PNG

Member Discount Program

Nambawan Super members enjoy discounts from a broad range of discount partners nationwide. Offering members day-to-day benefits long before they are retired.

Our most popular discount partners are Brian Bell and the airlines. Air Niugini and PNG Air offer discounts on every fare for members and beneficiaries. But members also enjoy discounts for services from hardware to health.

Find out more

nambawansuper.com.pg/members/discount-program/

Advocacy

Nambawan Super is in a unique position to advocate on our members' behalf.

In 2019 Nambawan Super advocated for changes to the tax treatment of the super system in PNG and continued to highlight the regrettable fact that many workers in PNG simply aren't being paid super.

The Fund continues to explore the issue of housing affordability and has made inroads across the housing supply chain to explore ways to address members' ongoing housing needs.

Digital support

The people of PNG are increasingly online, and Nambawan Super is committed to serving members where they are.

Performance

1 Increased our client-facing staff in branches so that all branches have at least two staff members.

2 Created a new employer relations department to ensure employers receive a high standard of service.

6 Membership numbers continue to grow with more than 16,500 new members joining Nambawan Super in 2019.

3 Opened a new stand-alone branch in Kimbe, offering an improved service to members in West New Britain.

4 Undertook a broad range of new customer research, to better understand our members' needs, that will form the basis of several 2020 initiatives.

7 Continued growth in voluntary superannuation in the informal sector.

5 Achieved an excellent overall result in our new, independent customer satisfaction study, indicating that we are on track with our work to offer the best Superannuation Service in PNG.

8 More Private Sector employers joined Nambawan Super than in any previous year, with 40 employers choosing Nambawan Super for their employees.



Member campaigns

In 2019 Nambawan Super introduced new communication and campaign channels to directly reach our members with important information and encourage them to make great decisions for their financial futures.

Voluntary Contribution – email campaigns were read by more than 10,000 members.

New Face of Nambawan Super

In September 2019, Nambawan Super ran a digital campaign, using Facebook and Email, calling members to apply to become the 'new face' of Nambawan Super. The campaign sparked interest across the breadth of PNG with many submissions received from members proud to represent Nambawan Super and their employers.

- 100,000+ members reached on Facebook
- 1,900+ clicks and interactions on facebook
- 3,513 unique landing page views
- 25 auditions submitted
- 10 hero talents selected from Port Moresby, Lae, Mt Hagen, Kundiawa and Kokopo.



[Download Application Guide](#)



Nambawan Super is the National Face of Nambawan Super (NFS) and is a proud member of the Nambawan Super Group. For more information, please visit our website or contact us via the information provided below. We are committed to providing you with the best possible service and support.



Member snapshot

▲ super members
199,351

▲ Retirement Savings Account (RSA) members
4,720

▲ Choice Super members
13,245

▲ RSA income stream recipients
479

▲ Members received Housing Advance
989

▲ contributions received
K770 million

▲ Members making Voluntary Contributions
39,976

▲ benefit payments made to members
K464 million

▲ Exits
7,036

▲ 174 death benefit payments
1,174

▲ Transfers to other ASFs
149

▲ Unemployment Benefit Transactions
3,413

Looking ahead

The Fund is very excited to launch our own tailored Member Financial Literacy program in 2020 – and we look forward to helping members improve their financial wellbeing both now and for the future.

We are investing more in digital tools to improve services. We are planning to upgrade many of the existing digital tools to provide more efficient service and support for both members and employers online and via our call centre.

The advent of Covid-19 has fast-tracked our planning for digital tools to enable Nambawan Super to continue to deliver superior awareness and education through online channels.

We are refurbishing two branches, in Mt Hagen and Wewak, and are considering new branch locations to meet the needs of our growing membership.

▼ In 2019 Nambawan Super commenced delivery of its tailored financial literacy program, training front line staff.



Supporting Statements

Fund Administrator's Statement	44
Investment Manager's Statement	48
2019 Annual Report Statistics Compilation	57



Fund Administrator's Statement

Kina Investment & Superannuation Services Limited

2019 year in review

It has been another successful year in Fund Administration and we are pleased to provide Nambawan Super and its members with the following report.

2019 saw an increase in workload with Kina having to process over 43,000 different work items ranging from ad-hoc payment requests, monthly and fortnightly payment request, contributions processing, and member and employer data maintenance. Superior customer service continues to remain our number one priority to the members of Nambawan Super, and for the third consecutive year, we have delivered performance rating of 99.92% in our service delivery which is well above industry standards. Our systems, processes, skilled and experienced staff, supported by the solid partnership we have with Nambawan Super has enabled us to achieve this great result with members receiving the service they deserve.

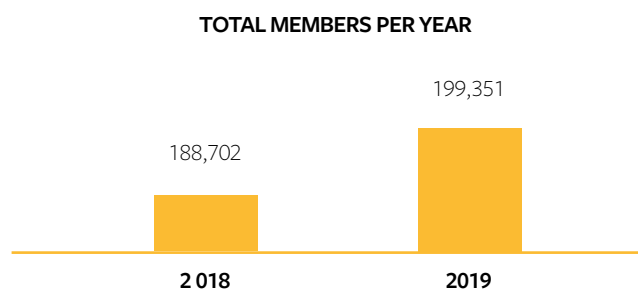
From the Fund's perspective, it is worth mentioning the significant increase in the voluntary contributions for main stream superannuation members and Choice Super members at 15% and 50% respectively. This trend suggests that Nambawan Super members are enjoying additional benefits through products such as housing advance and member discount programs. Most importantly members are now thinking more and more about the importance of saving for a better retirement.

At Kina, our people are our greatest asset, as having highly skilled staff plays a critical role in us delivering world-class service to Nambawan Super and its members. We invest heavily to ensure we attract, retain, teach and motivate staff committed to maintaining the highest possible standards in the industry. As such, we are pleased to make mention that all of our fund administrators are internationally accredited with specific skills on superannuation management and compliance.

Fund Membership

The Fund experienced a 5.6% increase in membership from 188,702 in 2018 to 199,351 at the end of 2019. The membership break-up consists of 180,711 mainstream superannuation members, 4,720 Retirement Savings Account members, 675 Pensioners, with a huge increase in Choice Super membership of 13,245 from 8,852 reported in 2018.

Fund	2018	2019
Accumulation	174,929	180,711
Choice Super	8,852	13,245
RSA	4,363	4,720
Pension	558	675
Total	188,702	199,351

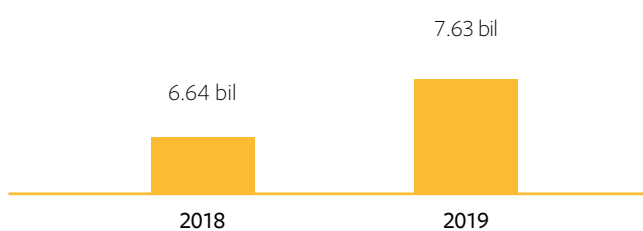


Funds Under Administration

Overall funds under administration also increased by 8% from K6.64 billion (31/12/2018) to K7.63 billion as at 31 December 2019, consisting of K7.47 billion in savings for the mainstream super members, K5.37 million for the choice super members and K154.44 million for the Retirement Savings Account members. This is exclusive of over K2 billion in unpaid public service employer benefits owed by the State for public servants who are yet to retire, but have been working and contributing to Nambawan Super since before 2009.

Fund	2018	2019
Accumulation	K6.50 billion	K7.47 billion
Choice Super	K4.30 million	K5.37 million
RSA	K131.84 million	K154.44 million
Total	K6.64 billion	K7.63 billion

FUNDS UNDER ADMINISTRATION PER YEAR

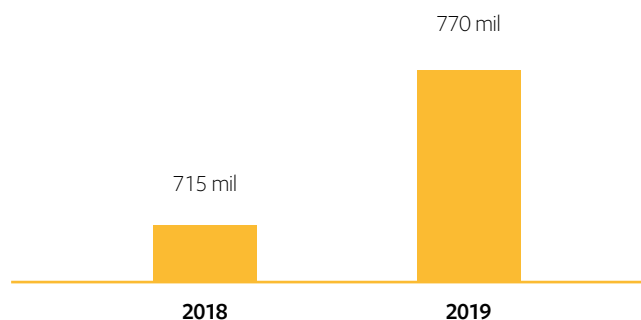


Contributions

Total contributions of over K770 million were received and allocated into members' superannuation accounts. From this figure, we confirmed that over K453 million, which includes State Share Contribution of over K198 million for exited members, were received by Nambawan Super from the Government of PNG on behalf of members who are public servants. Over K317 million in contribution was remitted by other private organisations and non-government bodies on behalf of their employees.

Description	2018 (PGK)	2019 (PGK)
Member Contributions	209,155,256.76	208,954,998.48
Employer Contributions	296,754,757.30	303,856,894.85
State Share Contributions	159,895,030.25	204,063,048.59
Housing Repayments	10,136,382.67	10,879,716.83
RSA Rollover	2,716,591.11	6,048,636.61
Voluntary Contributions	32,681,869.17	32,814,774.34
Choice Super Contributions	1,456,221.07	2,054,296.55
Salary Sacrifice Contributions	2,693,299.64	1,875,513.87
Total Contributions received	715,489,407.97	770,547,880.12

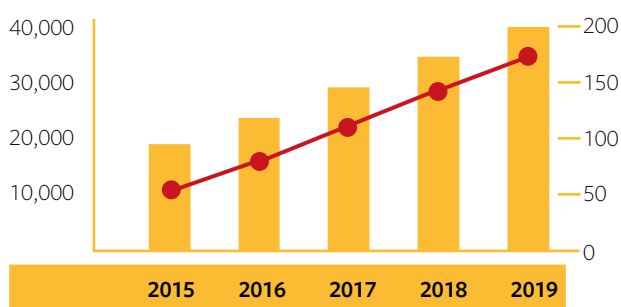
TOTAL CONTRIBUTIONS PER YEAR



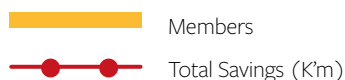
Voluntary contributions by members

Voluntary contributions profile continues to grow with additional 5,263 mainstream super members opting to make additional contributions towards their superannuation savings; this is apart from their mandatory 6% and 8.4% contributions as stipulated in the Superannuation General Provisions Act. The total voluntary contributions savings has significantly increased by K29.77 million in 2019 compared to 2018. The number of members currently making voluntary contribution is 39,976, an increase of 15% compared to last year. The 5-year trend illustrated in this graph shows consistent growth in both member numbers and total savings.

VOLUNTARY CONTRIBUTIONS PROFILE



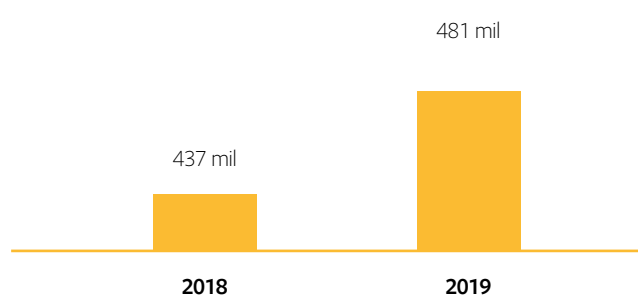
	2015	2016	2017	2018	2019
Members	19,112	23,825	29,249	34,713	39,976
Total Savings (K'm)	55.36	79.17	110.73	143.84	173.61



Benefit payments

In 2019, a total of 25,460 payments were processed to the value of K481.95 million in entitlement benefits which is slightly higher compared to 2018. The increases in payments were mainly from members who have either resigned, retired on normal or medical grounds, deceased cases, and members who have transferred out of Nambawan Super into other superannuation funds.

