



Nambawan
Super



2010
Annual Report

2010 Highlights

FINANCIAL RESULTS

Income up, net profit up, net assets up, expenses down

- Total income K312.7m, up 30% from K241.1m in 2009.
- General and administration expenses (as a proportion of income) down 3% from prior year.
- Net profit after tax K263.8m, almost 40% higher than prior year K188.9m.
- Net assets increased by 9.3% to K3.1 billion, up from K2.8 billion in 2009.
- 10% interest credited to members' accounts, 2.8% above the inflation rate of 7.2%. 2010 was the 8th consecutive year of double digit and real returns since the reforms.

ASSET MANAGEMENT

Continuing significant activity in the Fund's investment portfolio

- Gazelle International Hotel in Kokopo opened for business. The hotel has conference facilities and is a partnership with the ENB Provincial Government and the Lamana Group, a similar arrangement as Alotau International Hotel. The Fund owns 65% of the 52 room hotel on behalf of Members.
- Commenced construction of a 4 level commercial building in Waigani. It is purpose built for the Lands and Physical Planning Dept, similar to Vulupindi Haus. The Fund owns 65% of the development on behalf of Members.
- Completed construction of the Port Tower Building, Hunter Street in Port Moresby CBD. It is presently fully tenanted.
- Sold 55 houses at Malolo Estate 8 Mile. Civil works completed to enable a further 153 housing blocks.
- Acquired high end residential property at a good location in Lae.
- Commenced construction of the All Suites and Holiday Inn Express buildings at the Holiday Inn property, 50% owned by Nambawan Super Limited (NSL).

Pleasing performance from shareholdings

- Steady and solid dividend revenue from shareholdings in Bank South Pacific, SP Brewery, Paradise Foods and Credit Corporation.
- Notable increments in value of shareholdings in Oil Search, Newcrest Mining and Highlands Pacific, Brian Bell, Paradise Foods and Kumul Hotels.

MEMBER SERVICES

A strong and growing membership

The number of Members of the Fund grew during 2010 from 113,564 to 122,638 as at 31 December, an increase of 8%. The Fund now has 131 private sector employer members and 112 public sector employer members, the first time the number of private sector employers has exceeded public sector employers.

Focus on member communication and education.

During 2010 Nambawan Super substantially expanded its Member Services, in particular focusing on Member access to information and education.

- New branches opened in Buka, Kavieng, Kimbe and Popondetta.
- Direct network links established to connect the Regional Offices in Lae, Kokopo, Mt Hagen and Alotau with Head Office in Port Moresby. The Regional Offices now have direct email, intranet and internet access.
- Extensive country-wide program of employer visits and superannuation information sessions.
- Launch of new-look monthly member newsletter Tok Tok Supa.
- Signage at Jacksons Airport, Port Moresby.
- Informative press and TV advertisements.

RETIREMENT SAVINGS ACCOUNT (RSA)

Growing interest in long term wealth creation

625 people joined RSA bringing total membership to 1,787 with total funds at K49m.

NAMBAWAN SUPER SAVINGS & LOAN SOCIETY (NSLS)

NSLS officially launched in October 2010, following full registration and licensing by the Bank of Papua New Guinea.

PUBLIC EMPLOYEES ASSOCIATION SUPER FUND (PEASF)

The Bank of Papua New Guinea appointed NSL as the Trustee of PEASF in May 2010.

Substantial progress made during the year towards confirming member status and updating accounts, in preparation for membership transfer into Nambawan Super Fund.

Contents

Chairman's Statement	2
Board of Directors	3
Corporate Governance	4
Managing Director's Statement	5
Our People	7
Organisational Structure	8
Comparative Statistics Summary	9
Fund Administrator's Statement	10
Investment Manager's Statement	11
Financial Statements	15
Directory	33

Mission, Vision & Corporate Values

Vision

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

Mission

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

Corporate Values

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

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

Accountability - Taking responsibility for what we do and say.

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

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

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

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

Our Key Competencies are:

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

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

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

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

Chairman's Statement

SIR NAGORA BOGAN, KBE | Chairman

FOUNDATIONS FOR SUSTAINABLE LONG TERM GROWTH SET IN 2010.

The building blocks for long-term sustainable wealth for our fund were further consolidated in 2010. After tax profit of K263.8 million represented an increase of almost 40% over the 2009 result. Interest of 10% has been credited to Member accounts, including the Retirement Savings Accounts (RSAs) of retired members.

2010 is the 8th consecutive year since the reforms in which the Fund delivered real returns and double-digit interest to Members. Taking the headline inflation rate of 7.2% into account, Members have received a positive real return of 2.8%.

Once again I draw Members' attention to the rigorous process by which your Board of Directors determines the interest crediting rate. We take a long-term view in line with the fundamental meaning of superannuation, that is, to provide our Members with the means to enjoy a reasonable lifestyle in retirement. This is achieved by taking into account audited financial statements of the Fund for the year, considering all aspects that have bearing on the financial outcome, not just the after tax profit figure. We make sure proper accounting standards are met. And we also factor in economic forecasts for the next few years, to make sure we set aside sufficient reserves to meet the prudential requirements prescribed by the Bank of Papua New Guinea and to reduce the impact on Members' account balances during periods of market shifts and turbulence in the future.

At year end the Fund's reserves stood at K78.8 million, representing the prudent level of 2.54% of net assets. Another year of good results from our international shareholdings, combined with exchange rate benefits and strong performance from our domestic assets, contributed to a 30% increase in total income to K312.78 million. I invite you to read the Investment Manager's statement for more detail about the investment performance of your Fund.

I am sure Members will be delighted to hear that this substantial increase in income was achieved without a significant increase in costs. In fact, expressed as a proportion of income, general and administration expenses were 3% lower than in 2009.

By the end of 2010 the Fund's net assets had reached K3.1 billion, an increase of over 9% since December 2009. Consistent with previous years, the valuation of your Fund's assets has been prudent and responsible.

In the context of our commitment to help Members create wealth over the long term, I am pleased to note another year of membership growth in both the Super Fund and the RSA. It is particularly encouraging to see an increase in the number of people making Voluntary Contributions to boost their account balances, which will certainly help them achieve a more comfortable retirement lifestyle.

In a similar vein, I applaud our employer members who have brought their casual employees into the superannuation fold, enabling them to access the benefits of long term saving in a tax advantaged environment. I take the opportunity to remind all employers with 15 or more employees that the superannuation law requires them to make contributions on behalf of all workers – full time, part time, casual and ancillary - who have been on the payroll for at least 3 months.



With the launch of the Nambawan Savings & Loan Society (NSLS) in October, the short and medium term financial needs of all of our Members can now be catered for. From your Board's perspective, the products and services offered by NSLS are key building blocks as we work towards constructing a disciplined money management and savings culture in our society.

As a side note here, my congratulations go to the Management and Staff of the Gazelle International Hotel in Kokopo on the success of its official opening, which coincided with the official launch of the NSLS. The Hotel, in which your Fund has a 65% shareholding on your behalf, was a fitting venue for the NSLS announcement. I encourage Members to support the businesses in which the Fund has holdings, since there is a direct win:win relationship between the performance of your Fund and the performance of its underlying assets.

In this report so far I have concentrated on the notion of long-term financial wealth creation. I would now like to turn my remarks to Nambawan Super's contribution to long-term social wealth and well-being.

For many years your Fund has been a leader in community support and development activities and 2010 was no exception. During the year the Fund sponsored and participated in a number of very worthwhile activities with the common thread of building capability, skills, capacity and relationships for the long-term benefit of our society.

Chairman's Statement

These included sponsorship of the Millennium Development Goals Symposium convened by the Media Council and the 2010 Medical Symposium and ongoing support for the Mt Sion School for the Blind.

As the resources boom continued to fuel investment in infrastructure and job creation during 2010, particularly activities surrounding the LNG Project, our thoughts and actions turned to finding effective ways to harness the anticipated income and preserve it for the benefit of our future generations.

Recognizing our leadership position in the PNG superannuation and investment landscape, Nambawan Super engaged in a series of discussions with Government, the Regulator and industry, with the objective of enhancing the existing superannuation structure to encourage long term wealth creation. This dialogue will be ongoing as your Executive Team continues to work on Members' behalf towards a world-class superannuation system.

Summing up, 2010 was a year in which your Fund consolidated its leadership position in the PNG financial sector, delivered solid performance and service enhancements for the benefit of Members, broadened its range of financial services to help Members achieve their personal lifestyle aspirations and build wealth and financial security over the long term and continued to participate in community support and development activities.

All in all, Nambawan Super is in a very strong and dynamic position from which to meet and take advantage of the challenges the future brings us.

I am sure Fund Members will join me in thanking my fellow Board members for sharing their expertise, experience and wisdom throughout the year. On this note I would like to place on record the Board's sincere thanks to Lady Aivu Tauvasa, who resigned in September to take up a new job in Europe. A Board member since its inception, Lady Aivu has given many years of selfless and tireless service to Nambawan Super and its Members. We wish her all the best in her new role.

I am also delighted to welcome Ms Marianna Ellingson to the Board. As well as her impressive academic achievements, she brings with her extensive local and international public sector experience, including several years in very senior roles with the Commonwealth Secretariat in London.

Thank you also to Nambawan Super's management, staff and service suppliers, who have worked with dedication and diligence to bring Members yet another year of praiseworthy performance. Thank you and may God continue to bless the Fund and its Members.

Sir Nagora Bogan, KBE
Chairman of Board

Board of Directors



Position (Left-Right) Standing: Mr. Leon Buskens and Mr. Kerenga Kua
Sitting: Mr. Greg Taylor and Sir Nagora Bogan

During 2010, Members of the Board were:

Sir Nagora Bogan, Chairman	(Bachelor of Law, UPNG)	appointed in 2002
Mr. Kerenga Kua, Deputy Chairman	(Bachelor of Law, UPNG)	appointed in 2002
Mr. Greg Taylor, Director	(Bachelor of Economics (Hons, UoA)	appointed in 2002
Mr. Leon Buskens, Director	(Masters in Finance/Bachelor of Commerce, UNITECH)	appointed in 2002



Lady Aivu Tauvasa
(Resigned on 21 September 2010 to be Pacific Islands Forum's permanent representative to the WTO based in Geneva).

Ms. Marianna Ellingson
(Appointed on 10 December 2010 and confirmed by the BPNG on 8 March 2011).

All Directors have a responsibility to meet appropriate ethical and professional standards, which include an understanding of the requirements of the Superannuation Act.

Corporate Governance

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

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

The Trustee’s primary responsibility to Fund Members is to ensure the Fund is run according to the principles of good governance. To achieve this objective, the Board implements five key governance principles across the entire operation of the Trustee and the Fund.

Principle 1: Compliance with the law

The Fund comes under the provisions of several Acts and Regulations, including the Superannuation General Provisions Act 2000 (“the Superannuation Act”), the Companies Act 1997 and the Income Tax Act 1959.

Principle 2: Effective leadership

The Board is ultimately responsible to the Members of the Fund for the standard of leadership of the Trustee.

Principle 3: Integrity

This principle is enshrined in the Trustee’s Code of Conduct, which requires directors, officers and employees to act honestly, with integrity, diligently and in accordance with the laws of Papua New Guinea in serving the best interests of the Members.

Principle 4: Accountability

Nambawan Super has in place a number of checks and balances to ensure its Board members, management and staff are accountable for their actions and decisions, so the decision-making process is open and transparent and transactions are on an at arm’s length basis.

For example, in the context of executive pay, the Board determines the Managing Director’s remuneration package, taking into account performance, achievements and parity with the broader employment market. The Managing Director holds

responsibility for determining senior management remuneration, again giving consideration to a range of influencing factors.