TOTAL PAYMENT PER YEAR



Benefit payments by category

Payment Category	2018 (K'M)	No. of Payments	2019 (K'M)	No of Payments
Resignation, Retirement, Medical	282	5,746	326.45	6,916
Death (Mainstream, RSA)	65.23	886	78.34	1,174
Transfer Out (to other ASF)	1.75	53	2.67	110
Unemployment Benefits	5.14	3,450	6.24	3,413
RSA Withdrawals	37.18	12,969	40.24	12,862
Housing Advance Payments	46.65	2,844	28.01	985
Total Benefit Paid	437.95	25,948	481.95	25,460

Pension

2019 saw a decrease in the number of total active pensioners due to a 'Pension Checklist Exercise' conducted by Nambawan Super in July 2019 which resulted in the suspension of 373 pensioners. During this exercise, Nambawan Super pensioners who have been suspended are required to consult their nearest Nambawan Super branches and update their membership records in order to reactivate their pension payment. Total Active Pensioners in 2019 as at 31 December 2019 was 302 and total pension benefit paid was K1.76 million compared to K2.34 in 2018.

Pension status	2018	2019
Active pensioner	558	302
Suspended	123	373
Closed	909	915
Nothing on file	5	5
Total Pensioner	1595	1595
Total Payment	K2.34 mil	K1.76 mil

Looking ahead

A huge part of our strategy in the coming years will be centred around key initiatives such as infrastructure upgrades and enhanced digital solutions that will transform the way we provide service to Nambawan Super and its members, not only in the superannuation industry but also through our banking platform. More focus will be on streamlining the contribution management process to address issues such as unallocated contributions, duplicate accounts and reconciliation challenges.

Administering the retirement income for thousands of Papua New Guineans is a responsibility we take very seriously, and our commitment to customer service, value-added services, robust, secure and reliable technology, continuous improvement and innovation reflect that. We will look forward to working closely with Nambawan Super, Fund Manager, key service providers, and our regulator the Bank of Papua New Guinea to move the PNG superannuation industry forward.

Together it's possible!

Sharon Punau
Head of Operations (Wealth)
Kina Investment and Superannuation Services Ltd
(Licensed Fund Administrator)

'A wholly owned subsidiary of Kina Securities Limited'

Investment Manager's Statement

Kina Funds Management Limited

This statement is submitted by Kina Funds Management Limited (KFM), a wholly-owned subsidiary of Kina Securities Limited. KFM is the Licensed Investment Manager (LIM) for Nambawan Super Limited (NSL). This report outlines the drivers of the Fund's performance and provides a breakdown of the Fund's investment holdings as of 31 December 2019. 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 in Papua New Guinea (PNG) is the Superannuation (General Provisions) Act 2000 (the Act). The Bank of Papua New Guinea (BPNG), under the Act, has ensured the protection of the rights and interests of contributors. BPNG does this by issuing prudential standards that reinforce the guidelines in the Act, and it monitors both NSL and KFM with regular reviews and regular reporting requirements.

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

2. Investment Strategy

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

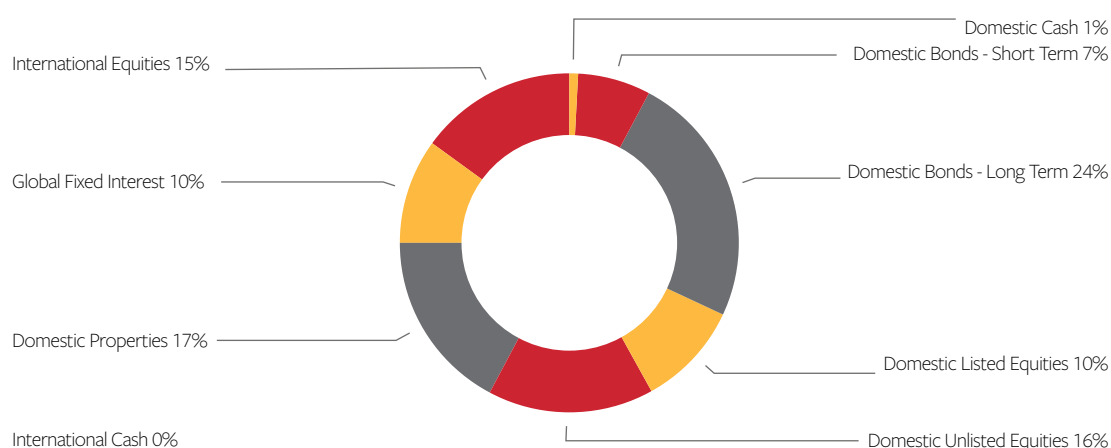
The principal objective of the Fund is to provide a return after fees and taxes in excess of the PNG Consumer Price Index (CPI), plus 2.0% over any five year period.

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 2019 calendar year, the Trustees of the Fund, in conjunction with KFM, undertook a detailed review of the SAA of the Fund. As a result 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.

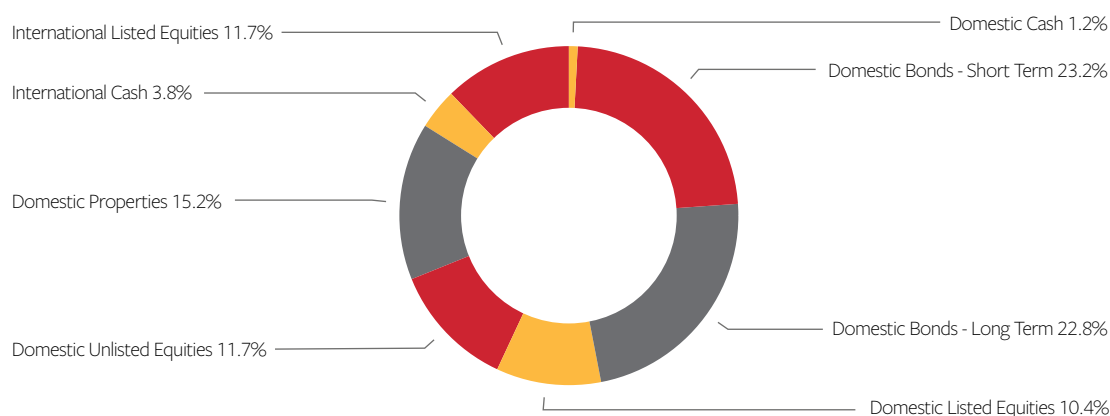
The SAA of the Fund was revised in order to increase the level of overall diversification. Specifically, the key change was to split the target allocation to domestic bond investments into short term maturities and longer term maturities allowing for greater use of shorter term bonds to assist cash management. Additionally the level of domestic property and equity exposures in the SAA were increased. The international equities target and international bond target were retained at existing levels. Overall the level of diversification has improved by these changes. The current SAA of the Fund is outlined in the chart below.

Figure 1: Fund's Strategic Asset Allocation (SAA) as of 31 December 2019



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

Figure 2: Fund's Asset Weightings as of 31 December 2019



Source: NSL's Portfolio and Performance Report

Investments in international securities comprise 15.5% of the total assets of the Fund at 31 December 2019. This compares with the SAA target of 25% and can be described as an underweight investment in this asset class. This is explained by continued systemic constraints in accessing foreign currency to meet the SAA.

3. Investment Portfolio and Performance

The Fund's investment portfolio increased to K7.68 billion as of 31 December 2019, representing a substantial increase over the prior year. The increase in the portfolio was mainly due to the investment income of the Fund combined with net cash inflows from ongoing member contributions. The investment income comprised of interest, dividend, rent income, and variation in the value of domestic and international listed investments together with the gain on foreign currency movement.

Both domestic and international equity markets, in particular, performed well over the course of 2019 adding strongly to the underlying return achieved by the Fund. This performance shows the benefit of a diversified Fund whereby overall performance is reflective of the performance of all the asset classes in the investment mix whose individual performances vary according to market conditions. The chart below presents the actual portfolio at year-end.

4. Portfolio Composition

The Fund endeavours to maintain its investments in line with the agreed SAA. In close collaboration with KFM, the Fund constantly monitors its investments and reacts to the prevailing market conditions, and expectations, in line with the investment policy. The following table compares the actual mix of investments in the portfolio at the end of December 2019 compared to the previous year.

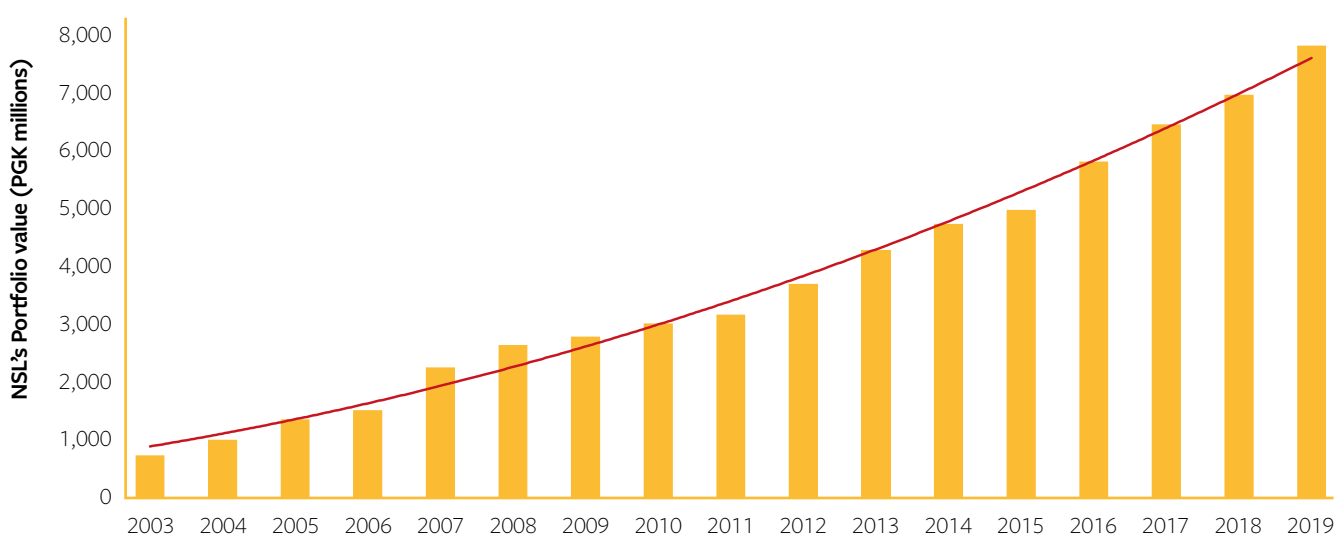
Figure 3: Composition of Investments as of 31 December 2019

Asset Class	% Holdings	
	31-Dec-18	31-Dec-19
Domestic Cash	1.8	1.2
Domestic Bonds - Short Term	18.6	23.2
Domestic Bonds - Long Term	23.4	22.8
Domestic Listed Equities	10.9	10.4
Domestic Unlisted Equities	15.9	11.7
Domestic Properties	16.6	15.2
International Cash	1.5	3.8
International Listed Equities	11.3	11.7
Total	100.0	100.0

Source: NSL's Portfolio and Performance Report

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 23.95% per annum. This reflects a strong underlying cash flow to the Fund combined with strong investment returns.

Figure 4: NSL's Investment Portfolio Growth



Source: NSL's Portfolio and Performance Report

5. Portfolio Composition by Asset Class

5.1. Domestic Cash

The Fund's domestic cash allocation (Domestic Cash Portfolio) comprises deposits in banks and finance companies at call accounts and term deposits. As of 31 December 2019, the Fund had 1.2% of the portfolio in cash.

This was a significant reduction in its composition relative to the prior year as the Fund changed its asset class description for cash from a term less than 182 days to maturity at the time of issues to funds invested in current accounts or "at call". During the 2019 calendar year, the Fund also moved excess cash into fixed interest to capture better yields, and the cash levels remained relatively flat to the SAA for the following reasons: (i) ongoing funding of pre-approved property development during the year, (ii) an inability to obtain adequate foreign exchange to further diversify the Fund's investment into international assets as noted elsewhere in this report.

5.2. Domestic Fixed Income

The domestic fixed interest allocation, or the Domestic Fixed Interest Portfolio, consists of short and long term bonds. As at 31 December 2019, the Fund's allocation to this asset class was 46.0% of the total portfolio, a significant increase from the prior year due to the Trustees of the Fund and KFM's conscious effort to improved overall yields of domestic fixed income by moving excess cash into this asset class.

5.2.1. Domestic Fixed Income - Short Term

The Fund's domestic short term fixed income allocation comprises of PNG Treasury Bills, Interest Bearing Deposits (IBD) with approved PNG Banks and Financial Institutions, loans in PNG Kina and other PGK interest-earning investments with a fixed rate of return and term to maturity of more than one day and less than or equal to 365 days at inception.

As of 31 December 2019, the Fund had 23.2% of the portfolio in domestic short term fixed income. This compares with the SAA target of 7% and can be described as a significantly overweight investment in this asset class. This is explained by continued systemic constraints in accessing foreign currency to meet the SAA together with no long term government securities being offered in the first half of 2019 which triggered the Fund to invest more in this asset class.

Short term government securities offered during the year had favourable yield and the Fund remains a regular participant in BPNG auctions. During the 2019 calendar year, the Fund invested most of its excess cash together with maturities from both the long and short term fixed income into short term government securities. The effect of this was to improve the overall yield for the Fund's investment. The Trustee of the Fund, in conjunction with KFM, managed the Fund's Treasury Bills auction process proactively during the year.

5.2.2. Domestic Fixed Income - Long Term

The Fund's domestic long term fixed interest allocation, or fixed interest portfolio, comprises Government Inscribed Stock (GIS), IBD with approved PNG Banks and Financial institutions, loans in PNG Kina (PGK) and other PGK interest-earning investments with a fixed rate of return and term to maturity of more than one year at inception. As of 31 December 2019, the value of Fixed Interest Portfolio was 22.8% of the total investment portfolio, an increase from the prior year due to a conscious effort to improve overall yields by moving excess cash into this asset class.

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

In addition to government securities, the asset class also includes commercial loans for subsidiary companies for construction projects.

5.3. Domestic Equity

The domestic equities allocation, or the Domestic Equities Portfolio, consists of listed and unlisted equities. As of 31 December 2019, the Fund's allocation to this asset class was 22.1% of the Fund value, a significant decrease from the prior year due to downward revaluations of a number of the unlisted equities consistent with the challenging domestic market environment.

5.3.1. Listed Equity

As of 31 December 2019, domestic listed equity was 10.4% of the Fund's total portfolio. The increase in value was primarily due to a significant increase in Bank of South Pacific Limited (BSP), Credit Corporation Limited (CCP) and CPL Limited (CPL) share values. BSP continues to provide a strong return to the Fund through good dividend and capital growth reflecting its strong financial performance during the year. CCP is back on track under the guidance of the new board and management and the company reported a solid 2019 financial results.

Figure 5: Domestic Listed Equities as of 31 December 2019

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

Source: NSL's Portfolio and Performance Report

5.3.2. Unlisted Equity

As of 31 December 2019, domestic unlisted equity was 11.7% of the Fund's total portfolio. This compares with the SAA target of 16% and can be described as an underweight investment in this asset class. This is explained by revaluation losses on a number of the unlisted equities consistent with the challenging domestic market environment.

The theme of slow growth and weak consumer demand continues in 2019 as PNG's economy struggles to cope with the decline in prices of key export commodities. Although there was some improvement in 2019, foreign currency shortage still remains a key hindrance to the performance of domestic unlisted companies as the delivery of goods and services to consumers face delays which had a negative impact on their underlining performance. This has impacted dividend payment and valuation for the Fund's major unlisted equities.

During the year the Fund reviewed a number of investment proposals. Lead times for unlisted investments tend to be quite long and information-intensive and as such many other investment proposals remained work in progress at the end of the year. The Fund continues to work closely with its investees to assist the growth of those businesses through strategies to finance opportunities through activity such as mergers and acquisitions, which in turn will be of benefit to the Fund.

Figure 5: Domestic Unlisted Equities as of 31 December 2019

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

Source: NSL's Portfolio and Performance Report

5.4. Property

The domestic properties portfolio is comprised of commercial, residential, industrial properties and unimproved land. As of 31 December 2019, this asset class was approximately 15.3% of the Fund showing an increase from last year due to revaluation gains during the year.

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

During the year, the construction of the Penthouse Apartment and Crowne Plaza Residence (also known as Nambawan Super Plaza) was completed and offered to the market for lease. The precinct consists of a world-class mixed-use office, residential, entertainment and retail complex with green areas for outdoor entertainment and recreation. Leasing of the two properties progressed well during the year. The building was approximately 50% leased at the end of December 2019 and the Fund expects it to be close to fully leased during 2020. These buildings will be providing excellent levels of income to the Fund going forward.

The Rangeview Heights development, which was approved by the Fund in 2016, has made progress during the year. Civil works have begun and construction is progressing smoothly.

During the 2019 calendar year, the Trustee of the Fund engaged Napier Blakeley to undertake a detailed review of the Fund's overall property portfolio. Napier Blakeley is a leading independent property, development, and sustainability consultancy firm, who provided valuable review comments and recommendations with respect to each property.

The Fund remains focussed on optimizing profitability on core property asset holdings. The 'divestment' initiative is expected to further streamline and improve the composition of this asset class. In turn, this will lead to an improved risk-return profile for the Fund, and a diminished exposure to sub-optimal holdings. Therefore, the Fund divested Pacific Vista, a residential apartment containing 7x3 bedrooms situated on Allotment 14 of Section 42, on the South Western Side of Ogoa Street during the year.



Properties	NSL's Ownership	Location	Description
COMMERCIAL PROPERTIES			
Aopi Centre (S390 L12,13 & 14 Waigani Drive)	100%	Port Moresby	A 6 Level Twin Tower Office Complex on Waigani Drive. Currently leased to the Department of Health and High Education, NSL Members Service and others
Burns House (S19 L20 Champion Parade)	100%	Port Moresby	4 Level Mixed Office & Retail Space in the CBD, Down Town Port Moresby
Era Rumana (S20 L6&7 Champion Parade)	100%	Port Moresby	7 Level Commercial Office Complex in the CBD, Down Town Port Moresby
Mogoru Moto (S20 L8&9 Champion Parade)	100%	Port Moresby	9 Level Commercial Office Complex in the CBD, Down Town Port Moresby
Morobe Haus (Vele Rumana) (S6 L19&20 4th Street, Top Town)	100%	Lae	6 Level Commercial Office Complex in the CBD, Lae, Morobe Province. Recently refurbishment.
Nambawan Super Haus (IPI Building)	100%	Lae	7 level Mixed Use Commercial/Residential Complex in the CBD of Lae, Morobe Province
Revenue Haus (S20 L11 Champion Parade)	100%	Port Moresby	9 Level Commercial Office Complex in the CBD, Down Town Port Moresby. Leased to the Internal Revenue Commission
Port Tower (Shirn Haus) (S3 L21 Hunter Street)	100%	Port Moresby	9 level Mixed Use Commercial/ Residential Complex in the CBD, Down Town Port Moresby
Vulupindi Haus (S405 L15 Waigani Drive)	100%	Port Moresby	6 Level Commercial Office Complex in Waigani. Leased to the Finance & National Planning Department
INDUSTRIAL PROPERTIES			
Bowman Warehouse (S15 & 16, L64)	100%	Port Moresby	Industrial Warehouse Property
Warehouse Gordons (S17 and L64)	100%	Port Moresby	NSL Data Storage Warehouse
Voco Point (L5, 6, 19&20)	100%	Lae	Industrial property with warehouses and office spaces
RESIDENTIAL PROPERTIES			
Bayside Apartments (Portion 178)	100%	Port Moresby	42 x 2&3 Bedroom Residential Units located at Koki
Portion 212 (Portion 212, Boundary Road)	100%	Lae	40x 2&3 bedroom residential units in Lae, Boundary Road.
Pinnacle Apartments (S63 L22 Daugo Drive)	100%	Port Moresby	Residential Apartment with 8 levels containing, 12 Apartments and a Penthouse Apartment at Touaguba Hil
Koki Staff Housing Compound (portion 176)	100%	Port Moresby	Staff Housing
Malolo Estate Houses	100%	Port Moresby	Institutional Houses

Properties	NSL's Ownership	Location	Description
VACANT LANDS/PROPERTIES			
9 Mile Land (Portion 2156,2157 & 2159)	100%	Port Moresby	Vacant undeveloped Land
Ex-Angco (L1 S6, L2, 3 & 5 S6 and L1 S5)	100%	Banz	The properties are located on L1 S5, Banz, L 1 S6, Banz and L 2, 3 & 5 S 6. Vacant undeveloped land.
Ex – Post PNG (S387 L20)	100%	Port Moresby	Vacant undeveloped land at 4 mile next to Telikom Training Centre
PROPERTIES HOLDING COMPANIES			
Coastwatchers Court Ltd (S25 L37)	65%	Port Moresby	Holding company that owns 31 apartments at Touaguba Hill. NSL owns 65% of the company.
Moki No.10 Ltd	100%	Port Moresby	Holding company that owns WMI Land. NSL owns 100% of the company.
Morobe Front Holdings Ltd (S27, L47)	100%	Lae	Holding company that owns the Lae Waterfront Land. NSL owns 100% of the company.
OPH Limited	87.36%	Port Moresby	Holding company that owns the new Deloitte Haus and the adjacent Penthouse Apartments and the Crowne Plaza Residence (known as OPH 2) in Down Town Port Moresby. NSL owns 87.36% of the company.
Waigani Asset Limited (S3 L21 Hunter Street)	65%	Port Moresby	Holding company that owns 2 commercial properties, Department of Treasury and Department of Land's buildings in Waigani. NSL owns 65% of the company
UPCOMING DEVELOPMENT			
Rangeview Heights Limited	56.72%	Port Moresby	Rangeview is a joint venture company between Nambawan Super Limited (NSL), Lamana and National Capital District Commission (NCDC) under construction to bring to market a mixed use commercial and apartment development on 6,009 sqm of vacant land situated between NCDC City Hall and Savannah Heights along Waigani drive.

Source: NSL's Portfolio and Performance Report

5.5. International

The Funds International Investments include international cash, international term deposits, and international listed equities. The total international portfolio holdings as of 31 December 2019 was approximately 11.7% of the Fund's total portfolio, a 15.7% increase from the previous year. There was some translation gain against offshore cash and international equities due to the depreciation of Kina against USD and AUD during the year but the underlying international equity values held in USD were preserved by the appreciation of that currency against AUD.