Accountability measures also include a number of Committees, which provide high-level oversight of key areas of responsibility.

Standing Committees of the Board and Investment Consultative Group

Three independent Standing Committees help the Board meet its responsibilities.

The Audit and Risk Committee provides an objective appraisal of the financial and operational activities of the Trustee, supporting the Board in carrying out its accounting, auditing and financial reporting responsibilities.

During 2010 the Committee comprised Mr David Guinn OBE OAM as chairman and Sir Nagora Bogan as committee member. Mr Johnson Kalo resigned during the year and his position is yet to be filled.

The Membership Committee helps the Trustee deal with enquiries or complaints about the operation and management of the Fund, provides a forum to discuss and set guidelines for benefits provided by the Fund and advises the Trustee on members’ communication needs.

Members of the Committee include representatives from unions, employer organisations and a nominee from the Department of Personnel Management. During the year Mr Eimi Kaptigau, Mr Gabriel Paulus, Mr Tau Vali, Mr Peter Luga, Mr Martin Kenehe, Mr Clemence Kanau, Ms Eunice Isom and Mrs Helen Are’e served on the Membership Committee chaired by Mr. Kerenga Kua.

The Remuneration and Nomination Committee has two key roles. The first is to help the Board set appropriate, fair and responsible remuneration policies and practices, so the Fund can attract, retain and motivate management and staff. As well, the Committee identifies suitable candidates to fill vacancies on the Board and Standing Committees as they arise.

During the year Committee members were Mr Greg Taylor and Lady Aivu Tauvasa until replaced by Ms Marianna Ellingson.

The Investment Consultative Group meets regularly to ensure the Fund’s investment portfolio is implemented in line with the Investment Strategy. The group reviews the activities of the Investment Manager and the performance of the assets of the Fund, and considers the merits of major specific investments and initiatives for new income streams.

The Investment Manager, the Chairman, the Managing Director and the non-resident director form the Investment Committee, together with representatives from the executive management team.

Principle 5: Risk Management

Establishing and maintaining an effective risk management framework is one of the Board’s key roles. A comprehensive risk management system to cover all aspects of running the superannuation fund, from an operational perspective as well as investment, is in place.

With assistance from Marsh Consultants, the Trustee finalised the comprehensive Corporate Risk Profile project during the year. The Profile identifies the key risks and challenges associated with maintaining growth and profitability in an economic environment dominated by the resources boom, including the LNG Project and its anticipated impact. It also outlines strategies to manage those risks and meet the challenges.

Managing Director's Statement

LEON BUSKENS Managing Director

Since the superannuation reforms in 2002 the Fund has undergone major transformations, greatly enhancing member financial returns while at the same time rolling out and delivering improved and innovative services and products to members. Given the changing internal and external landscape, the timing was right to proactively trigger a second wave of major transformations to modernise the organisation.

The year 2010 stood out as one where we all had a good hard complete look at our direction, business processes and link to the annual performance cycle, and structure, in the pursuit of continuous improvement. This strategic review resulted in a repositioning of the Fund and restructure for the long-term best interest of our Members.

Ongoing monitoring of all aspects of our business is normal procedure. However, over the course of the last few years, superannuation practice, particularly in the context of fund administration, has evolved to a point where we believed a comprehensive review was in order.

This review process looked at a number of the Fund's practices and procedures. The Fund commissioned KPMG Australia to conduct a comprehensive review, which was then workshopped with the Board and management for implementation. Senior officers also took time to visit Australia and had several meetings to learn and understand more about technology and systems used in the Australian superannuation industry.

The Fund also engaged Towers Watson to comprehensively review all aspects of the Fund's Investment Strategy. We also engaged an investment and financial specialist to provide a comprehensive report to clearly understand the impact of the LNG project on the country.

The Board approved a recommendation to streamline the administration function as pure back office, while retaining oversight and control over treasury operations and front office. This change will see clarity in roles and functions while improving efficiency levels and fits well with the opening of provincial offices in all provinces in the country.

The Fund made a decision for a substantial investment in information systems to facilitate the new procedures and Management is confident that once implementation is complete, the new structure will enhance the quality of our service to Members.

The 'review for the long-term' theme continued during the year with an independent evaluation of the structure and activities of the Property Division. A combination of improving internal capacity and outsourcing specialist services in engineering, facility management and project management and introducing a new commercial lease framework with more appropriate terms will further lift the property functions.

In May 2010 Nambawan Super Ltd became Trustee for the troubled Public Employees Association Superannuation Fund (PEASF), which had been placed in Statutory Administration. PEASF is estimated to have around 7,000 members and K20 million in assets.

Over the course of the year we worked collaboratively with the Fund Administrator, the former Statutory Manager Kina Investment & Superannuation Services and the Bank of Papua New Guinea to start the clean up work of updating the member accounts, producing financial statements, verifying membership status, settling outstanding claims and invoices, in preparation for the eventual payouts or transfer of PEASF into Nambawan Super or Nambawan Savings and Loan Society.

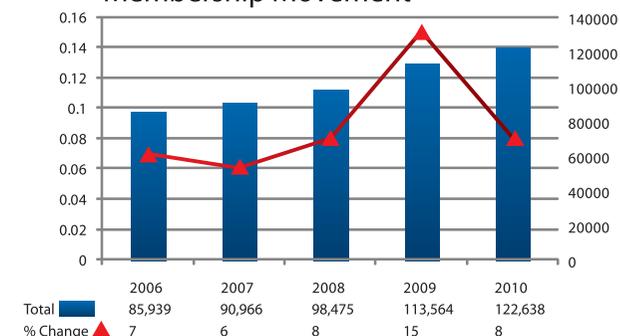


We also launched the Nambawan Super Savings and Loans Society during the year, enabling and providing our members with a short term savings and loans vehicle.

I would now like to turn your attention to some membership facts and figures that we find very satisfying.

Firstly, let us look at membership growth. Over the past five years the number of Nambawan Super Members has grown to 122,638, an increase of almost 43%.

Membership Movement

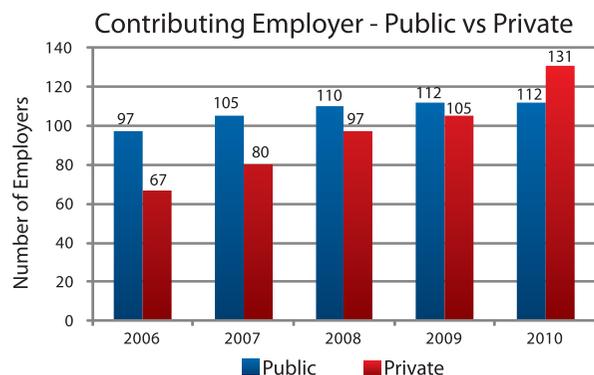


As our Chairman commented in his address, one very pleasing aspect of our membership growth is the increase in the number of Members who are other than full time employees. An increasing number of our membership was represented by part time, casual or ancillary employees.

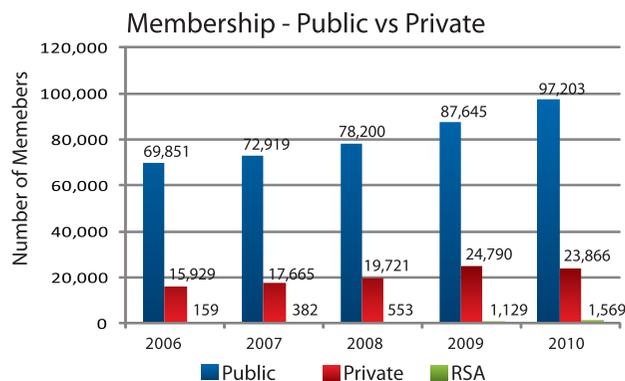
Managing Director's Statement

LEON BUSKENS Managing Director

We now have more private sector employers than public sector employers as members of the Fund, as this chart shows:



The gap between the number of public sector and private sector employee members of Nambawan Super is gradually closing, as this chart shows:



This trend suggests that an increasing number of private sector employers are now aware of the benefits associated with membership of Nambawan Super, a likely consequence of the extensive Member awareness, information and education program conducted during the year. Activities included a large number of employer visits, an advertising campaign comprising press, outdoor and TV ads and the monthly issue of member newsletter Tok Tok Supa.

Access to face-to-face contact with a Nambawan Super Member Service officer is now available to thousands more Fund members around the country, with the opening of

seven new Branches during 2010. Personalised member service is now available from Head Office in Port Moresby and Branch offices in Lae, Mt Hagen, Kokopo, Goroka, Alotau, Buka, Madang, Kavieng and Kimbe. Popondetta branch was also opened during 2010 and Mendi and Manus will be opened in 2011. As well, Members in Kiunga and Vanimo can access information about their super account via the Information Kiosks the Fund has installed in Post PNG offices in those centres.

During 2010 we took a very close look at the strategy, structure, systems and services that make up Nambawan Super. We invested a considerable sum on making sure these cornerstones of our business will continue to place the Fund on a firm operational footing. We will continue to monitor them closely, fine-tuning where necessary in our commitment to continuous improvement.

So let us turn now to the road ahead.

Your Board and Management will continue to place Members' best interest at the top of our priorities, in line with our stated Mission, "to protect and maximise the superannuation benefits of Members of the Fund through prudent investment management".

Nambawan Super will continue to take a strong and proactive stance on issues we see as critical, such as the need to widen the superannuation net to give access to greater financial security to all PNG workers.

We will continue to work collaboratively with Government, the Regulator and industry to safeguard our Members' interests.

We will continue to help Papua New Guineans move towards a savings habit and achieve financial security, through education and information as well as appropriate products and services.

We will continue to play a leadership role in the financial landscape of Papua New Guinea for the benefit of our existing Members and Members from future generations.

The ongoing success of your Fund relies on the wholehearted efforts and support from many people and organisations. On behalf of Members, I extend my sincere thanks to our Chairman and my fellow Directors, members of our committees, our Investment Manager and Fund Administrator, our external specialist advisers, our service providers and above all our wonderful staff for their efforts in making sure our Members' best interests are served.

Leon Buskens

Managing Director

Our People

Nambawan Super prides itself on the quality of its staff and their dedication. We strive to create a work environment in which our people have the knowledge and skills plus the right resources to serve our Members' best interest, at the same time providing them with the opportunity to achieve their personal potential.

Staffing in 2010

Staff	National	Expatriate	Total
Full time	53	-	53
Contract	64	1	65
Special projects	1	-	1
TOTAL	118	1	119

Continuous learning is a cornerstone of our business

In support of our culture of continuous learning, and recognising the increasing pace of change in our business environment, during 2010 Nambawan Super again invested significantly in staff development activities.

Our team leaders participated in on-site leadership and management workshops. Our various departments conducted several information sharing sessions and we invited guest speakers to talk to our staff on a variety of issues.

A number of staff members undertook external training at a range of educational institutions during the year. For 2010 we placed a particular focus on information technology courses and professional development programs leading to affiliation with professional associations.

Other development initiatives emphasised the importance of team building in fostering a collaborative approach to work. Staff members from our branches around the country joined with head office staff for these activities.

Promoting a work/life balance among staff is an integral part of Nambawan Super's objective of promoting a 'healthier living' message to all staff. During the year, the Trustee hosted several lunchtime presentations on topics around healthy living and basic financial management. Staff members also took part in department fun-days and in a number of sporting events.