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

The Fund altered its approach to international equity investment by the use of what is known as "low volatility" investing and selected 3 global managers to implement this approach in 2017. The international equity managers below were fully invested. The international equities allocation provided relatively good returns for the Fund despite volatility in the global equity markets. Overall, the new funds performed according to their mandates of having volatility lower than the market, especially in falling markets.

Foreign exchange shortages, due to the controls imposed by BPNG, remained a constraint on the ability of the Fund to fully implement its offshore asset allocation in 2019.

Figure 7: International Listed Equities as of 31 December 2019

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

Source: NSL's Portfolio and Performance Report

Although a local bank, the Fund owned the shares of Kina Securities Limited (KSL) listed on the Australian Securities Exchange (ASX), hence its classification as an international asset. The Fund was the largest single source of capital for Kina Bank since taking a cornerstone position in the initial public offering (IPO) in 2015. During the past 4 years, Kina shares have performed very well, rising in value and paying strong dividends, achieving a good return for the Fund and its members. In 2019, the Fund made adjustments to its strategic asset allocation which resulted in the Fund divesting its investment in Kina Securities Limited



Deepak Gupta

Kina Funds Management Limited (Licensed Investment Manager)

'A wholly owned subsidiary of Kina Securities Limited'

2019 Annual Report

Statistics Compilation

		2019	2018	2017	2016	2015	2014
PROFITABILITY							
Total Investment Income	K(m)	703	419	577	539	414	443
Total Expenses	K(m)	123	111	148	82	75	78
Income Tax Expense	K(m)	76	34	23	53	59	28
Net Profit After Tax	K(m)	504	274	406	404	280	337
BALANCE SHEET							
Net Assets	K(m)	7,683	6,890	6,415	5,779	5,171	4,764
Net Asset Growth	%	12	7	11	12	9	12
Reserves	K(m)	34	27	28	92	102	91
Reserves as a % of Net Assets	%	0.4	0.4	0.4	1.6	2.0	1.9
Retirement Savings Account Balance	K(m)	150	138	136	134	133	114
RETURN TO MEMBERS							
Rate of Return on Funds Employed	%	7	4	6	9	6	8
Interest Credited to Members	%	7	3.7	8	9	5.8	7
Headline Inflation Rate	%	3.3	4.3	5.1	6.8	6.4	6.6
Real Return to Members	%	3.7	-0.6	2.9	2.2	-0.6	0.4
MEMBERSHIP							
Number of Members		199,351	155,330	175,840	159,989	155,330	146,280
Average Wealth Per Member	K	39,612	44,357	36,482	36,121	33,290	32,568
Number of RSA Participants		4,720	4,372	4,113	3,863	3,719	3,092
Average Number of Pensioners		618	558	572	562	564	535
MEMBER CONTRIBUTION & PAYOUTS							
Contributions	K(m)	758	668	514	464	534	450
Gross Exit Payouts	K(m)	477	398	254	223	406	290
Number of Exit Payments		6,011	5,596	3,932	3,678	3,503	2,944
Total Pension Payments	K(m)	1.6	2	2	2	2	2
TRUSTEE EXPENSES							
Management Expenses	K(m)	68	51	41	38	35	37
Investment and Administration Expenses	K(m)	54	60	107	44	40	40
Number of Staff		162	154	145	140	120	142

Financial Statements

Nambawan Super (Declarations)	60
Independent auditor's report	62
Nambawan Super (Statements)	64
Nambawan Super (Notes)	68



Nambawan
Super

Nambawan Super

Declaration by trustee and management for the year ended 31 December 2019

Declaration by trustee on behalf of the board

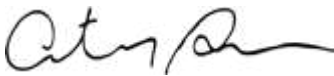
In our opinion the accompanying Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, and Statement of Cash flows, together with the Notes to and forming part of the Financial Statements, are drawn up so as to present a true and fair view of the state of affairs of the Fund as at 31 December 2019, and its performance for the year.

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

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

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

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



Anthony Smaré
Chairman



Lesieli Taviri
Deputy Chairperson

Dated at Port Moresby the 31st day of March 2020

Declaration by management

In our opinion the accompanying Statement of Comprehensive Income, Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, and Statement of Cash flows, together with the Notes to and Forming Part of the Financial Statements, are drawn up so as to present a true and fair view of the state of the affairs of the Fund as at 31 December 2019, and its performance for the year then ended.

The Management have satisfied themselves that they have:

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

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

For and on behalf of the Nambawan Super Management.



Paul Sayer
Chief Executive Officer



Vere Arava
Chief Financial Officer

Dated at Port Moresby the 31st day of March 2020

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 2019, 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 2019, and its financial performance and cash flows for the year then ended.

Basis for opinion

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

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

Independence

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund.

Information other than the financial statements and auditor's report

The directors of Nambawan Super Limited, being the Fund's trustee, are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustee for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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.

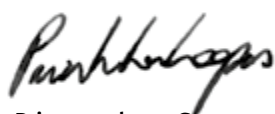
Report on other legal and regulatory requirements

We confirm in relation to our audit of the financial statements for the year ended 31 December 2019:

- 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

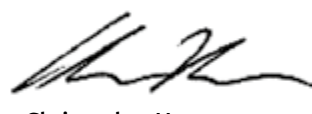
This report is made solely to the Fund's members, as a body. Our audit work has been undertaken so that we might state to the Fund's members those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other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



Peter Buchholz
Engagement Leader



Christopher Hansor
Partner

Nambawan Super

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 K'000	2018 K'000
Income			
Interest	11(a)	306,875	236,990
Dividends	11(b)	197,337	167,515
Property rentals	11(c)	58,506	58,961
Net gains/(losses) on assets at fair value	11(e)	96,169	(53,275)
Foreign exchange gain, net	11(d)	1,510	(5,087)
Loans impairments recovered		37,072	-
Other income	11(f)	5,892	14,004
		703,361	419,108
Expenses			
Investment and administration expenses			
Direct investment property expenses		18,391	18,496
Fund administration fees		8,771	9,377
Investment manager's fees		9,532	7,700
Property administration expenses		5,078	4,157
Investment monitoring expenses		1,497	891
Loans and receivables impairment expenses	12(a)	10,832	19,787
		54,101	60,408
Management expenses	12(b)	68,429	50,649
		580,831	308,051
Operating profit		580,831	308,051
Income tax expense	13(a)	76,490	33,563
Profit after income tax		504,341	274,488
Other comprehensive income		-	-
Net increase in net assets from operations available for benefits		504,341	274,488

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 2019

	Note	2019 K'000	2018 K'000
Net increase in net assets from operations available for benefits		504,341	274,488
Contributions/transfers			
Member contributions	14(a)	758,215	667,944
Housing withdrawals repayments	14(b)	22,007	17,756
Transfer to retirement savings plan (RSA)	14(d)	51,824	34,732
		832,046	720,432
Benefits expenditure			
Benefits payments and transfer to RSA	14(a)	476,734	398,398
Housing advances or member withdrawals	14(b)	27,769	47,010
Pension	14(c)	1,686	2,348
Retirement savings benefit payments	14(d)	39,828	37,502
		546,017	485,258
Net increase in net assets available for benefit		790,370	509,662
Net assets available for benefits - beginning of the year		6,889,646	6,414,842
Change in accounting policy – IFRS 9	2(a) (iii)	-	(45,713)
Net assets available for benefits – beginning of the year (restated)		6,889,646	6,369,129
Interim interest on unfunded state share through general reserves		3,432	10,855
Net increase in net assets available for benefit		7,683,448	6,889,646
Comprising			
Members accounts and pensioner funds	14(a-c)	7,499,289	6,725,237
Retirement savings account	14(d)	149,771	137,775
Reserves	14(e)	34,388	26,634
Total members' funds		7,683,448	6,889,646

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

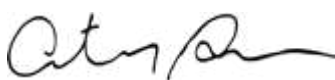
Nambawan Super

Statement of net assets available for benefits as at 31 December 2019

	Note	2019 K'000	2018 K'000
Assets			
Investments			
Financial assets at fair value through profit or loss	5(a-c)	3,197,684	3,197,040
Financial assets at amortised cost	5(d)	3,405,623	2,440,160
Loans receivable	5(e)	70,947	98,437
Investment properties	5(f)	560,705	540,710
Assets held for sale	5(g)	2,558	3,898
Total investments		7,237,517	6,280,245
Cash on hand and at banks	8	387,295	227,921
Short term deposits	6	56,814	258,432
Receivables	7	72,193	87,895
Property, plant and equipment	3	38,575	34,553
Right-of-use asset	4	45,726	-
Income tax receivable	13(b)	71,718	52,830
Total assets		7,909,838	6,941,876
Liabilities			
Deferred income tax payable, net	13(c)	35,657	9,637
Benefits payable		2,603	1,999
Employee benefits payable		4,601	2,904
Creditors and other liabilities	9	136,788	37,689
Lease Liabilities	10	46,741	-
Total liabilities		226,390	52,229
Net assets available for benefits		7,683,448	6,889,647

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



Lesieli Taviri

Deputy Chairperson

Dated at Port Moresby the 31st day of March 2020

Statement of cash flows for the year ended 31 December 2019

	Note	2019 K'000	2018 K'000
Cash flows from operating activities			
Contributions received		853,551	689,073
State share of benefit payments received		-	-
Benefits paid		(465,819)	(403,270)
Housing advance or member withdrawals	14(b)	(27,769)	(47,010)
Repayments from housing advances received	14(b)	22,007	17,756
Investments in financial assets and short term deposits		(2,067,469)	(2,215,864)
Proceeds from sale of financial assets		1,459,973	1,471,101
Payment for investment property development & acquisition		(2,261)	(24,206)
Proceeds from sale of investment properties		-	3,482
Interest received		245,805	178,766
Dividends received		208,563	168,537
Property rentals and other income received		37,772	32,933
Investment and administration expenses paid		(73,720)	(34,889)
Income tax paid	13(b)	(69,358)	(59,786)
Net cash flow from operating activities		121,275	(223,377)
Cash flows from financing activities			
Loan drawdown	5(e)	(27,451)	(87,387)
Proceeds from loan repayments	5(e)	97,625	14,029
Net cash flows from financing activities		70,174	(73,358)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8,493)	(8,549)
Proceeds on sale of property, plant and equipment		-	-
Net cash flows from Investing activities		(8,493)	(8,549)
Net increase in cash and cash equivalents		182,956	(305,284)
Cash and cash equivalents – beginning of the year		237,921	547,392
Unrealized foreign exchange component in cash balance		(3,582)	(4,187)
Cash and cash equivalents – end of the year		417,295	237,921
Comprising			
Cash on hand and at banks	8	387,295	227,921
Short term deposits (maturity within 90 days)	6	30,000	10,000
		417,295	237,921

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

Nambawan Super

Notes to and forming part of the financial statements for the year ended 31 December 2019

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 authorized for issue by the directors on 31st day of March 2020. The Board of Directors have the power to amend the financial statements after they are issued.

2. Summary of significant accounting policies

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

These financial statements are presented in accordance with the requirements of the Superannuation Prudential Standard 3/2008 and comply with International Financial Reporting Standards (“IFRS”) and other generally accepted accounting practice in Papua New Guinea.

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions, estimates and judgment are significant to the financial statements are set out in Note 2(s).

As disclosed in Note 25, the global COVID -19 pandemic has had a significant adverse impact on the global economy in early 2020 and, at the date of signing of these accounts, Papua New Guinea is in a State of Emergency (“SOE”). While the full extent of exposures to and impacts on the Fund are uncertain at present, management assess that COVID -19 pandemic will have significant adverse impact on the Fund’s performance during 2020, as it is likely to result in unrealized losses on its financial investments and investment properties, and deterioration of credit quality of its assets, particularly rental receivables. However, given the Fund’s strong liquidity and net assets position, positive net cash flows from operations, and relatively low costs compared to liquid assets, these financial statements continue to be prepared on a going concern basis.

a. Adoption of new or revised standards and interpretations

i. Standards, amendment and interpretations effective in the year ended 31 December 2019

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2019.