Executive Management Team



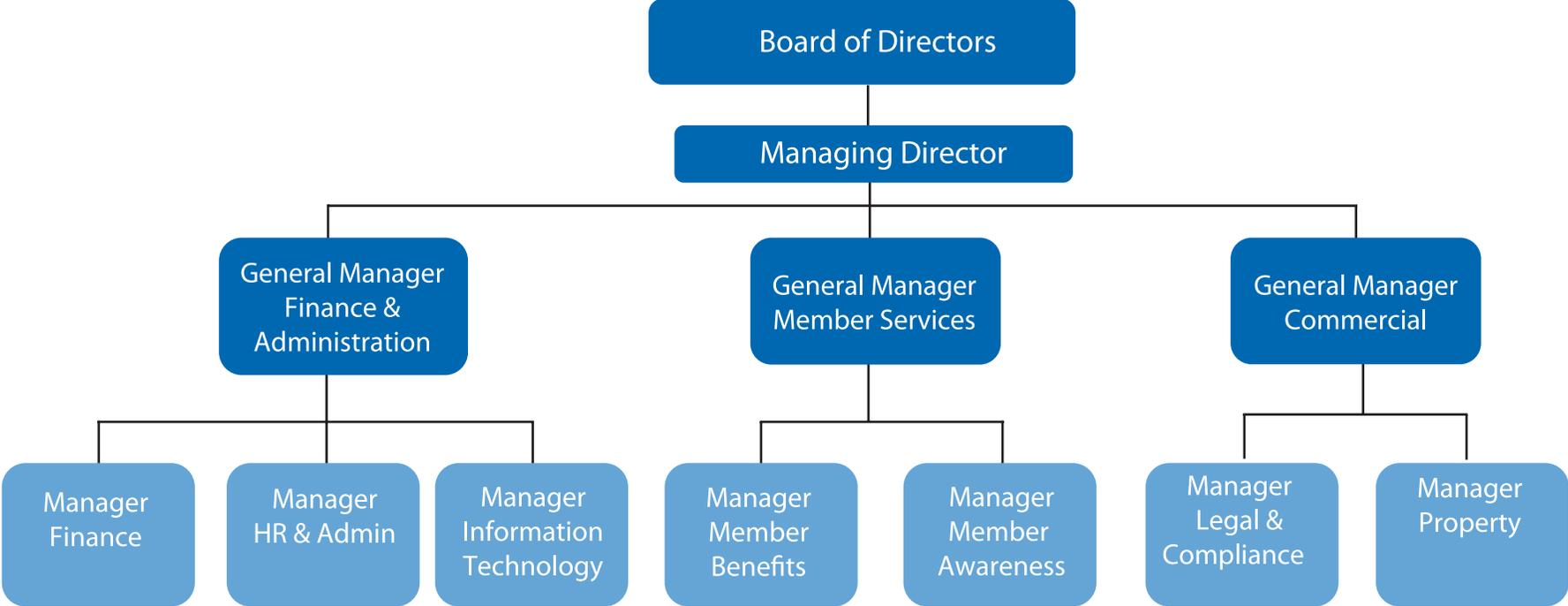
(Position Left-Right) Standing: Paul Yangen - General Manager Finance and Administration & Leon Buskens - Managing Director
Sitting: Augustine Birie - General Manager Member Services & Wayne Smith - General Manager Commercial

Salary levels

The following table shows the number of employees whose remuneration package, including housing allowance and other benefits, and employer contribution to superannuation, exceeded K100,000.

Salary Range	Number of employees
100,000 – 119,999	4
120,000 – 129,999	3
180,000 – 189,999	1
290,000 – 299,999	1
310,000 – 319,999	1
600,000 – 609,999	1
960,000 – 969,999	1
TOTAL	12

Organisational Structure



Comparative Statistics Summary

		2010	2009	2008	2007	2006
PROFITABILITY						
Total investment income	K (m)	313	241	190	526	191
Total expenses	K (m)	36	35	25	21	20
Income tax expense	K (m)	14	16	15	11	6
Net profit after income tax	K (m)	263	190	150	490	165
BALANCE SHEET						
Net assets	K (m)	3,093	2,830	2,622	2,261	1,516
Net asset growth	%	9	8	16	49	11
Reserves	K (m)	79	73	67	149	100
Reserves as a % of Net Assets	%	2.54	2.58	2.54	6.60	6.61
Retirement Savings Account balance	K (m)	49	40	24	12	7
RETURN TO MEMBERS						
Rate of return on funds employed	%	7.9	13.3	12.5	42	16.1
Interest credited to members	%	10	10	11.5	32.0	16
Headline inflation rate	%	7.2	5.7	11.2	3.2	1.6
Real return to members	%	2.8	4.3	0.3	28.8	14.4
MEMBERSHIP						
Number of members		122,638	113,564	98,475	90,966	85,939
Average wealth per member	Kina	25,218	24,920	26,626	24,851	17,645
Number of RSA participants		1,787	1,406	836	512	218
Average number of pensioners		650	694	722	670	1190
MEMBER CONTRIBUTION & BENEFITS						
Contributions	K (m)	380	274	413	349	92
Gross exit payouts	K (m)	381	255	203	166	165
Number of exit payments		5,238	3,513	3,732	3,220	3,548
Total pension payments	K (m)	3	3	4	7	6
TRUSTEE EXPENSES						
Management expenses	K (m)	36	35	25	21	18
Management expense ratio (MER)	%	1.21	1.27	1.0	1.2	1.4
Fund Administration fee	K (m)	3	3	2.1	2	1.66
Investment Management Fee	K (m)	9	9	8.2	6.1	6
Number of staff		119	115	96	90	102

Fund Administrator's Statement

KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED

As the Fund Administrator, Kina Investment & Superannuation Services Limited (KISS) is pleased to provide to the Board of Nambawan Super Limited (NSL) the administration report for the 2010 Financial Year.

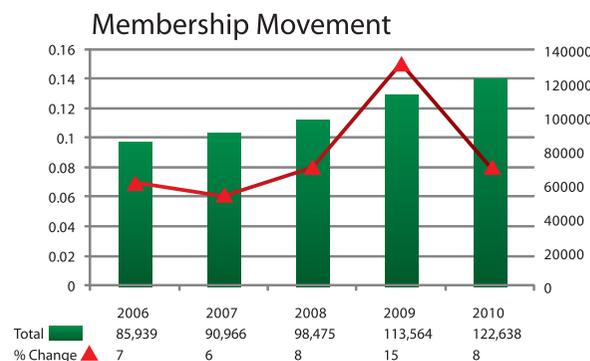
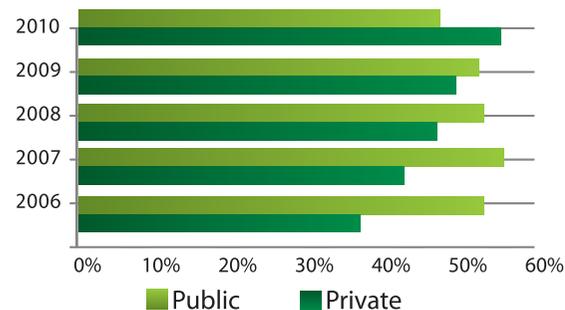
YEAR IN REVIEW

The economic climate in Papua New Guinea in 2010 was viewed in stark contrast as it appeared to be rewarding for those members who were employed throughout the year, as KISS experienced larger inflows of contributions than previous years but for those unfortunate members who found themselves unemployed there was often a sense of desperation to secure their entitlements as swiftly as possible so they could battle the higher cost of living now experienced in Papua New Guinea. Once again there is comfort in the knowledge that the system has secured some financial recourse in a difficult time for these unfortunate members. It is always pleasing to hear that due to the strong corporate governance from the Board and Management of Nambawan Super Limited coupled with the Investment guidance from Kina Funds Management many members continue to be pleasantly surprised by the benefit paid to them.

KISS continues to invest in technology to eliminate the vast manual processes that have been historically inherent within processing superannuation entitlements within Papua New Guinea. In 2010 KISS was pleased with the commencement of electronic loading of contributions into the system with some employers now on board remitting their contributions electronically and a strong focus will be placed to roll this out to most of the remaining remitting employers during 2011.

MEMBERSHIP

Membership for the fund in 2010 grew by 8%. Total membership as at 31 December 2010 was 122,638 consisting of 96,056 active and 25,582 inactive members, compared to total membership of 113,564 at the end of 2009.



We continue to face challenges keeping members' biographical details up to date, especially for those members that are employed in the public sector but with the branch rollout program by NSL, the large investment in technology by KISS and our strengthened relationship with the employers contributing to the fund and the Department of Personnel Management we have the right tools to tackle this challenge going forward.

There still continues to be strong growth in the number of new private sector companies and individuals joining the Fund as there were more private sector employers than government and statutory bodies contributing to the fund for the first time since the superannuation reform in 2002, and this is expected to increase further in 2011 as the momentum of the LNG project accelerates and more companies, especially foreign, join the economic landscape of Papua New Guinea.

CUSTOMER SERVICE

Customer Service is and will always be our priority for the members at Nambawan Super Fund. We continue to benchmark ourselves against world class standards and we pride ourselves on achieving these benchmarks.

RETIREMENT SAVINGS ACCOUNT

It is reassuring to know that Papua New Guineans are continuing to leave a portion of their benefit with the Fund in the Retirement Savings Account (RSA) product to insure they have money for the later years of retirement. 15% of all benefit payments in 2010 resulted in money being transferred to a RSA account.

HOUSING ADVANCE

In 2010, K8.5 million in housing advances were allocated to 725 members who applied for the purpose of building a new dwelling, improving or extending an existing dwelling on either urban or customary land.

CONTRIBUTIONS

Total contributions for the year were K380 million with an unallocated contribution amount equalling K0.13million due to the contribution received being unable to be reconciled, due to various reasons including insufficient details being provided by the employer.

BENEFITS PAYMENTS

The total number of benefit payments for 2010 were 6,781 and consisted of:

Exit Type	No. Members
Resignation, Retrenchment, Retirement	4,398
Death	830
Unemployment	1,553

Heart disease is still the largest cause of death amongst members which is why Nambawan Super continues to support charities promoting healthy living.

2011 FORECAST

In an effort to service members of Nambawan Super as efficiently as possible, KISS will be making further significant investments in technology that will position itself not only as a leading superannuation administrator here in PNG but internationally also. As the membership has grown also has the burden of servicing members effectively throughout PNG which is why NSL established 6 new branches throughout the country with more to be established in 2011 and KISS will leverage off new technology so these branches can communicate and receive services throughout the whole of PNG. With the maximum amount allowed to be rolled over into a Retirement Savings Account increase from K100,000 to K250,000 coupled with Nambawan Super's commitment to educate members so they gain financial security beyond retirement we anticipate to see the applications and monies rolled over for the retirement savings account increase significantly in 2011. Kina Investment & Superannuation Services is committed to supporting Nambawan Super to be the most successful and respected superannuation fund in Papua New Guinea by offering superior customer service, driven by integrity and innovation to ensure our members are our number one priority.

SEAN YOUNG

Fund Administration Manager
Kina Investment & Superannuation Services



Investment Manager's Statement

KINA FUNDS MANAGEMENT LIMITED



The Fund has continued to achieve sound results and this review outlines the reasons for the current performance and provides a breakdown on the Fund's holdings.

Investment Strategy

The Fund's primary purpose is to preserve and maximise superannuation benefits of members through prudent investment management. The investment strategy guides the investment decisions we make as the Investment Manager. Our investment aim is to achieve solid targeted returns in order to meet the Funds' primary purpose. The Fund's objective is to provide an after-tax return of at least +3% per annum above CPI with negative returns in no more than one in five years.

In 2010, the Investment Committee was reconstituted to improve the ever-evolving decision making process of investing in local and offshore markets. The reformed Committee – now known as the joint Investment Consultative Group (ICG) – serves a more strategic purpose than its predecessor whilst still maintaining the Fund's proven and successful investment principles. These principles are exercised with an unyielding focus on the NSL approved investment strategy.