- IFRS 16, 'Leases' removes the previous IAS 17 distinction between finance leases and operating leases and 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.
- Amendment to IFRS 9 on prepayment features with negative compensation. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate
- IFRS IC 23, 'Uncertainty over income tax treatments' clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions.
- Annual improvements 2015 – 2017. These amendments include minor changes to:
 - IFRS 3 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11 'Joint arrangements' – a company does not remeasure its previously held interest in a joint operation when it obtains control of the business.
 - IAS 12 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23 'Borrowing costs' – a company treats as part of general borrowings any borrowings originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to IAS 28 'Investments in associates' on long term interests in associates and joint ventures. These amendments clarify that long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for using IFRS 9. This includes the impairment requirements in IFRS 9.
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement, and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The implementation of IFRS 16 Leases required the Fund to change its accounting policy as a lessee under lease contracts as set out in Notes 2 (a) (iii), 2 (q), 4 and 10. The other changes did not have any material impact on the Fund.

ii. Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2019 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 2020 or later periods, but the entity has not adopted them early:

- Amendments to IFRS 3 – definition of a business (effective 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to IAS 1 and IAS 8 on the definition of 'material' (effective 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
 - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
 - clarify the explanation of the definition of material; and
 - incorporate some of the guidance in IAS 1 about immaterial information.

-
- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform (effective 1 January 2020). Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. These amendments relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement under both IAS 39 and IFRS 9. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.
 - IFRS 17 'Insurance contracts' (effective 1 January 2021) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

iii. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Fund's financial statements.

IFRS 16 replaces the guidance in IAS 17 'Leases', IFRIC 4: 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out below. The Company has adopted IFRS 16 using the modified retrospective method. Comparative figures have not been restated and the cumulative adjustments arising on adoption have no impact on the opening balance of retained earnings brought forward as at 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of IAS 16 'Property, Plant and Equipment' whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease. As a result, the Fund recognised ROU assets of K48.7 million on 1 January 2019 for the Fund. The detailed impact of change in accounting policies are set out in Note 21.

As permitted by the transitional provision of IFRS 16, the Fund has elected to adopt simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings. The Fund has also applied the following practical expedients under IFRS 16:

- No adjustments are made on transition for leases for which the underlying asset is of low value.
- Single discount rate is applied to portfolio of leases with reasonably similar characteristics.
- The Fund does not apply the standard to leases which the lease term ends within 12 months from 1 January 2019.
- The Fund uses hindsight in determining lease term for contracts that contain options for extension or termination.

The Fund has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

b. Revenue recognition

Property rental income

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

Investment income

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

Dividend income from equity instruments is recognised in the Statement of Comprehensive Income as part of 'dividend income' when the Fund's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss and investment property are 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 State to the Fund for those exiting members.

c. Foreign currency translation

The financial statements are presented in PNG Kina, which is the Fund's functional and presentation currency. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are 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 net gains/loss on assets at fair value. The rates used as at 31 December were:

	2019	2018
AUD	0.4193	0.4221
USD	0.3010	0.3045
GBP	0.2237	0.2359

d. Property, plant and equipment

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

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

Furniture and fittings *At rates varying from 11.25 % to 30.00 %.*

Office equipment *At rates varying from 11.25 % to 30.00 %.*

Motor vehicles *30.00 %*

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

e. Financial assets

The Fund classifies its investments in the following categories:

- i. financial assets at fair value through profit or loss;
- ii. financial assets at amortised cost; and
- iii. loans and receivables at amortised cost.

The classification depends on whether the assets is an equity instrument or debt instrument, and for debt instruments, the nature of the cash flows derived from holding the instrument and the Fund's business model for holding the investment. Management determines the classification of its investments at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise equity instruments, which may be either held for trading or held for long term capital appreciation and investment returns. This includes both listed and unlisted equities. No debt instruments are measured at fair value.

ii. Financial assets at amortised cost

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

Recognition and de-recognition

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

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

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

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

f. Investment properties

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

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

Rental income from investment properties is recognised in the Statement of Comprehensive Income within 'rental income' on a straight line basis over the lease term when the Fund's right to receive income arises.

g. Fair value estimation

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

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

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

h. Receivables

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

i. Cash and cash equivalents

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

j. Income tax

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

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

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

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

k. Benefits payable

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

l. Employee benefits

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

m. Creditors and other liabilities

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

n. Assets held for sale

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

o. Goods and Services Tax (GST)

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

p. Impairment

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

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

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

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

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

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

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

q. Leases

Accounting policies applied from 1 January 2019

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Fund or on the date of adoption of IFRS 16 (refer to the Note 2(a)). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Fund. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Fund and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting policies applied until 31 December 2018

Leases, where the Fund does not assume substantially all the risks and rewards of the ownership are classified as operating leases. The leased assets are not recognised on the statements of financial position. Payments made under operating leases are recognised in the statements of profit or loss on a straight-line basis over the term of lease. Lease incentives received are recognised in the statements of profit or loss as an integral part of the total lease expense, over the term of the lease.

Leases, where the Fund assumes substantially all the risks and rewards of ownership are classified as finance leases. The Fund had no leases classified as finance leases in 2018.

r. Comparative figures

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

s. Critical accounting estimates, judgments and disclosures

iii. Fair Value of Assets

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

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

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

Included in unlisted equities is an investment of 57% in Rangeview Heights Limited that has been equity funded to support its construction project, which is still at work in progress. Fair value for this investment was based on internal cash flow forecast modelling for the development, based on assumptions regarding rental rates, occupancy levels and inflation and a discount rate (12%) that reflects the risks relating to these cash flows, supported by an independent expert appraisal of the fair value of the land. Based on these assessments, the management concluded that carrying value of the investment of K83 million is fully recoverable as at 31 December 2019 i.e. there was no material change in fair value compared to 31 December 2018

Fair value of investment properties

Fair value estimation of investment properties utilise the services of independent valuers. Fair value is the market value estimated at which the exchange of asset would take place at valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein each party has acted knowledgeably, prudently and without compulsion. Valuation techniques used by independent valuers typically include the discounted cash flow basis, the capitalization approach and comparison with observable market transactions for similar properties. The Discounted Cash Flow basis evaluates an internal rate of return (IRR) based on known or expected rentals adjusted for relevant factors or by comparison with similar properties capitalised using recognised market multipliers. The Capitalisation approach adopts a market yield based on estimated income adjusted for costs, outgoings and future capital upgrade costs.

The valuation models adopted by the valuers do require estimation and assumptions on the part of the value and changes in estimates and assumptions about these factors could affect the reported fair values of the investment properties. Management reviews these estimates and assumptions and the valuations to determine fair value and accepts or adjusts the valuations. The management then makes a recommendation to the Audit & Risk Committee and the Investment Committee who then review and agree on the valuations. These committees then recommend the valuations to the Board.

iv. Receivable from the State

The State owes debts to the Fund in relation to:

1. Unpaid rentals and outgoings, and
2. Interest.

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

In addition, the State has an 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 15). Accordingly, this is not an asset of the Fund.

v. Impairment

Impairment of financial assets at amortised cost

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

Adjustment to Impairment of loans receivable

The Fund has a significant interest of 87% in an investment entity (unlisted – OPH Limited) to which it has been lending funds to support its capital expenditure program. This capital program (OPH 2) was completed in mid-year of 2019 financial year. During 2019 OPH Limited refinanced shareholder loans of K90 million through bank borrowings. Management has performed an assessment of recoverable amount of the equity investment and loan receivables utilising fair value assessments of independent external experts for Deloitte Haus and OPH 2 together with internal cash flow forecast modelling for the OPH 2, based on assumptions regarding rental rates, occupancy levels and inflation and a discount rate 12% that reflects the risks relating to these cash flows. Based on these assessments, management has recognised an impairment charge of K10.9 million (2018: K28.6 million) against the loan receivables.

Impairment of government inscribed stock and treasury bills

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

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for government inscribed stock and treasury bills:

Scenario	Strong Economy	Base Case	Weak Economy	Weighted Average	Expected Loss Rate
31 December 2019					
Outcome Probability	30%	60%	10%		
Treasury Bills	2,749	2,750	2,752	2,750	1.42%
Government Stocks	4,942	4,944	4,946	4,943	1.42%
Expected credit loss (K'000)	7,691	7,694	7,698	7,693	
31 December 2018					
Treasury Bills	5,745	5,748	5,751	5,748	1.42%
Government Stocks	7,907	7,911	7,915	7,910	1.42%
Expected credit loss (K'000)	13,652	13,659	13,666	13,658	

Impairment of rental receivables

For rental receivables, which includes a significant portion of debts due from State related tenants, the Fund applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of rental income over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include:

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

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for receivables from rental debtors:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	Total
31 December 2019						
Expected loss rate	0.5%	2%	5%	10%	50%	
Gross carrying amount (K'000)	4,953	5,087	5,604	5,135	41,909	K68,209
Loss allowance (K'000)	25	102	280	513	20,955	21,875
31 December 2018						
Expected loss rate	0.5%	2%	5%	10%	50%	
Gross carrying amount (K'000)	17,230	5,178	5,074	5,271	20,144	52,897
Loss allowances (K'000)	86	104	254	527	10,072	11,043

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 5f).

2019	Housing		Office Buildings			Vehicles	Total K'000
	Land & Building K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	
Cost							
At 1 January 2019	20,629	-	391	11,873	8,995	1,880	43,768
Additions	-	-	6,981	171	447	894	8,493
Transfers	-	-	-	-	-	(15)	(15)
Disposals	-	-	-	(10)	(14)	(93)	(117)
At 31 December 2019	20,629	-	7,372	12,034	9,428	2,666	52,129
Accumulated depreciation							
At 1 January 2019	55	-	-	5,339	2,792	1,029	9,215
Depreciation	217	-	-	1,901	1,928	377	4,423
Disposals	-	-	-	(1)	(0)	(83)	(84)
At 31 December 2019	272	-	-	7,239	4,720	1,323	13,554
Net book value							
At 31 December 2019	20,357	-	7,372	4,795	4,708	1,343	38,575
2018	Housing		Office Buildings			Vehicles	Total K'000
	Land & Building K'000	Plant and Equipment K'000	Works In Progress K'000	Furniture & Fittings K'000	Plant & Equipment K'000	Motor Vehicles K'000	
Cost							
At 1 January 2018	-	345	9,834	10,805	4,387	1,880	27,251
Additions	-	-	3,622	377	4,551	-	8,550
Transfers	20,629	(345)	(13,065)	345	-	-	7,564
Adjustments	-	-	-	346	113	-	459
Disposals	-	-	-	-	(56)	-	(56)
At 31 December 2018	20,629	-	391	11,873	8,995	1,880	43,768
Accumulated depreciation							
At 1 January 2018	-	181	-	2,671	1,208	665	4,725
Depreciation	55	-	-	2,660	1,409	364	4,488
Disposals	-	(181)	-	8	175	-	2
At 31 December 2018	55	-	-	5,339	2,792	1,029	9,215
Net book value							
At 31 December 2018	20,574	-	391	6,534	6,203	851	34,553