Investment Portfolio Performance

The value of the investment portfolio increased as at 31 December 2010 to K2,968.8 million, an increase of K222.6 million or 8.1% from K2,746.2 million at end of December 2009. The Fund achieved an investment income of K313 million. This positive result was attributed to: (1) the recovery in international and dual listed equities; (2) favourable exchange rate movements, and; (3) increase in revaluation of properties & unlisted equities which was offset slightly by a lower closing price for Bank of South Pacific shares.

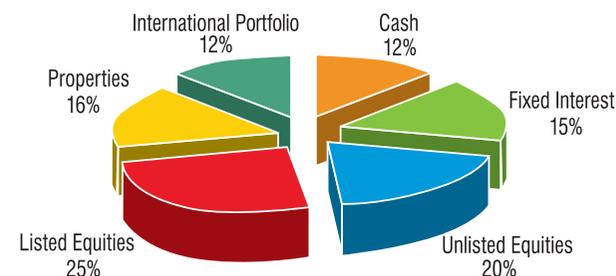
Portfolio Composition

The Fund maintains a broad spectrum of investments to diversify our risks. This table compares the mix of investments in the portfolio as at 31 December 2010 with the asset class breakdown at the end of the previous year.

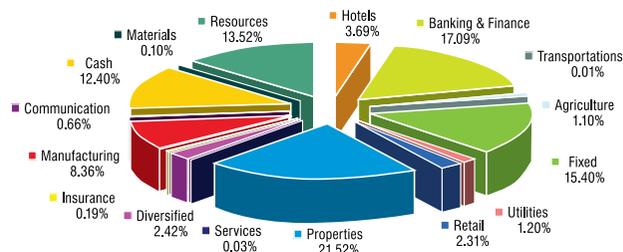
Table 1: Composition of Investment

Asset Class	Portfolio value (K million)		% of total portfolio	
	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10
Cash	310.5	368.1	11.3	12.4
Fixed Interest	477.7	438.8	17.4	14.8
Equities - Unlisted	485.2	588.4	17.7	19.8
- Listed	779.1	736.0	28.4	24.8
Property	4446.1	476.8	16.2	16.1
International	247.6	360.7	9.0	12.1
Total	2,746.2	2,968.8	100.0	100.0

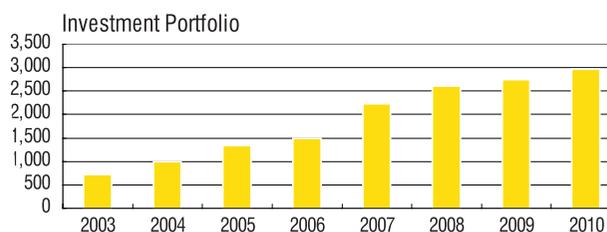
Graph 1: Allocation by Asset Class



Graph 2: Distribution by Economic Sector



The chart below shows the increase in the investment portfolio since 2003. The investment portfolio has increased four times the level of 2003 with an annualised growth of 22.5%.



Cash

The Fund's domestic cash portfolio comprises of Interest Bearing Deposits (IBDs) and Treasury Bills (TBills) with maturities of up to 90 days. As at 31 December 2010 the Fund held a total of K368.1 million in this assets class, which represents 12.4% of the total portfolio. The high exposure to cash, compared to a target allocation of 3%, was primarily to accommodate future commitments in other assets, particularly property.

Fixed Interest

The Fixed Interest Portfolio comprises of government, semi-government and corporate securities and debt including development loans beyond 90 days. As at 31 December 2010, the value of fixed interest securities in the Fund was K438.8 million, which represented 14.8% of the total portfolio. This is slightly higher than the target allocation of 14% which is a direct result of our participation in higher interest, longer term maturities of Treasury Bills, Interest Bearing Deposits and Government Inscribed stock to reduce our exposure in the cash portfolio.

Equities

The Domestic Equities Portfolio comprises of listed and unlisted equities. As at 31 December 2010, the Fund's equities portfolio stood at K1,324.4 million. This represents an increase of K17.7 million or 1.4% from the K1,306.7 million total for 2009.

Listed Equities

As at 31 December 2010, the Domestic Listed Equities portfolio was valued at K736.0 million. The portfolio decreased by K35.5 million for the year which follows the strategy of actively decreasing exposure to our less liquid holdings in the Domestic Equities portfolio such as Bank South Pacific Limited and Credit Corporation. Over the year, the Fund continued to reduce the exposure to BSP by taking advantage of the price exceeding our fair value estimates. Additionally, during the year the merger of Lihir Gold Limited and Newcrest Mining (NCM) significantly reduced the Domestic Listed Equity portfolio as NCM is classified under the International portfolio.

Investment Manager's Statement

This table shows the Fund's equity holdings listed on the Port Moresby Stock Exchange (POMSoX) and shares listed jointly with the Australian Securities Exchange (ASX) or the London Stock Exchange (LSE):

Table 2: Domestic and Dual Listed Equities

Listed Equities	Stock Exchange	Industry/Sector
Bank South Pacific Ltd	POMSoX	Banking/ Finance
Credit Corporation Ltd	POMSoX	Finance/Property
Highlands Pacific Ltd	POMSoX/ASX	Mining
Marengo Mining Ltd	POMSoX/ASX	Mining
New Britain Palm Oil Ltd	POMSoX	Agriculture
Oil Search Ltd	POMSoX/ASX	Oil & Gas

Unlisted Equities

The value of the Fund's unlisted equities portfolio at the end of the year was K588.4 million, 19.8% of the portfolio, up from K535.5 million at 31 December 2010.

Table 3: Domestic Unlisted Equities

Unquoted Ordinary Shares	Industry/Sector	(%) Holding
Alotau International Hotel Ltd	Hotels	34
Brian Bell & Co. Ltd	Wholesale / Retail / Merchants	34
Capital Life Insurance Company Ltd	Insurance	34
Capital Way Holdings Ltd	Telecommunication	10
Coastwatcher Court Ltd	Property - Residential	65
Gazelle International Hotel Ltd	Hotels	65
Hunter Ltd	Property - Commercial	30
Kumul Hotels Ltd	Hotels	55
Moki No.10 Pty Ltd	Property - International	100
Morobe Front Holdings Ltd	Property - Development	100
Pacific Building Management Services Ltd	Building Maintenance	50
Paradise Foods Ltd	Food & Snacks/ Manufacturing	85
PNG Water Ltd	Utilities	30
Post Courier Ltd	Media	21
SP Brewery Ltd	Manufacturing	20
Toyota Tsusho (PNG) Ltd	Motor Vehicle	4
Westpac Bank (PNG) Ltd	Banking / Finance	7

Properties

The Fund's Properties Portfolio comprises of commercial, residential, industrial and lands. As at the end of 2010, the portfolio was valued at K476.8 million, which represents 16.1% of the total investment portfolio.

Active management of the property portfolio during the 2010 year involved both new and ongoing projects and included the engagement of external specialist program management consultants, Point Project Management.

Achievements during the year include:

- Establishing the new Property Management System.
- Identifying the potential properties for refurbishment and divestment.
- Completing of the new Port Tower Building.
- Completing and opening of the fifty-two (52)-room Gazelle International Hotel in Kokopo.
- Completing the 8 Mile Housing Civil Works Design for Stages 4-8 for the proposed construction of 153 residential buildings.
- Acquiring a fully tenanted six (6) unit residential property in Lae.
- Finalising Creative Resolution's strategic advice to develop a proposed 4-level commercial office building in 4 Mile, Port Moresby.

Investment Manager's Statement

Table 4: Property Portfolio as at 31 December 2010:

Properties	Location	Description
COMMERCIAL BUILDINGS		
Aopi Centre (S390 L12,13 & 14 Waigani Drive)	Port Moresby	A 6 Level Twin Tower Office Complex on Waigani Drive. Currently leased to the Health and Lands Department
Burns House (S19 L20 Champion Parade)	Port Moresby	4 Level Mixed Office & Retail Space in the CBD
Century 21 (S25 L34 Hunter St)	Port Moresby	Accommodates the Century 21 office in Town CBD
Era Rumana (S20 L6&7 Champion Parade)	Port Moresby	7 Level Commercial Office Complex in the CBD
Mogoru Moto (S20 L8&9 Champion Parade)	Port Moresby	9 Level Commercial Office Complex in the CBD
Port Tower (S3 L21 Hunter Street)	Port Moresby	9 level Mixed Use Commercial/ Residential Complex in the CBD
Revenue Haus (S20 L11 Champion Parade)	Port Moresby	16 Level Commercial Office Complex in the CBD
Vele Rumana (S6 L19&20 4th Street, Top Town)	Lae	6 Level Commercial Office Complex in the CBD
Vulupindi Haus (S405 L15 Waigani Drive)	Port Moresby	6 Level Commercial Office Complex in Waigani. Leased to the Finance & National Planning Department
S355 L7 (Hohola)	Port Moresby	Commercial Building (Big Rooster)
S111 L21 (Martirogo)	Port Moresby	Commercial Building (Big Rooster)
S88 L3	Lae	Commercial Building (Big Rooster)
INDUSTRIAL PROPERTIES		
S24 L7 (Bataden Road)	Madang	BP Madang Service Station
S15, 16& 17 L64 (Gordons - Warehouse)	Port Moresby	NSL Data Storage Facility
S64 L41 (Huon Road)	Lae	Retail Shop & Service Station
Angco L5, 6, 19&20 S34 (Macdhuil Street)	Lae	Industrial Warehouse
L23 S50 (Millfordhaven Road)	Lae	Industrial Warehouse
RESIDENTIAL APARTMENTS		
Bayside Apartments (Portion 178)	Port Moresby	42 x 2&3 Bedroom Residential Units located at Koki
Cedar Units (S33 L11 Hibiscus St.)	Lae	8 x 3-Bedroom Units
Hibiscus Street, Eriku (S33 L11)	Lae	6 Residential Units
Lawes Road (S7 L24)	Port Moresby	20 x 2&3 Bedroom Units located on Lawes Road
Pacific Vista (S42 L14)	Port Moresby	7 x 3 Bedroom Executive Apartments located on Ogoa Street
Portion 212 (Portion 212, Boundary Road)	Lae	9 Level Commercial Office Complex in the CBD
Toaguba Apartments (S63 L22 Daugo Drive)	Port Moresby	Refurbish 9 Existing Residential Apartments
Webb Street (S32 L33 Town)	Port Moresby	4 Executive Apartments

Properties	Location	Description
VACANT PROPERTY		
Bautama Land	Port Moresby	Currently assessing options
Goroka (S82 L3 Elizabeth St)	Goroka	Currently assessing options
PROPERTIES IN HOLDING COMPANIES		
Coastwatcher Court Ltd	Port Moresby	Holding company that owns 31 newly constructed apartments on Touaguba Hill. NSL owns 65% of the company.
Hunter Ltd	Port Moresby	Holding company that owns the Defens Haus in the CBD. NSL owns 30% of the company.
Moki Ltd	Australia	Holding company that owns Cairns Conservatory Building. NSL owns 100% of the company.
Morobe Front Holdings Ltd	Lae	Holding company that owns the Lae Waterfront Land as its sole asset. NSL owns 100% of the company.
UPCOMING DEVELOPMENTS		
4 Mile Land	Port Moresby	Finalising concept designs for a 4-level commercial office development at Boroko
Portion 212	Lae	Planning in progress for the refurbishment of 3 blocks of residential units
9 Mile Land (Portion 989, 1568, 2124, 2156 & 2159)	Port Moresby	Finalising master plan developed in consultation with NCDC and Lands Department for a proposed "satellite town" development.
Bayside Apartments	Port Moresby	Currently assessing options for refurbishment
Boroko Development	Port Moresby	Building contract negotiations in final stages
IPI	Lae	A mixed use commercial building which is currently under construction
Kokopo Market Land (S22 L7&8)	Kokopo	Currently in detailed design stage in preparation for construction
Old Parliament House Limited	Port Moresby	Joint development with Lamana for an 11 story commercial building
Waigani Asset Limited		Joint development with Lamana for 4 story building – currently under construction

Investment Manager's Statement

International Portfolio

The International Portfolio includes various call accounts, term deposits, unlisted managed funds, listed hybrids, as well as listed and unlisted equities. The total International Portfolio holding as at 31 December 2010 was K360.7 million which represents 12.1% of the total investment portfolio.