4. Right-of-use assets

The recognised right-of-use assets relate to the following types of assets: state land leases related to properties owned by the Fund as its investment properties, properties (i.e. buildings leased by the Fund for its use), and properties leased for employee accommodation purposes. The breakdown of right-of-use assets per types of assets is provided below:

	State land leases	Properties	Employee accommodation	Total
	K'000	K'000	K'000	K'000
As at 31 December 2019				
Opening net book amount	-	-	-	-
Effect on adoption of IFRS 16	9,248	38,900	569	48,717
Balance at 1 January 2019	9,248	38,900	569	48,717
Depreciation	(156)	(2,828)	(7)	(2,991)
Closing net book amount	9,092	36,072	562	45,726
At cost	9,248	38,900	569	48,717
Accumulated depreciation	(156)	(2,828)	(7)	(2,991)
	9,092	36,072	562	45,726

5. Investments

Financial assets at fair value through profit or loss	2019 K'000	2018 K'000
a. Financial assets – unlisted shares (onshore)		
Balance at the beginning of the year	1,673,444	1,199,255
Investments during the year	14,408	176,531
Conversion of debt to equity (Note 5e)	-	376,316
Divestments during the year	(16,109)	(69,550)
Fair value gain/(loss) from change in net market value	(170,900)	(9108)
Balance at the end of the year	1,500,843	1,673,444
b. Financial assets – listed shares (onshore)		
Balance at the beginning of the year	691,255	668,736
Fair value gain/(loss) from change in net market value	106,487	22,519
Balance at the end of the year	797,742	691,255
c. Financial assets – listed shares (offshore)		
Balance at the beginning of the year	832,341	893,295
Divestments during the year	(77,609)	-
Foreign exchange gain/(loss) during the year	5,188	(51,973)
Fair value gain/(loss) from change in net market value	139,179	(8,981)
Balance at the end of the year	899,099	832,341
Total financial assets at fair value through profit or loss	3,197,684	3,197,040

Investments	2019 K'000	2018 K'000
-------------	---------------	---------------

d. Financial assets at amortised cost

Government Inscribed Stocks & Treasury Bills – onshore

Fair value at the beginning of the year, as originally stated	-	1,968,924
Re-measurement at amortised cost on adoption of IFRS 9	-	(27,150)
Impairment adjustment, beginning	-	(10,638)
Balance at beginning of year (restated)	2,440,160	1,931,136
Purchases during the year	2,278,258	1,871,798
Maturities during the year	(1,366,433)	(1,353,575)
Increase/(Decrease) in accrued interest receivable	49,463	(6,180)
Provision for impairment	4,175	(3,019)
Balance at the end of the year	3,405,623	2,440,160

e. Loans receivable

Balance at the beginning of the year	98,437	381,735
Drawdowns made	27,451	87,387
Payments received	(97,625)	(14,029)
Conversion of debt to equity (Note 5a)	-	(376,316)
Decrease/(increase) in provision for impairment, net	29,643	(22,903)
Interest charged	13,041	42,563
Balance at the end of the year	70,947	98,437

The loans attract interest at an average rate of 10% (2018: 8 %). Interest is repayable monthly and the principal amount is repayable in accordance with the respective loan agreements, with maturities varying between 2019 and 2021. The majority of this interest is on construction loans given to related companies – Waigani Assets Limited (K93 million) and OPH Limited (K28 million). The loan receivable for OPH and WAL are stated on gross basis i.e. before impairment.

Details in relation to impairment of loans receivable are shown in Note 2(s).

Investments	2019 K'000	2018 K'000
-------------	---------------	---------------

f. Investment properties

Properties at fair value

Balance at the beginning of the year	495,470	514,629
Additions	-	7,330
Transfer from capital work in progress	44,908	-
Transfer to property, plant & equipment	-	(20,630)
Disposals and write-offs	-	-
Fair value gain/(loss) from change in net market value	17,734	(5,859)
Balance at the end of the year	558,112	495,470

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

Balance at the beginning of the year	45,240	28,365
Additions	2,261	16,875
Transfer to investment properties	(44,908)	-
Balance at the end of the year	2,593	45,240
Total investment properties	560,705	540,710

g. Assets held for sale

Properties held for sale

Balance at the beginning of the year	3,898	8,860
Disposals and write offs	(1,340)	(4,962)
Balance at the end of the year	2,558	3,898

Certain properties of the fund are held for the purpose of sale. These sales are expected to be completed within a period of a year.

Total investments	7,237,517	6,280,245
--------------------------	------------------	------------------

h. Asset Allocation

Asset Class	Holding Interest (%)		Portfolio Value (K'000)	
	2019	2018	2019	2018
Onshore				
Equities				
Listed	11	11	797,742	691,255
Unlisted	21	27	1,500,843	1,673,444
Financial assets at amortised cost	47	39	3,405,623	2,440,160
Property	8	8	560,705	540,710
Assets held for sale	0	0	2,558	3,898
Loans	1	2	70,947	98,437
Offshore				
Equities				
Listed	12	13	899,099	832,341
Total excluding short-term deposits	100	100	7,237,517	6,280,245
Listed Equities – onshore				
	Industry	Valuation Method	Value (K'000) 2019	Value (K'000) 2018
Bank South Pacific Ltd	Banking	Last Bid Price		
City Pharmacy Ltd	Wholesale/Retail	Last Bid Price		
Credit Corporation Ltd	Finance	Last Bid Price		
Total			797,742	691,255
Financial Assets at Amortised Cost				
	Industry	Valuation Method	Value (K'000) 2019	Value (K'000) 2018
Government Inscribed Stock	Banking & Finance	Amortised cost		
Treasury Bills	Banking & Finance	Amortised cost		
Total			3,405,623	2,440,160

Unlisted Equities – onshore	Industry	Valuation Method	Value (K'000) 2019	Value (K'000) 2018
Alotau International Hotel Ltd	Hotel	Net Assets		
Capital Insurance Group Ltd	Insurance	COE		
Coastwatchers Court Ltd	Property	Net Assets		
Gazelle International Hotel Ltd	Hotel	Net Assets		
Kumul Hotels Ltd	Hotel	COE/NA		
Moki No. 10 Ltd	Real Estate	Net Assets		
Morobe Front Holdings Ltd	Property-development	Net Assets		
Pacific Building Mgt Svcs Ltd	Building Maintenance	Net Assets		
Paradise Foods Holdings Ltd	Food & Snacks	COE		
PNG Water Ltd	Utilities	Net Assets		
South Pacific Post Ltd	Media	COE		
South Pacific Brewery Ltd	Brewery	COE		
Toyota Tsusho (PNG) Ltd	Motor Vehicle	COE		
Westpac Bank (PNG) Ltd	Banking	COE		
OPH Ltd-- Ordinary shares*	Property	Net Assets		
Waigani Asset Ltd	Property	Net Assets		
Rangeview Heights Ltd	Property	Net Assets		
Total			1,500,843	1,673,444

Net assets – net assets on a going concern or orderly realization of assets

COE – capitalization of future maintainable earnings

DCF – discounted cash flow

CR – capital raising documentation

^^ - method of valuation changed from prior year

* OPH Limited has two major properties. OPH1 achieved practical completion in February 2016 while OPH2 was completed during 2019. As at 31 December 2019 and 31 December 2018 the investment was fair valued of which the cost of investment exceeded its fair value. This resulted in a fair value loss for this investment in 2018.

Unlisted equities are valued at fair value at balance date, as determined generally by registered independent professional valuers. The valuations as at 31 December 2019 and 2018 were conducted by KPMG PNG. The valuation methods used as disclosed above are considered the most relevant and appropriate. Three main valuation methods are used: (1) Capitalisation of Earnings (COE), which estimates a sustainable level of future maintainable earnings and applies an appropriate earnings multiples derived from market transactions of comparable entities or operational plans to derive a value, (2) The Net Assets method which has been used by the valuers where the entity has significant real estate backing and earnings are limited or inconsistent, and (3) The Discounted Cash Flow method where net present value is determined from estimated future cash flows. There was no change in valuation methods from prior period.

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

Property	Section/Allotment	Milinch	Value (K'000) 2019	Value (K'000) 2018
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)		
Portion 212 Apartments	Portion 212	Lae		
Malolo Estate Properties		8 Mile (POM)		
Pinacle Apartments (Formerly Touaguba Apartments)	63 - (22)	Granville (POM)		
Light Industrial				
Bowmans	64 - (15)	Hohola (POM)		
NSL Warehaus	64 - (16)	Hohola (POM)		
Voco Point Warehaus	42 - (5 & 6)	Lae		
Under Development				
Ex Post PNG	387 - (20)	Boroko (POM)		
Vacant Land				
9 Mile Land	2156, 2157, 2159	Bomana (POM)		
Malolo Estate	145 - (13-26)	8 Mile (POM)		
Total			560,705	540,710

Investment properties are valued at fair value at balance date with values of K560 million (2018: K540 million), as determined by the Board, utilising the services of external valuers. The valuations as at 31 December 2019 were conducted by The Professional Real Estate Limited and The Professional Valuers of PNG, both of whom are independent registered property valuers (2018: Kina Funds Management, The Professional Real Estate Limited and The Professional Valuers of PNG). The valuation methods used are considered the most relevant and appropriate. The main valuation methods used are:

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

There was no change in valuation methods from prior year.

Loans	Industry	Value (K'000) 2019	Value (K'000) 2018
OPH Ltd	Property		
Waigani Asset Ltd	Property		
Less impairment provision			
Total		70,947	98,437

The above includes loans to other related companies namely: Waigani Assets Limited and OPH Ltd.

Assets Held For Sale	Section/Allotment	Milinch	Value (K'000) 2019	Value (K'000) 2018
Malolo Estate	145 - 152	8 Mile (POM)		
Angco Property	5 - (1)	Goroka		
Angco Property	6 - (1)	Goroka		
Angco Property	6 - (2, 3, 5)	Goroka		
Korobosea House				
Total			2,558	3,898

Listed Equities – offshore	Industry	Valuation Method	Value (K'000) 2019	Value (K'000) 2018
Blackrock Wholesale International Equity Fund	Indexed Funds	Last Bid Price		
Kina Securities	Financial Services	Last Bid Price		
Acadian Global Managed Volatility	Indexed Funds	Last Bid Price		
Lazard Global Managed Volatility Fund	Indexed Funds	Last Bid Price		
Robeco Global DM Conservative Equities Fund	Indexed Funds	Last Bid Price		
Total			899,099	832,341

i. Single investment exceeding 5% of the net assets:

Investment	Type	% Holding	% of net Assets 2019	Value (K'000) 2019	Value (K'000) 2018
Bank of South Pacific	Listed equity	12.32	8.8	677,861	590,896
Bank of PNG	GIS/T Bills	N/A	44.3	3,405,623	2,440,160
South Pacific Brewery	Unlisted equity	19.99	5.8	447,074	480,816

j. Sensitivity analysis

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

Category	Method	Value K'000	Unobservable Inputs	Weighted Average Input	Reasonable Possible Shift +/-	Revised Value +/-
Property Commercial	DCF / Comparable	372,514	Cap Rate	Various	-0.50%	391,885
			Rental/sqm	Various	+0.50%	354,157
					-5%	338,008
					+5%	377,297
Property Residential	Comparable	47,175	Cap Rate	Various	-0.5%	49,092
					+0.5%	45,359
		8,160	Rental/sqm	Various	-5%	44,816
					+5%	49,534
			Sale price / sqm value	Various	-5%	7,752
		+5%	8,568			
Property Light Industrial	Comparable	23,245	Rental/sqm	Various	-5%	22,082
			Sale price / sqm value		+5%	24,406
Property Land	Comparable	109,611	Rental/sqm	Various	-5%	101,650
			Sale price / sqm value		+5%	112,350
Listed Offshore Equities	Last Bid Price	902,709	Exchange rate	0.4193	+5%	857,574
					-5%	947,844
Listed Onshore Equities	Last Bid Price	797,742	Last Bid		-5%	757,854
					+5%	837,628
Unlisted Onshore Equities	Various	1,500,843	FME/PE Ratios		-10%	1,349,072
					+10%	1,648,866

k. 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
2019				
Financial assets				
Listed securities	1,696,841	-	-	1,696,841
Unlisted securities	-	-	1,500,843	1,500,843
Non-financial assets				
Assets held for sale	-	-	2,558	2,558
Investment properties	-	-	560,705	560,705
	1,696,841	-	2,064,106	3,760,947
2018				
Financial assets				
Listed securities	1,523,596	-	-	1,523,596
Unlisted securities	-	-	1,673,444	1,673,444
Non-financial assets				
Assets held for sale	-	-	3,898	3,898
Investment properties	-	-	540,710	540,710
	1,523,596	-	2,218,052	3,741,648

There were no transfers between levels during the year.