The international portfolio is structured to allow the Fund flexibility and convenient access to investments that will benefit from economic growth outside of PNG's limited pool of available investments domestically, the local market structure, our economic situation and PNG's social demographics. The Fund's dominant strategy in terms of the International Listed Equities portfolio has been passive, value and growth.

In order to broaden the NSL portfolio, particularly with offshore investments we have entered strategic alliances and partnerships with some of the globally most respected investment houses such as RBS Morgan, Credit Suisse, and Barclay's Wealth. They are mandated to seek opportunities and recommend investments globally.

Listed equities within the international portfolio as at 31 December 2010 (market value of K186.2 million):

Table 5: International Listed Equities

Listed Equities	Industry/Sector
Alpha Financial Products Ltd	Managed Income Note
AMP Ltd	Banking/Finance
Barclays Discretionary Mandate	Various
Bendigo & Adelaide Bank Ltd	Banking/Finance
BPH Billiton Limited	Mining
Bougainville Copper Ltd	Mining
Commonwealth Bank of Australia Ltd	Banking/Finance
Ishares – MSCI all countries Asia (ex Japan)	Exchange Traded Fund
Macquarie Atlas Roads Ltd	Infrastructure
Newcrest Mining Ltd	Mining
Southern Cross Media Group Ltd	Communications
QBE Insurance Group Ltd	Insurance
Transurban Group Ltd	Infrastructure
Bluescope Steel Ltd	Manufacturing
Multiplex Site Trust	Property Trust
Telstra Ltd	Communications
Westfield Group Ltd	Property
Woolworths Ltd	Retail
Westpac Banking Corporation Ltd	Banking/Finance

The existing investments within the portfolio were carefully selected to contribute to the quality of their respective asset class and purchased at reasonable value to be held for medium to long periods. This maximizes tax-efficiency and allows the power of compounding to build wealth for NSL members. The Fund targets combinations of assets with low correlation for diversification and blending of investment styles.

Unlisted securities within the International Portfolio as at 31 December 2010 (market value of K21.5 million):

Table 6: International Unlisted Equities

Unlisted Equities	Industry/Sector
AMP Community Infrastructure Trust	Managed Income Note
AMP Capital – China Fund	Managed Fund
Corsair (Jersey) No.2 Ltd	Managed Income Note
Cypress Tree Synthetic CDO Ltd II	Managed Income Note

The International Portfolio also includes several alternative investments with a total value of K91.3 million, selected and managed by Access Capital Advisors (ACA), an Australia-based investment manager specialising in alternative investments. Independent valuers conduct annual valuations of the investments, which are also subject to ACA's internal assessment process. As with many alternative investments, the value of the ACA portfolio was significantly affected by the global financial crisis and difficult trading conditions over the last few years. These alternative investments include:

Table 7: ACA Managed Investments

Description	Industry/Sector
Carrix Inc Container	Marine – US
FKP Core Plus Fund 1	Property Trust – Australia
FKP Core Plus Fund 2	Property Trust – Australia
R.M Williams	Agricultural Holdings – Australia
Smarte Carte	Airport trolley hire – US
Spirit Finance	Property/Finance – US
Southern Water	Infrastructure, Water, Sewerage – UK
Tata Realty Initiative Fund 1	Property Trust – India

Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

Contents

Independent Auditor's Report	16
Statement of Comprehensive Income	17
Statement of Changes in Members' Fund	17
Statement of Financial Position	18
Statement of Cash Flows	18
Notes to and forming part of the Financial Statements	19 – 31
Declaration by Trustee and Management	32

Independent Auditor's Report

FOR THE YEAR ENDED 31 DECEMBER 2010



Independent auditor's report to the members of Nambawan Super

Report on the financial statements

We have audited the accompanying financial statements of Nambawan Super (the Fund), which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in members funds and statement of cash flow for the year ended on that date, a summary of significant accounting policies, and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Nambawan Super Limited, being the Fund's Trustees, are responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Practice in Papua New Guinea, the Superannuation (General Provisions) Act 2000 and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, 6th Floor Credit House, Cuthbertson Street

PO Box 484, Port Moresby, Papua New Guinea

T: +675 321 1500, F: +675 321 1428, www.pwc.com/pg

Auditor's opinion

In our opinion the financial statements of Nambawan Super is in accordance with the Companies Act 1997, including giving a true and fair view of the Fund's financial position as at 31 December 2010 and of its performance for the year ended on that date; and complying with International Financial Reporting Standards, the Superannuation (General provisions) Act 2000 and other generally accepted accounting practice in Papua New Guinea.

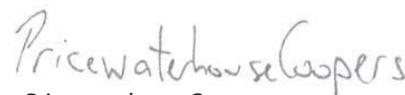
Report on other legal and regulatory requirements

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

1. in our opinion proper accounting records have been kept by the Fund, so far as appears from our examination of those records;
2. we have obtained all the information and explanations we have required; and
3. in conducting our audit we followed applicable independence requirements of Certified Practising Accountants Papua New Guinea.

Other matters

This report, including the opinion, has been prepared for and only for the Fund's members as a body in accordance with the PNG Companies Act 1997 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


PricewaterhouseCoopers



By: Brett Entwistle

Partner

Registered under the Accountants Act 1996

Port Moresby
31 March 2011



Jon Roberts

Engagement Leader

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 K'000	2009 K'000
REVENUE			
Investment income			
Interest	3(a)	56,104	72,015
Dividends	3(b)	59,841	57,123
Property rentals	3(c)	46,617	37,155
Foreign exchange gains/(losses)	3(e)	5,487	20,580
Net gain on financial assets at fair value	3(d)	154,990	63,728
Less: Direct investment expenses		(11,074)	(9,907)
		311,965	240,693
Other income	3(f)	753	358
		753	358
Total income		312,718	241,052
LESS: EXPENSES			
Management expenses			
Staff		7,163	6,041
Vehicles		179	181
Travel		316	195
Professional fees		1,155	1,132
Advertising		460	441
Donations		109	117
Auditor's remuneration - statutory audit services		260	200
Auditor's remuneration - other services		16	126
Directors' fees & expenses		764	753
Conferences		86	98
Property admin expenses		2,509	1,879
Office expenses		1,535	1,440
Staff housing		1,690	1,530
Office building expenses		383	222
		16,624	14,356

	Notes	2010 K'000	2009 K'000
Outsourcing expenses			
Fund administration		3,287	2,512
BPNG license fees		441	1,521
Contributor expenses			
Contributor liaison		1,307	752
Investment Manager's fees		8,967	9,114
		10,274	9,866
Other expenses			
Bad and doubtful debts		2,505	5,778
Depreciation on property plant and equipment		623	528
Investment monitoring expenses		1,946	795
Other		160	106
		5,233	7,208
Total general and administration expenses		35,858	35,461
Total revenue less expenses paid before income tax		276,860	205,590
Income tax expense	4(a)	13,523	15,626
Net profit after tax		263,337	189,964
Other Comprehensive income			
Revaluation of property plant & equipment - surplus/(deficit)		466	(1,050)
Total Comprehensive income		263,803	188,914

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

Statement of Changes in Members' Fund

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Contributors' Funds K'000	Pensioners' Funds K'000	Revaluation Reserve K'000	Retirement Savings Account K'000	Retained & General Reserves K'000	Total K'000
Balance as at 31 December 2008		2,453,566	77,741	3,589	24,171	63,051	2,622,118
Contribution received	10(a)	274,322	-	-	-	-	274,322
Benefit payments		(238,950)	(2,846)	-	(13,499)	-	(255,295)
Interest allocation	10(a)	236,496	-	-	-	(236,496)	-
Comprehensive income		-	-	(1,050)	-	189,964	188,914
Transfers		(29,193)	(54,000)	-	29,193	54,000	-
Balance as at 31 December 2009	10	2,696,241	20,895	2,539	39,866	70,519	2,830,060
Contribution received	10(a)	380,097	-	-	-	-	380,097
Benefit payments		(359,922)	(2,574)	-	(18,834)	-	(381,330)
Interest allocation	10(a)	258,177	-	-	-	(258,177)	-
Comprehensive income		-	-	466	-	263,337	263,803
Transfers		(27,795)	-	-	27,795	-	-
Balance as at 31 December 2010	10	2,946,799	18,321	3,006	48,827	75,679	3,092,631

The above Statement of Changes in Members' Funds should be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 K'000	2009 K'000
INVESTMENTS			
Held to maturity (government securities)	5(a)	391,458	424,232
Other investments held to maturity	5(b)	11,799	27,806
Loans and debentures	5(c)	47,318	38,181
Financial assets at fair value	5(d-g)	1,632,485	1,453,682
Investment properties	5(h)	476,771	421,036
Total investments		2,559,831	2,364,936
OTHER ASSETS			
Cash and cash equivalents	6	408,873	381,322
Trade receivables & other debtors	7	146,388	104,515
Current income tax refundable	4(b)	7,528	11,936
Property, plant and equipment	8	13,521	12,215
Total other assets		576,310	509,987
TOTAL ASSETS		3,136,141	2,874,922
LIABILITIES			
Benefits payable		1,700	1,522
Trade and other creditors	9	36,521	39,951
Deferred income tax liabilities	4(c)	5,289	3,389
TOTAL LIABILITIES		43,510	44,862
NET ASSETS		3,092,631	2,830,060
Members' accounts and Pensioner funds	10(a-c)	2,965,120	2,717,136
Retirement Savings Account	10(d)	48,827	39,866
Reserves	10(e)	78,684	73,059
TOTAL MEMBERS' FUNDS		3,092,631	2,830,060

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

For and on behalf of the Board



Sir Nagora Bogan, KBE
Chairman of Board



Leon Buskens
Managing Director

Dated: 17 March 2011

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 K'000	2009 K'000
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		57,400	72,015
Dividends received	3(b)	59,841	57,123
Property rentals received		39,638	37,655
Other income and receipts		565	991
Direct investment expenses		(21,986)	(19,816)
General administration expenses paid		(22,858)	(28,530)
Income tax paid	4(b)	-	(3,176)
Net cash provided by operating activities	14	112,599	116,262
CASH FLOW FROM FINANCING ACTIVITIES			
Employer contributions received	10(a)	61,560	71,741
Member contributions received	10(a)	84,231	84,781
Fund share of benefits paid (including housing withdrawals)		(125,616)	(124,793)
State Share of benefit payments received		76,132	57,600
State share of benefits paid		(117,591)	(104,320)
Payment from Retirement Savings Account	10(d)	(21,408)	(13,499)
		(42,691)	(28,489)
CASH FLOW FROM INVESTING ACTIVITIES			
Receipt of loan repayments	5(c)	5,529	4,058
Loans advanced	5(c)	(14,666)	(6,782)
Proceeds on maturity of Government securities	5(a)	263,040	121,827
Payment for purchase of Government securities	5(a)	(230,663)	(217,935)
Net investment in term deposits	5(b)	12,280	(11,069)
Payment for acquisition of shares in listed equities	5(f-g)	(151,500)	(54,724)
Payment for acquisition of shares in unlisted equities - offshore	5(e)	(8,548)	(9,519)
Payment for acquisition of shares in unlisted equities - onshore	5(d)	(26,092)	(31,107)
Proceeds on sale of shares in listed equities		120,460	17,049
Proceeds on sale of shares in unlisted equities		-	15,231
Payment for investment property development & acquisition	5(h)	(30,457)	(6,621)
Payment for the purchase of property, plant and equipment	8	(1,695)	(2,818)
Proceeds on sale of investment properties		19,593	717
Proceeds on sale of property, plant and equipment		362	-
Net cash provided by / (used in) investing activities		(42,358)	(181,692)
Net increase / (decrease) in cash & cash equivalents held		27,550	(93,919)
Cash and cash equivalents at the beginning of the year		381,322	428,364
Transfers in the year		-	46,876
Cash and cash equivalents at the end of the year	6	408,873	381,322

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

NSL is domiciled in PNG and the registered office is:

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

The financial statements have been authorised for issue by the Directors on 17 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Basis of preparation

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

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

(b) Revenue recognition

Investment income

Investment income, comprising interest on government securities, term deposits, debentures, loans and rental income, is brought to account on an accruals basis. Dividends from shares are accounted for on a cash received basis. Changes in the net market value of assets are 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 received and receivable from the State in relation to exit payments are recognised when payments are made by the Fund to 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 on non-monetary items, such as financial assets held at fair value through the profit or loss are reported as part of the fair value gain or loss in relation to the financial assets.