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

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

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

6. Short term deposits

	2019 K'000	2018 K'000
Term deposits (maturities within 90 days)-- onshore	30,000	10,000
Term deposits (maturities within 3 to 6 months)-- onshore	27,000	252,197
Accrued interest	324	-
Provision for impairment	(510)	(3,765)
	56,814	258,432

7. Receivables

	2019 K'000	2018 K'000
Rental debtors	68,209	52,897
Less: Provision for doubtful debts	(21,875)	(11,043)
	46,334	41,854
Sundry debtors	2,309	845
State unfunded – interim interest	3,431	10,855
Related party receivable	5,567	14,502
Provision for doubtful debts on related parties	(1,638)	(1,638)
Dividend receivable	356	11,583
Accrued interest income	-	1,435
Prepayments and GST refundable	15,073	7,899
Staff debtors	761	560
	72,193	87,895

Impaired rental debtors

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

8. Cash on hand and at banks

	2019 K'000	2018 K'000
Banks – offshore	295,327	106,542
Banks – onshore	91,924	121,358
Cash on hand	44	21
	387,295	227,921

9. Creditors and other liabilities

	2019 K'000	2018 K'000
Creditors	14,029	9,765
Members' deposits	119,824	24,488
Rental bond fees	2,893	3,376
Deposits on sale of properties	42	60
	136,788	37,689

10. Lease liabilities

As disclosed in Note 4, the right-of-use assets and related lease liabilities are recognized in relation to the following types of assets: state land leases related to properties owned by the Fund as its investment properties, properties (i.e. buildings leased by the Fund for its use), and properties leased for employee accommodation purposes. Right-of use assets were measured at the amount equal to the lease liabilities as at 1 January 2019.

	31 December 2019 K'000	1 January 2019 K'000
State land leases	9,018	9,248
Properties	37,168	38,900
Employee accommodation	555	569
Total lease liabilities	46,741	48,717

Total lease liabilities as of 31 December 2019 include current liabilities of K4.4m (1 January 2019: K4.6m) and non-current liabilities of K42.3m (1 January 2019: K44.1m).

	2019 K'000	2018 K'000
Minimum Lease payments:		
Not later than 1 year	4,438	-
Later than 1 year and not later than 5 years	20,275	-
Later than 5 years	67,702	-
Total	92,415	-
Less: Unexpired finance charges	(45,674)	-
	46,741	-

Present value of lease liabilities;		
Not later than 1 year	2,731	-
Later than 1 year and not later than 5 years	21,981	-
Later than 5 years	22,029	-
Total	46,741	-

Interest on lease liabilities recognized in profit or loss by the Fund amount to K2.6m (1 January 2019: Nil).

For adjustments recognized on adoption of IFRS 16 on 1 January 2019, refer to Note 21.

Movement in net lease liabilities as per below:

	2019 K'000	2018 K'000
Opening	-	-
Effect on adoption of IFRS 16 (Refer note 21)	48,717	-
Finance costs	2,700	-
Finance costs paid	(2,700)	-
Repayment	(1,976)	-
	46,741	-

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.67% p.a., which represents the interest rate on the most recent funding by Westpac to the Fund's subsidiary OPH Ltd to fund its borrowing from the Fund.

11. Income

	2019 K'000	2018 K'000
a. Interest		
Government inscribed stock and Treasury bills	286,620	184,770
Loans	13,041	42,872
Short-term deposits	7,214	9,348
	306,875	236,990
b. Dividends		
Listed equities	60,401	48,564
Unlisted equities	136,936	118,951
	197,337	167,515
c. Revenue from property rental contracts		
Gross rental income	58,506	58,961
d. Foreign exchange gains/(losses)		
	1,510	(5,087)
e. Net gains/(losses) on assets at fair value		
Unrealised fair value gains/(losses)		
Listed equities – onshore	106,487	22,519
Listed equities – offshore	139,179	(8,981)
Unlisted equities	(170,900)	(9,108)
Investment properties	17,734	(5,859)
Realised fair value gains/(losses)		
Listed equities	(358)	-
Unlisted equities	-	451
Investment properties	179	(325)
Assets held for sale	(1,340)	-

	2019 K'000	2018 K'000
Foreign Exchange gains/(losses)		
Unrealised foreign exchange gains/(losses) on offshore listed equities	5,188	(51,974)
Net fair value gains/(losses)	96,169	(53,275)

f. Other income

Bad debts recovered	5,751	486
Management fees received	49	430
Insurance proceeds	-	57
Other income	92	13,031
	5,892	14,004

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

Revenue in relation to property rental contracts is recognised on a straight line basis over the period of the lease contract. Amounts outstanding for rents receivable which are unconditional are recognised in receivables. No other contract assets, or amounts in relation to costs incurred to obtain a contract, are recognised in relation to property rental contracts with customers. Contract liabilities in relation to rental income invoiced in advance and tenant rental bonds are recognised within creditors and other liabilities (note 9).

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

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

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

	2019 K'000	2018 K'000
No later than 1 year	-	-
Later than 1 year and no later than 5 years	52,536	39,914
More than 5 years	5,520	10,878
Total	58,056	59,234

12. Expenses

	2019 K'000	2018 K'000
a. Loans and receivables impairments expense		
Provision for Impairment expense – loan (Note 5(e))	-	16,529
Provision for Impairment expense – fixed interest	-	2,755
Provision for doubtful debt expense – rental debtors (Note 7)	10,832	319
Other bad debt expense	-	184
	10,832	19,787
b. Management expenses		
Staff remuneration	23,195	20,075
Office expenses	15,335	12,464
Professional fees	5,606	4,370
Directors' fees & expenses	2,962	2,909
BPNG license fees	4,784	1,283
Staff housing and other benefits	346	519
Depreciation on property plant and equipment	4,425	4,434
Depreciation on right-of-use assets	2,991	-
Finance cost – on lease liabilities	2,689	-
Loss on disposal of fixed assets	37	55
Advertising	3,131	1,643
Travel expenses	1,240	1,606
Auditor's remuneration - statutory audit services	503	521
Vehicle expenses	217	149
Conferences and workshop	539	588
Donations	31	22
Other expenses	398	11
	68,429	50,649

13. Income tax

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

	2019 K'000	2018 K'000
a. Income tax expense		
Operating profit	580,831	308,051
Prima facie tax at 25%	145,208	77,012
Tax effect of:		
Fair value changes in investments	(24,320)	(14,590)
Dividend rebate	(52,141)	(42,134)
Foreign exchange gain - capital account	7,220	12,996
Other	523	279
Income tax expense for the year	76,490	33,563
Current year income tax expense comprises of:		
Current income tax	50,470	33,029
Deferred income tax	26,020	534
	76,490	33,563
b. Income tax receivable/(payable)		
Opening balance	52,830	26,073
Current income tax	(50,470)	(33,029)
Tax payments	69,358	59,786
Closing balance	71,718	52,830

	2019 K'000	2018 K'000
c. Deferred income tax payable, net		
Opening balance at the beginning of the year	(9,637)	(9,103)
Movement during the year	(26,020)	(534)
Closing balance	(35,657)	(9,637)
Comprising		
Investment properties	(13,196)	(11,757)
Interest receivable	(17,549)	(7,089)
Rent receivable	(17,152)	(13,224)
Foreign exchange gain – non capital	(1,699)	(1,047)
Dividend receivable	(89)	(2,896)
Prepaid insurance	(318)	(260)
Fixed assets	1,116	753
Employee benefits	1,150	726
Doubtful receivables and loans	9,164	22,988
Losses	371	371
Other accruals	2,445	1,798
	(35,657)	(9,637)

14. Member's 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 2019, interest allocated to contributor funds was determined on member balances at a rate of 7% (2018: 3.7%) 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.

	2019 K'000	2018 K'000
a. Contributor funds		
Opening balance	6,877,043	6,370,642
Add		
Members' contributions received during the year	246,726	225,738
Employers' contributions received during the year	505,492	439,578
Unallocated contributions	-	(4)
Transfers from other funds	5,997	2,632
	758,215	667,944
Interest allocation	490,427	236,855
	8,125,686	7,275,441
Deduct		
Member benefits paid during the year *	(418,935)	(358,843)
Transfers to RSA during the year	(51,824)	(34,732)
Unemployment benefits paid	(5,975)	(4,823)
	(476,734)	(398,398)
Closing balance	7,658,951	6,877,043
*Benefit payment details		
Retirement	(378,379)	(284,642)
Death	(40,556)	(74,201)
	(418,935)	(358,843)

	2019 K'000	2018 K'000
b. Housing Advances		
Opening balance	(152,042)	(122,788)
Advances or member withdrawals	(27,769)	(47,010)
Repayments received	22,007	17,756
Closing balance	(157,804)	(152,042)
c. Pensioner funds		
Opening balance	236	2,584
Payments during the year	(1,686)	(2,348)
Closing balance	(1,450)	236
Total members accounts and pensioner funds	7,489,697	6,725,237
d. Retirement savings account		
Opening balance	137,775	135,990
Transfers from contributor funds during the year	51,824	34,732
Interest allocation	9,592	4,555
Payments during the year	(39,828)	(37,502)
	159,363	137,775
Total contributor funds	7,649,060	6,863,012
e. Reserves		
Retained earnings and general reserve	11,663	3,909
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve - property	1,447	1,447
	34,388	26,634
Total members funds	7,683,448	6,889,646

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.

	2019 K'000	2018 K'000
f. Movement in retained earnings and general reserves		
Beginning balance	26,634	28,414
Net increase in net assets from operations available for benefits	504,341	274,488
Measurement at amortised cost on adoption of IFRS 9	-	(45,713)
Interim interest on state share	3,432	10,854
Interest allocated to contributor funds	(500,019)	(241,409)
	34,388	26,634

15. Funding arrangements

a. Unfunded Liability of the State

At the end of 2019 the future unfunded liability of the State to members is estimated to be K2.2 billion (2018: K2.2 billion). This is not an obligation of the Fund.

b. Exiting members

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

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

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

The accumulated liability of the State for unfunded contribution of members who have exited the Fund subsequent to 31 December 2015 amounts to K242.3 million (2018: 171m). The Fund has instigated legal proceedings against the State on behalf of exited members for payment of unfunded liability together with interest due. On the 18 January 2018, the Courts entered judgment against the State. As of June 2019 the State has paid up the full judgment debt.