The rates used as at 31 December 2010 were:

AUD	0.3482	(2009: 0.4352)
USD	0.3544	(2009: 0.3893)
GBP	0.2297	(2009: 0.2422)

(d) Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to the asset revaluation reserve.

To the extent that the decreases reverses a decrease previously recognised in the Statement of Comprehensive Income, the increase is first recognised in the Statement of Comprehensive Income. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserve in equity to the extent of the remaining reserve attributable to the asset, all other decreases are charged to the Statement of Comprehensive Income.

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

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

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

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(e) Investments and other financial assets

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

- (i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.
- (ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those assets with maturities greater than 12 months after the reporting date which are classified as non-current assets.
- (iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. If the Fund were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those assets with maturities less than 12 months from the reporting date which are classified as current assets.
- (iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains or losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried 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 other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income as part of revenue from continuing operations when the Fund's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss.

Impairment

The Fund assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments classified as available-for-sale are not reversed through the Statement of Comprehensive Income.

If there is evidence of impairment of any of the Fund's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit that have been incurred. The cash flows are discounted at the financial assets original effective interest rate. The loss is recognised in the Statement of Comprehensive

(f) Receivables

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

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

(g) Cash and cash equivalents

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

(h) 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 tax asset 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the Fund has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(i) Provisions

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

(j) Financial instruments

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

(k) Employee benefits

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

(l) Trade and other creditors

Trade and other creditors represent liabilities for goods and services provided to the Fund prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(m) Benefits payable

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

(n) Liability for accrued benefits

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

(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 financial position. Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities are recoverable from, or payable to the Internal Revenue Commission, are presented as operating cash flows

(p) Investment properties

Investment properties are valued at fair value at balance date, determined by qualified independent professional valuers. The methods used to determine fair value is mainly based on 'the market value for highest and best use'. Savills (NSW) Pty Limited and PVPNG were engaged to undertake the valuation exercise in December 2010. Changes in fair value are recorded in the Statement of Comprehensive Income as part of the fair value gain.

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

(q) Comparative figures

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

(r) New and amended standards adopted by the Fund

The Fund adopted IAS 1 (revised) 'Presentation of Financial Statements' - effective 1 January 2009 and IFRS 7 'Financial Instruments - Disclosures' (amendment) - effective 1 January 2009 during the year ended 31 December 2009.

The following new and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010

IFRS 3 (revised) 'Business Combinations'

IAS 27 (revised) 'Consolidated and Separate Financial Statements'

IRFIC 17 'Distributions of non cash assets to owners'

IFRIC 18 'Transfers of assets from customers'

IFRIC 9 'Reassessment of embedded derivative and IAS 39, Financial Instruments'

IFRIC 16 'Hedges of a net investment in a foreign operation'

IAS 1 (amendment) 'Presentation of financial statements'

IAS 36 (amendment) 'Impairment of assets'

IFRS 2 (amendment) 'Group cash-settled share based payment transactions'

IFRS 5 (amendment) 'Non-cash assets held for sale and discontinued operations'

However the above new standards and amendments do not have any impact on the financial statements of the Fund during the year.

(s) The following new and amendments to standards are issued but not yet effective for the financial year ending 31 December 2010 and not early adopted by the Fund

The International Accounting Standards Board has issued the following standards, amendments and interpretations that are applicable for accounting periods beginning on or after 1 January 2010 or later periods but the Fund has not yet early adopted them.

IFRS 9 'Financial Instruments'

IAS 24 (revised) 'Related Party Disclosures'

Classification of rights issue' (amendment to IAS 32)

IFRIC 19 'Extinguishing financial liabilities with equity instruments'

Prepayments of a mining funding requirement' (amendment to IFRIC 14)

(t) Critical accounting estimates and judgements

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of Financial Assets that are not quoted in an active market

Fair value of financial assets that are not quoted in an active market is determined by experts using valuation techniques, primarily earning multiples and net asset values. Management reviews these valuations used to determine fair value for appropriateness. The carrying value of unquoted financial assets may be materially different to the values received on disposal.

Investment properties

Investment properties are valued at fair value at balance date, determined by qualified independent professional valuers. The methods used to determine fair value is mainly based on 'the market value for highest and best use'. Savills (NSW) Pty Limited and PVPNG were engaged to undertake the valuation exercise in December 2010. Changes in fair value are recorded in the Statement of Comprehensive Income as part of the fair value gain

Interest in controlled entities

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

Receivable from the state

The state owes significant debts to the Fund in relation to State's share of the members exit payments, unpaid rentals, outgoings and interests. 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 potential uncollectable rental outgoings and interest. Directors consider the State's share of exit payments receivable and the outstanding rentals to be fully recoverable.

Management uses judgement based on best available facts and circumstances and the actual outcome may differ from the estimates made.

(u) Public Employee Association Super Fund

The Public Employee Association Super Fund ("PEASF") was transferred to the Fund effective 26 May 2010 as per the notification published by the Bank of PNG. The statutory status of PEASF and the legality of its proposed transfer to the Fund is not clearly established at this stage, and the financial records of the PEASF have not been finalised. As such the records of the PEASF are separately maintained and not included in the Fund's financial statements.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 K'000	2009 K'000
3. INCOME		
The following categories of income were credited to the Statement of Comprehensive Income:		
INVESTMENT INCOME		
(a) INTEREST		
Interest from:		
Government securities	35,986	29,511
National Government loan	3,315	2,554
Debentures and/or loans	4,481	4,707
Term deposits	12,321	35,242
	56,104	72,015
(b) DIVIDENDS FROM INVESTMENTS		
Shares in listed equities	33,339	6,869
Shares in unlisted equities	26,501	40,254
	59,841	57,123
(c) PROPERTY RENTAL		
Gross rental income	46,617	37,155
(d) CHANGES RECOGNISED IN RELATION TO FINANCIAL ASSETS AT FAIR VALUE THROUGH THE STATEMENT OF COMPREHENSIVE INCOME		
Unrealised fair value gain - Shares in listed equities	51,837	14,964
Unrealised fair value gain - Shares in unlisted equities	22,133	9,315
Investment properties	44,263	37,998
Realised fair value gain on listed investments	39,152	1,451
Realised fair value gain on investment properties	1,331	-
Impairment of held to maturity financial assets	(3,727)	-
	154,990	63,728
(e) FOREIGN EXCHANGE GAIN		
Foreign exchange gains	5,487	20,580
TOTAL INVESTMENT INCOME	323,039	250,601
(f) OTHER INCOME		
Directors' fees received	72	55
Gain on disposal of property, plant and equipment	188	-
Other income	493	303
	753	358

	2010 K'000	2009 K'000
4. INCOME TAX EXPENSE		
The income tax charged on total revenues less expenses and benefits paid is determined as follows:		
(a) INCOME TAX EXPENSE		
Profit before tax	276,860	205,590
Prima facie tax at 25%	69,215	51,398
Permanent differences:		
Accounting profit on fair value changes in investment properties	(11,066)	(9,500)
Accounting profit on fair value changes in equity investments	(18,493)	(6,069)
Accounting loss on fair value changes - other	932	148
Non-deductible staff expenses	5	26
Non-deductible entertainment expenses	4	9
Expenses paid on earning exempt income	22	45
Gain on disposal of plant & equipment	-	10
Section 72A staff training - double deduction	(62)	(11)
Section 216 Dividend rebate	(14,960)	(14,292)
Tax depreciation on investment properties	(582)	(629)
Foreign exchange loss/(gain) - capital account	(1,372)	(5,145)
Gain on sale of investment - capital gain	(10,121)	(364)
Income tax expense for the year	13,523	15,626
(b) PROVISION FOR INCOME TAX		
Opening balance payable/(receivable)	(11,936)	(13,503)
Current year income tax provision	11,620	19,618
Tax payments - credit for interest withholding tax	(7,213)	(8,832)
Tax payments made during the year - provisional tax	-	(3,176)
Prior year adjustments	-	(6,044)
Closing balance at the end of the year	(7,528)	(11,936)
Current year income tax expense comprise:		
Current year income tax expense	11,620	19,618
Deferred tax expense	1,900	(1,451)
Prior year adjustments	-	(2,542)
	13,520	15,625
(c) DEFERRED TAX LIABILITY/(ASSET)		
Opening balance at the beginning of the year	3,389	4,841
Movement during the year	1,900	(1,451)
Closing balance at the end of the year	5,289	3,389
Comprising:		
Interest receivable	751	1,075
Rent receivable	7,621	4,711
Consumable stores	24	6
Prepaid insurance	149	205
Depreciation	221	194
Others	987	552
Less:		
Employee benefits	(611)	(545)
Doubtful debts/loans	(2,848)	(2,222)
Insurance payments - death claims	(1,541)	(1,363)
Other accruals	537	776
Net deferred tax liability/(asset)	5,289	3,389

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 K'000	2009 K'000
5. INVESTMENTS		
(a) Held to maturity financial assets - onshore		
Government Inscribed Stocks & Treasury Bills:-		
Balance at the beginning of the year	424,232	333,331
Purchases during the year	230,663	217,935
Maturities during the year	(263,040)	(121,827)
Accumulated amortisation of Premium/(discount)	(397)	(5,207)
Balance at the end of the year	391,458	424,232
Investments in government inscribed stock and treasury bills are carried at amortised cost. They are held to their maturity which varies between 2011 and 2025 and have a face value of approximately K392m. (2009: K429m) These deposits are held at an average coupon rate of 9% (2009: 7.5%).		
(b) Held to maturity financial assets - offshore		
Balance at the beginning of the year	27,806	19,078
Withdrawals	(14,837)	-
Gain/(loss) due to the effect of exchange rate movements	2,557	1,027
Fair value gain/(loss) from change in net market value	-	7,701
Impairment of financial assets	(3,727)	-
Balance at the end of the year	11,799	27,806
Other investments held to maturity are held at cost. They are held to maturity which varies between 2011 and 2013 and carry a fixed interest rate of 5% (2009: 6%)		
(c) Loans and debentures		
<i>Companies</i>		
Balance at the beginning of the year	39,253	36,529
Advances made	14,666	6,782
Payments received	(5,529)	(4,058)
Loan balance at the end of the year	48,390	39,253
Provisions for doubtful loans	(1,072)	(1,072)
Balance at the end of the year, net of provisions	47,318	38,181
The loans attract interest at an average rate of 10% (2009: 10%). Interest is repayable monthly and the principal amount is repayable in accordance with the respective loan agreements, which varies between 2011 and 2018.		
(d) Financial assets - unlisted shares (onshore)		
Balance at the beginning of the year	535,201	459,353
Investments during the year	26,092	31,107
Divestments during the year	-	(7,096)
Fair value gain from change in net market value	27,132	51,837
Balance at the end of the year	588,425	535,201
(e) Financial assets - unlisted shares (offshore)		
Balance at beginning of year	98,990	140,129
Investments during the year	8,548	9,519
Divestments during the year	(1,063)	(8,135)
Fair value gain from change in net market value	(4,999)	(42,523)
Balance at the end of the year	101,476	98,990

	2010 K'000	2009 K'000
(f) Financial asset - listed shares (onshore)		
Balance at the beginning of the year	771,463	750,300
Investments during the year	5,304	23,967
Divestments during the year	(67,169)	(7,549)
Fair value gain/(loss) from change in net market value - refer note 3 (d)	26,368	4,745
Balance at the end of the year	735,966	771,463
(g) Financial asset - listed shares (offshore)		
Balance at the beginning of the year	48,027	16,550
Investments during the year	146,196	30,758
Divestments during the year	(13,076)	(9,500)
Fair value gain/(loss) from change in net market value - refer note 3 (d)	25,470	10,219
Balance at the end of the year	206,617	48,027
(h) Investment properties		
<i>Properties</i>		
Balance at the beginning of the year	355,678	289,739
Additions	6,526	6,620
Transfer from capital work in progress	36,798	24,390
Disposals and write offs	(4,270)	(2,387)
Depreciation	(723)	(682)
Fair value gain from change in net market value - refer note 3 (d)	44,263	37,998
Balance at the end of the year	438,272	355,678
<i>Capital work in progress</i>		
Balance at the beginning of the year	65,358	61,474
Additions	23,931	29,991
Transfer to properties	(36,798)	(24,390)
Disposals and write offs	(13,992)	(1,717)
Balance at the end of the year	38,499	65,358
Total investment properties	476,771	421,036
TOTAL INVESTMENTS	2,559,831	2,364,936
Amounts recognised in Statement of Comprehensive Income for investment properties:		
Rental income	46,617	37,155
Direct operating expenses	(11,074)	(9,907)
Net rental income	35,543	27,248

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

(i) Asset Allocation

Asset Class	Portfolio Value (K million) 31-Dec-10	Portfolio Value (K million) 31-Dec-09	Percentage Holdings 31-Dec-10	Percentage Holdings 31-Dec-09
Onshore				
Fixed Interest	391	424	15	18
Equities				
Listed	736	771	29	33
Unlisted	588	535	23	23
Property	477	421	19	18
Loans and debentures	47	38	2	2
Offshore				
Fixed Interest	12	28	-	1
Equities				
Listed	207	48	8	2
Unlisted	101	99	4	4
Total	2,560	2,364	100	100

(j) Single Investment exceeding 5% of the net assets:

Investment	Type	% Shareholding	% of net assets 2010	Value K(million) 2010	Value K(million) 2009
Bank South Pacific Ltd	Listed equity	10.49	11.6	358.4	401.6
Bank of PNG	GIS & T/Bills	N/A	12.7	391.5	424.2
Oil Search Ltd	Listed equity	1.02	7.8	240.8	186.9

(k) Valuation methodology and earnings multiples applied

Unlisted equities	Industry	Valuation Method	Earnings Multiple	% shareholding 2010	Value K(million) 2010	% shareholding 2009	Value K(million) 2009
Alotau International Hotel Ltd	Hotel	Net Assets	-	34	0.7	34	0.8
Brian Bell & Company Ltd	Wholesale/retail	FME	4.5	34	54.6	34	40.3
Capital Insurance Group Ltd	Insurance broker	Net Assets	-	34	1.1	34	4.8
Capital Way Holdings Ltd	Telecommunications	Net Assets	-	10	8.0	10	15.0
Coastwatchers Court Ltd	Property	Net Assets	-	65	18.6	65	12.1
Ela Motors (PNG) Ltd	Motor vehicle	FME	5.63	4	10.3	4	8.0
Hunter Ltd	Property	Net Assets	-	30	10.5	30	8.1
Kumul Hotels Ltd	Hotel	FME	6.74	55	85.9	55	75.6
Moki NO.10 Ltd	Real Estate	Net Assets	-	100	24.5	100	24.9
Morobe Front Holdings Ltd	Property - Development	Net Assets	-	100	5.9	100	4.9
Paradise Foods Ltd	Food & Snacks	FME	5.99	85	102.1	85	91.6
Pacific Building Mgt Services Ltd	Building maintenance	FME	4.17	50	1.2	50	2.0
PNG Water Ltd	Utilities	FME	5.03	30	11.4	30	12.2
Post Courier Ltd	Media	FME	5	21	4.2	21	7.1
SP Brewery Ltd	Brewery/manufacturing	FME	7	20	147.4	20	144.2
Westpac Bank (PNG) Ltd	Banking & finance	FME	6.66	7	57.1	7	60.6
Gazelle International Hotel **	Hotel	Cost	-	65	23.7	65	22.9
OPH Ltd **	Property	Cost	-	65	2.7	n/a	-
Waigani Asset Ltd **	Property	Cost	-	65	18.6	n/a	-
					588.4		535.1

Net assets - net assets on a going concern

FME - future maintainable earnings

** Due to the early stage nature of these investments cost is considered to be an appropriate fair value for the investments.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

Unlisted shares are valued at fair value at balance date, as determined by registered independent professional valuers, Pertusio Capital Partners. The main factors used in determining fair value include a combination of dividend yield, net tangible asset backing and future maintainable earnings as appropriate. Changes in fair values are recorded in the Statement of Comprehensive Income as part of the fair value gain.

(l) Sensitivity analysis

Particulars	Movement to share price by +/- 10%	Movement to exchange rates by +/- 10%	Movement to interest rate by +/- 1%
Impact to Total portfolio in kina value	104.4	74.3	8.5
Impact to total portfolio in percentage	3.5	2.5	0.3
If the share price moved up or down by 10% the investment portfolio will increase or decrease by K104.4 million or 3.5%.			
If the exchange rate moved up or down by 10% the investment portfolio will increase or decrease by K74.3 million or 2.5%.			
If the interest rate moved up or down by 1% the investment portfolio will increase or decrease by K8.5 million or 0.3%.			

(m) Fair value estimation

Effective 1 January 2009, the Fund adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- * 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, derived from prices) (level 2)
- * Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Fund's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total Balance K'000
Assets				
Financial assets at fair value through profit or loss				
Listed securities	942,583	-	-	942,583
Unlisted securities	-	-	689,902	689,902
Total Assets	942,583	-	689,902	1,632,485
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	-	-
Total Liabilities	-	-	-	-

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 POMSIX 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 financial instruments include:

- * Quoted market prices or dealer quotes for similar 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.

Level 3 instruments consist of unlisted investments. A reconciliation of the changes in these investments for the year ended 31 December 2010 is presented in note 5 (d) and (e).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

	2010 K'000	2009 K'000
6. CASH AND CASH EQUIVALENTS		
Cash on hand	5	3
Bank overdraft - onshore	(4,924)	(6,033)
Banks - offshore	19,233	5,539
Bank call deposits - onshore	11,046	6,022
Term deposits (maturities within 90 days) - onshore	361,963	334,453
Term deposits (maturities within 90 days) - offshore	21,549	41,337
	408,873	381,322

7. TRADE RECEIVABLES & OTHER DEBTORS

Rental debtors	30,483	18,843
Less: Provision for doubtful debts	(10,070)	(7,565)
	20,414	11,279
Staff housing scheme and advances	535	388
Sundry debtors	14,362	15,818
State share of benefits	106,676	65,255
Prepayments and GST input tax	1,397	7,475
Accrued interest income	3,004	4,300
	146,388	104,515

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

8. 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. Refer Note 5(h)

The valuation of land and buildings is at fair value being the amount for which the asset could be exchanged between willing parties in an arm's length transaction based on current market prices in an active market for similar properties in the same location and condition. The 2010 Commercial, Industrial and Residential Property valuations were carried out by registered valuers Savills (NSW) Pty Ltd and the Professional Valuers of PNG Limited.

The revaluation surplus of K0.466 million (2009: K1.05 deficit) was charged to asset revaluation reserve (note 10(e)).

	Land & Buildings K'000	HOUSING Plant & Equipment K'000	Land & Buildings K'000	Furniture & Fittings K'000	OFFICE BUILDINGS Plant & Equipment K'000	VEHICLES Motor Vehicles K'000	Total K'000
2010							
COST OR REVALUATION							
At 1 January 2010	2,942	190	7,500	2,295	4,179	1,434	18,540
Additions	-	265	-	19	390	1,022	1,695
Revaluation increment	-	-	466	-	-	-	466
Adjustments	(60)	-	-	-	-	-	(60)
Disposal	(87)	(5)	-	-	-	(803)	(895)
At 31 December 2010	2,796	449	7,966	2,314	4,569	1,653	19,747
ACCUMULATED DEPRECIATION							
At 1 January 2010	242	133	455	1,585	2,905	1,006	6,325
Depreciation	22	17	1	81	257	243	623
Disposals	(35)	(5)	-	-	-	(683)	(723)
At 31 December 2010	229	145	456	1,666	3,162	567	6,225
NET BOOK VALUE							
At 31 December 2010	2,566	304	7,510	647	1,407	1,086	13,521
2009							
COST OR REVALUATION							
At 1 January 2009	2,942	187	6,300	2,290	3,722	1,475	16,916
Additions	-	3	2,250	5	457	102	2,818
Revaluation decrement	-	-	(1,050)	-	-	-	(1,050)
Disposal	-	-	-	-	-	(143)	(143)
At 31 December 2009	2,942	190	7,500	2,295	4,179	1,434	18,540
ACCUMULATED DEPRECIATION							
At 1 January 2009	217	124	454	1,496	2,671	939	5,901
Depreciation	25	9	1	89	233	171	528
Disposals	-	-	-	-	-	(104)	(104)
At 31 December 2009	242	133	455	1,585	2,904	1,007	6,325
NET BOOK VALUE							
At 31 December 2009	2,700	57	7,045	710	1,276	428	12,215

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 K'000	2009 K'000
9. TRADE AND OTHER CREDITORS		
Trade creditors	15,607	18,435
Other creditors	3,112	3,026
Rental bond fees	2,353	2,254
Member insurance payable	6,163	6,282
State-share received in advance	139	1,182
State pension liability	6,644	6,644
Employee provisions	2,504	2,129
	<u>36,521</u>	<u>39,951</u>

10. LIABILITY FOR ACCRUED BENEFITS AND RESERVES

Liability for accrued benefits is represented by contributor funds, contributor housing withdrawals, pensioner funds and retirement savings accounts. Contributor funds are credited with contributions on a cash received basis. For 2010, interest allocated to contributor funds was determined on member balances at a rate of 10% (2009: 10%) 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.