During 2019 the State has committed in paying its component of the unfunded consistently. As of 31st December 2019, the total unfunded liability for employee exits was K44m and this has further reduced at the signing of the report to be K23.9m.

c. State's Obligations on Employer contributions

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

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

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

From 2012, the State has been remitting the full 8.4% employer contributions on a fortnightly basis and therefore did not owe the Fund at year ended 31 December 2019 for such contributions but remains liable for the unpaid portions in relation to earlier years.

16. 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 12% (2018:13%) 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 market and to increase or decrease the Fund's exposure to particular investment classes or markets.

iii. Interest rate risk

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

b. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, investments in government inscribed stock and treasury bills and loans receivables, as well as credit exposures to rental customers, including outstanding receivables. The Fund has no significant concentrations of credit risk with the exception of the Government of PNG. Details of the significant judgments and assumptions made in assessing credit, together with details of credit exposures at balance date, or provided in Note 2(s).

c. Fair value gain on financial assets

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

d. Liquidity risk

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

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

	Less than 1 year K'000	1-2 years K'000	2-5 years K'000	Over 5 years K'000	Total K'000
31 December 2019					
Benefits payable	2,603	-	-	-	2,603
Employee benefits payable	4,601	-	-	-	4,601
Creditors and other liabilities	136,788	-	-	-	136,788
	143,992	-	-	-	143,992
31 December 2018					
Benefits payable	1,999	-	-	-	1,999
Employee benefits payable	2,904	-	-	-	2,904
Creditors and other liabilities	37,689	-	-	-	37,689
	42,592	-	-	-	42,592

17. Policies required under the prudential standards

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

- Section 17, 18 and 19 (PS 1/2014): the “Crediting Rate Policy” refer to the policy on the Nambawan Super website;
- Section 14d (PS 1/2014): The “Reserving Policy” refer to the policy on the Nambawan Super website;
- Section 34 (PS 1/2014): The “Policy on the use of Derivatives” refer to the policy on the Nambawan Super website.

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

18. 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 2019.

The State continues to owe members who have exited the Fund as at 31 December 2019 a total of K44m. In January 2020 the State paid a further K6m for normal exits and K6m for pensioners.

19. Related party disclosures

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

Mrs Lesieli Taviri was appointed Deputy Chairperson replacing Lady Aivu Tauvasa who resigned on 12 June 2019.

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

Name of director	Role	Total Remuneration	Main Board meetings attended	Audit & Risk Committee meetings attended	Remuneration & Nomination Committee meetings attended	Investment Committee meetings attended	Membership Committee meetings attended	Transformation Committee meetings attended
Anthony Smaré	Chairman	K262,000	6/6	n/a	n/a	6/9	n/a	n/a
Aivu Tauvasa	Deputy	K202,000	3/3	n/a	2/3	n/a	n/a	n/a
Karen Gibson	Director	K306,672	6/6	10/11	5/5	n/a	n/a	12/12
David Kavanamur	Director	K191,000	6/6	n/a	3/5	n/a	n/a	9/12
Albert Mellam	Director	K196,500	5/6	n/a	4/5	n/a	0/5	n/a
Alan Kam	Director	K315,374	6/6	n/a	5/5	9/9	n/a	n/a
Lesieli Taviri	Director	K224,000	5/6	11/11	n/a	n/a	n/a	12/12
Reginald Monagi	Director	K209,250	6/6	9/11	n/a	8/9	4/5	n/a
Lutz Heim	Director	K226,000	6/6	10/11	n/a	9/9	n/a	12/12

c. Directorship disclosure – key management

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

Name	Role	Nature of interest	Company
Paul Sayer	Chief Executive Officer	Director	PCFS Nominees Pty Ltd
		Sole Director & Shareholder	Silverstream Australia Pty Ltd
		Director & CEO	Mallard Enterprises Pty Ltd
		Director	White Plume Pty Ltd
Vere Arava	Chief Finance Officer	None	None
Andrew Esler	General Manager Properties	None	None
Dominic Beange	Chief Investment Officer	None	None
Leo Kamara	General Manager Risk	None	None
Loka Niumatairua	General Manager People & Culture	None	None

Compensation

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

	2019 K'000	2018 K'000
Salaries	7,069	5,305
Leave accruals	1,151	1,074
	8,220	6,379

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 2019.

Salary Range	Number of Employees	
	2019	2018
K100,000 – K150,000	15	17
K151,000 – K200,000	8	8
K201,000 – K250,000	6	5
K251,000 – K300,000	4	6
K301,000 – K600,000	2	4
K601,000 – K700,000	-	-
K701,000 – K800,000	1	-
K801,000 – K900,000	2	3
K901,000 – K1,500,000	1	1
K1,500,000 +	-	-

- a. During the financial year the Fund earned interest on term deposits of K0.16m (2018: K1,736m) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management Limited.
- b. The Kina group also provides Investment Management and Fund Administration services, related fees paid to the Kina group amounted to K8.7million (2018: K7.7million) and K9.5 million (2018: K9.3 million) respectively.
- c. Nambawan Super holds controlling equity interests and provides Nominee Director positions in the following unlisted entities based in PNG.
- | | |
|-------------------------------------|--|
| Coastwatchers Court Limited | Nambawan Savings & Loan Society Limited |
| Gazelle International Hotel Limited | OPH Limited |
| Kumul Hotels Limited | Pacific Building Management Services Limited |
| Moki No. 10 Limited | Paradise Foods Limited |
| Morobe Front Holdings Limited | Rangeview Heights Limited |
| Fernvale Limited | |

20. Contingent assets, liabilities and capital commitments

a. Litigation claims

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

b. Commitments for Capital Expenditure

	2019 K'000	2018 K'000
Amounts with firm commitments and not reflected in the financial statements in relation to investment properties under construction	106,000	228,000

c. Commitments for investment expenditure

The Fund has committed to invest in an Offshore Fund which makes capital calls on an as needs basis. There were no committed amounts in relation to this equity investment at 31 December 2019 (2018: Nil).

21. Effect on adoption of IFRS 16

The adoption of IFRS 16 'Leases' have resulted in changes in the Fund's accounting policies, refer to Note 2(a) and 2(q). The effect arising from these changes on the statement of financial position of the Fund are as follow:

	As at 31 December 2018	Effect of adoption of IFRS16	As at 1 January 2019
	K'000	K'000	K'000
Assets			
Investments			
Financial assets at fair value	3,197,040	-	3,197,040
Financial assets at amortised cost	2,440,160	-	2,440,160
Loans receivable	98,437	-	98,437
Investment properties	540,710	-	540,710
Assets held for sale	3,898	-	3,898
Total investments	6,280,245	-	6,280,245
Cash and cash equivalents	227,921	-	227,921
Short term deposits	258,432	-	258,432
Receivables	87,894	-	87,894
Property, plant and equipment	34,553	-	34,553
Right-to-use assets	-	48,717	48,717
Income tax receivable	52,830	-	52,830
Total assets	6,941,876	48,717	6,990,593
Liabilities			
Deferred income tax payable, net	9,637	-	9,637
Benefits payable	1,999	-	1,999
Employee benefits payable	2,904	-	2,904
Creditors and other liabilities	37,689	-	37,689
Lease liability	-	48,717	48,717
Total liabilities	52,229	48,717	100,946
Net assets	6,889,647	-	6,889,647

On adoption of IFRS 16, the Fund recognised lease liabilities in relation to leases which had been previously recognised as operating leases under the principles of IAS 17 'Leases'.

Reconciliation for the differences between operating lease commitments disclosed as at 31 December 2018 and lease liabilities recognised at the date of initial application of 1 January 2019 are as follow:

	2019 K'000
Operating lease commitments as disclosed at 31 December 2018	97,080
Effects from discounting using the incremental borrowing rate between 5% to 6%	(48,363)
Add/(less): adjustments as a result of a different treatment of extension options	-
Add/(less): short-term leases recognised on a straight-line basis as expense	-
Lease liabilities recognised as at 1 January 2019	48,717

22. Directors' disclosure

Name	Nature of interest	Companies
Anthony Smaré	Shareholder	Credit Corporation (PNG) Ltd
	Trustee	Halivim Wantok Disaster Fund
	Shareholder	Kina Asset Management Limited
	Director	Kumul Foundation Inc.
	Director (Barrick Nominee)	Mining & Petroleum Industries Investment Fund Limited
	Director (NSL Nominee)	Paradise Food Limited
	Shareholder	South Pacific Brewery Limited
Alan Kam	Director	Australian Institute of Company Directors
	Independent Director	Thailand Institute of Directors
		Cal-Comp Holdings (Brazil) Co. Limited
	Independent Director	Cal-Comp Electronics (Thailand) Public Company Limited
	Independent Director	Mega Life Science Public Co
	Independent Director	TATA Steel (Thailand) Public Co. Limited
	Director	Thanakorn Vegetable Oil Products Co. Ltd
	Director	Ticketmelon Company Ltd – Thailand
	Ticketmelon Company Ltd – Singapore	
	Ticketmelon Company Ltd – Philipines	
Professor Albert Mellam	Shareholder	Airlines PNG Limited
	Director (NSL Nominee)	Credit Corporation (PNG) Ltd
	Director	Road Traffic Authority
	Shareholder	Kina Securities Limited

Name	Nature of interest	Companies
Reginald Monagi	Director	City Mission
	Director	SP Brewery Limited
	Director	Nasfund Contributors Savings & Loans Society Ltd
Lesieli Taviri	Shareholder	3 Key Limited
	Shareholder	Airlines PNG Limited
	Director	Business Coalition for Women
	Shareholder	GPS Malaponi Limited
	Director	Institute of National Affairs
	Director/Shareholder	Marjicka Limited
	Director	Nationwide Microbank
	Director/Shareholder	People Connexions PNG Limited
Professor David Kavanamur	Shareholder	Bank South Pacific Limited
	Shareholder	Credit Corporation (PNG) Limited
	Shareholder	Kina Securities Limited
	Director (NSL Nominee)	Gazelle International Hotel Ltd
	Director (NSL Nominee)	Kumul Hotels Limited
	Shareholder	Oil Search Limited
Karen Gibson	Director/ Shareholder	Praxton Group Pty Limited
	Director	Internationa House (University of Queensland)
	Director	IOOF Investment Management Limited
	Director	IOOF Limited
Lutz Heim	Director/Shareholder	Arkaba Professional Services PNG Limited
	Director/Shareholder	Equito Pty Limited
		These two companies 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.
	Director (NSL Nominee)	Kumul Hotels Limited
	Director/Shareholder	Yunkimp Pty Limited
	Director	First Investment Finance Limited

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

23. Capital management

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

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

24. Comparatives

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

25. Subsequent events

The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) on 11 March 2020. The outbreak is causing unprecedented social disruption, and global economic and financial markets volatility and Papua New Guinea is in a State of Emergency ("SOE") at the date of this report. While the emergence of the situation is in its earlier stages and the full extent of exposures to and impacts on the Fund are uncertain at this stage, it is anticipated that the COVID-19 pandemic is likely to have an adverse impact on the Fund's investments, performance and cash flows in 2020. The Fund's investments in Government Inscribed Stocks and Treasury Bills will not be adversely affected but other asset classes including Investment Properties, Listed and Unlisted shares will be impacted by a slowing of the global and local economy.

No other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent financial years.







For more information visit your nearest Member Service Centre, or:

 nambawansuper.com.pg  Free call 180 1599  Download app

Level 2, Deloitte Haus, Macgregor Street, Port Moresby