(a) Contributor Funds

Balance at the beginning of the year	2,767,177	2,524,105
Add:		
Members' contributions received during the year	83,923	84,499
Employer contributions received during the year	61,560	71,741
Transfers from other funds	308	282
Contribution income on exit payments	234,306	117,800
	<u>380,097</u>	<u>274,322</u>
Interest allocation	258,177	236,496
	<u>3,405,451</u>	<u>3,034,923</u>
Deduct:		
Member benefits paid during the year *	(150,907)	(147,230)
Member benefit expense - on exit	(234,306)	(117,800)
Unemployment benefits paid	(2,159)	(2,716)
	<u>(387,372)</u>	<u>(267,746)</u>
Balance at the end of the year	<u>3,018,079</u>	<u>2,767,177</u>
* Benefit payment details:		
Resignation	(71)	(21,188)
Retirement	(135,088)	(98,109)
Retrenchment	(88)	(13,800)
Death	(15,659)	(14,133)
	<u>(150,907)</u>	<u>(147,230)</u>

	2010 K'000	2009 K'000
(b) Contributor Housing Withdrawals		
Balance at the beginning of the year	(70,936)	(70,539)
Advances or member withdrawals	(8,496)	(6,925)
Repayments received	8,151	6,528
Balance at the end of the year	<u>(71,281)</u>	<u>(70,936)</u>

(c) Pensioner Funds

Balance at the beginning of the year	20,895	77,741
Payments during the year	(2,574)	(2,846)
Transfer to general reserves	-	(54,000)
Balance at the end of the year	<u>18,321</u>	<u>20,895</u>

In 2009, Mercer (Australia) Pty Ltd conducted an actuarial review of the adequacy of the Fund's obligation to Pensioner Funds and determined that a reserve in the order of approximately K20m was considered adequate. The Board adopted the findings of the review and consequently a sum of K54m was transferred to General Reserves in 2009.

TOTAL CONTRIBUTOR & PENSIONER FUNDS	2,965,120	2,717,136
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(d) Retirement Savings Account

Balance at the beginning of the year	39,866	24,171
Transfers during the year	27,795	29,193
Payments during the year	(18,834)	(13,499)
	<u>48,827</u>	<u>39,866</u>

Interest allocation for RSA is included in Note 10(a).

(e) Retained Reserves

Retained earnings and general reserve	54,401	49,242
Section 35(2)(c) reserve	21,278	21,278
Revaluation reserve - property, plant and equipment	3,005	2,539
	<u>78,684</u>	<u>73,059</u>
TOTAL LIABILITY FOR ACCRUED BENEFITS AND RESERVES	<u>3,092,631</u>	<u>2,830,060</u>

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

11. FUNDING ARRANGEMENTS

At the end of 2010 the future unfunded liability of the State to members is estimated to be K2,060 million (2009: K2,036 million), which is not included in the "Liability for Accrued Benefits". Previously, the values had been internally generated estimates but are now system generated from the member database giving rise to more reliable and accurate values. Efforts are being made to have the State to reduce this carrying value.

(a) Exiting members

As members exit the Fund, the State is legally obliged to match the benefit accruing to the member from the member's contributions in the ratio of 8.4% to 6%. The total benefit is paid to the member by the Fund, with the State reimbursing the Fund for its share. During 2010 the State fell behind in its obligations in this area by K106.6 million.

(b) Employer contributions

From 2003, employers commenced remitting directly to the Fund the full 8.4% employer contributions on behalf of their members.

The State was only required to contribute 25% of the 8.4% employer contribution for 2003 and 2004, 50% for 2005 and 2006, 75% for 2007 and 2008 and 100% from 2009 onwards. However, for 2010 the State fell behind in its obligations in this area by K93.4 million. As this shortfall is currently unfunded it is not included in the "Liability for Accrued Benefits" at 31 December 2010.

12. 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 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 international investments and deposits. The Fund does not have any specific hedging policies to mitigate against this risk but the Fund does monitor the impact of this risk on an ongoing basis.

(ii) Price Risk

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

The Fund's investment manager generally does not use derivative financial instruments to reduce risks in the share and currency markets and to increase or decrease the Fund's exposure to particular investment classes or markets.

(iii) Cash flow and interest rate risk

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

(b) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to rental customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

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

(c) Net Fair Values of Financial Assets and Liabilities

The Fund's financial assets and liabilities, including derivative instruments, 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 materially disadvantageous.

The Fund manages this risk by ensuring that it has sufficient liquidity in cash and short term term readily convertible cash equivalents to meet financial obligations as and when they fall due.

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

Particulars	Less than 1 year	1-2 years	2-5 years	over 5 years	Total
31 December 2010					
Benefit payable	1,700	-	-	-	1,700
Trade and other liability	34,017	-	-	-	34,017
	35,717	-	-	-	35,717
31 December 2009					
Benefit payable	1,522	-	-	-	1,522
Trade and other liability	37,822	-	-	-	37,822
	39,344	-	-	-	39,344

13. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to the balance sheet date, the listed equities portfolio in both the domestic and international market experienced some volatility in the share price and the net results of these movements are summarized as follows:

17 March 2011 - K64.9m unfavourable movement (Domestic: Loss: K 38.4m and International: Loss: K26.5m). In January 2011 K117 million was received from the State in settlement of its outstanding superannuation obligations.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

14. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

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

	2010 K'000	2009 K'000
Cash on hand	5	3
Bank overdraft - onshore	(4,924)	(6,033)
Banks - offshore	19,233	5,539
Bank call deposits - onshore	11,046	6,022
Term deposits (maturities within 90 days) - onshore	361,963	334,453
Term deposits (maturities within 90 days) - offshore	21,549	41,337
	408,873	381,322
Reconciliation of Cash flow from Operations with Total Revenues less expenses and benefits paid		
Total revenues less expenses after income tax	263,337	189,964
Add/(less) non-cash items:		
Depreciation and amortisation	1,836	528
Gain on disposal of investment property assets	(1,331)	(361)
(Gain)/loss on disposal of property plant and equipment	(188)	4
Gain on sale of shares in listed & unlisted equities	(39,152)	(1,094)
Fair value gain arising from changes in net market value of investments	(118,234)	(69,978)
Impairment loss on financial assets	3,727	-
Net cash provided by operating activities before change in assets and liabilities	109,995	119,063
Changes in assets and liabilities during the year:		
(Increase)/decrease in receivables	(452)	(3,342)
Increase/(decrease) in benefits payable	178	53
Increase/(decrease) in trade and other creditors	(3,430)	371
(Increase)/decrease in current income tax refundable	4,408	1,567
Increase/(decrease) in deferred income tax liabilities	1,900	(1,451)
Cash flow from operating activities	112,599	116,262

15. RELATED PARTY DISCLOSURES

- (a) The Trustee of the Fund throughout the year was Nambawan Super Ltd ("NSL"). The names of persons who were directors of the trustee company at any time during the financial year and up to the date of this report were:
- | | |
|-----------------------|--|
| Sir Nagora Bogan, KBE | Mr. Kerenga Kua |
| Mr. Greg Taylor | Lady Aivu Tauvasa (Resigned - 21 September 2010) |
| Mr. Leon Buskens | Ms. Marianna Ellingson (Appointed - 8 December 2010) |
- (b) During the financial year the Fund earned interest on term deposits of K661,440 (2009: K869,488) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management. As at 31 December 2010, the term deposits placed with Kina Finance Limited was K16.58 million (2009: K17.74 million). These transactions were carried out on commercial terms and all on cash basis for an average of 28 days placements. The Kina group also provides Investment Management

and Fund Administration services, related fees paid to the Kina group amounted to K8.9m (2009: K9.1 m) and K3.3m (2009: 2.5 m) respectively.

- (c) NSL holds controlling equity interests and associated Director positions in the following unlisted entities based in PNG.

Coastwatchers Court Ltd
Kumul Hotels Ltd
Moki No. 10 Ltd
Morobe Front Holding Ltd
Paradise Foods Ltd
Pacific Building Management Ltd
Gazelle International Hotel Ltd
OPH Ltd
Waigani Asset Ltd
Nambawan Savings & Loan Society Ltd

These entities are not consolidated into the financial statements of NSL and all transactions with these entities are in the ordinary course of business at arms length.

16. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- (a) Related interest on pensions over invoiced to the State
The Fund over invoiced the Independent State of Papua New Guinea ("the State") for its share of pension payments and therefore a provision based on management's best estimates of K6.6 million was made as at 31 December 2003. This liability is included in note 9 to the financial statements. The Fund has a present obligation to repay the State the related interest that has been earned by it, arising from its over-invoicing of the pension payments. As the amount of the interest earned by the Fund from over invoicing the State can only be determined subsequent to a full review of all pension payments received from the State, no further provision has been made as at balance sheet date.

- (b) Litigation Claims

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

	2010 K'000	2009 K'000
(c) Commitments for Capital Expenditure		
Amounts with firm commitments, and not reflected in the accounts	27,344	35,403
(d) Commitments for Investment Expenditure		
The Fund has committed to invest in an Offshore Fund which makes capital calls on an as needs basis. Committed by uncalled amounts in relation to this equity investment are \$US11,934,322 (K30,167,649) at 31 December 2010 (2009: \$US12,984,948 (K33,354,603)).		

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

17. DIRECTORS' DISCLOSURE

Name	Nature of Interest	Companies	Name	Nature of Interest	Companies
Sir Nagora Bogan, KBE	Director as NSL nominee Director and Shareholder Shareholder Director	Bank South Pacific Ltd	Gregory Taylor	Director as NSL nominee Director and Shareholder Director	Kumul Hotels Ltd
		Paradise Foods Ltd			Paradise Foods Ltd
		Paradise Foods Holdings Ltd			Paradise Foods Holdings Ltd
		In Touch Media Ltd			Port Moresby Stock Exchange Ltd
		Kina Assets Management Ltd			TFG International Ltd (Australia)
		Mapai Transport Ltd			Kina Asset Management Ltd
		Coprez Hodlings Ltd			Kumul Hotels Ltd
		Coprez Communications Ltd			Capital Way Limited (Be-Mobile)
		Ahi Holdings Ltd			PNG Drums Reconditioning Ltd
		Peoples Advocacy Ltd			Tuakana Advisory Services Ltd
	Provision of Multimedia Services	In Touch Media Ltd			Teisaki Ltd
Kerenga Kua	Director and Shareholder Director Shareholder Statutory Office Provision of Legal services	Endeyaudo Ltd	Leon Buskens	Director as NSL nominee Director and Shareholder Independent Director Non remunerated NGO affiliation	Brian Bell & Company Ltd
		Dream Inn			Gazelle International Hotel Ltd
		Fikor Ltd			Alotau International Hotel
		Finance Corporation Ltd			SP Brewery Ltd
		National Petroleum Company Ltd			Coastwatchers Court Ltd
		National Petroleum Company PNG Ltd			Waigani Asset Ltd
		Kina Assets Management Ltd			OPH Ltd
		President PNG Law Society			Kopkop College
		Nambawan Super Ltd			Telikom PNG Ltd

Except for the Managing Director, Leon Buskens, any directors' fees paid to Directors for being Directors as NSL nominees on certain boards are paid direct to the Directors. Any fees earned by Mr. Buskens are paid to NSL.

18. CAPITAL MANAGEMENT

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

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

DIRECTORS' REMUNERATION

Name of director	Role	Total Remuneration	Board meetings attended	Audit & Risk Committee meetings attended	Remuneration & Nomination Committee meetings attended	Investment Committee meetings attended	Membership Committee meetings attended
Sir Nagora Bogan	Chairman	K71,477	5/5	4/4	n/a	5/8	n/a
Kerenga Kua	Deputy chairman	K55,701	3/5	n/a	n/a	n/a	3/6
Aivu Tauvasa	Director	K44,165	3/5	n/a	2/2	n/a	n/a
Greg Taylor	Director	K118,875	5/5	n/a	1/2	7/8	n/a
Leon Buskens	Managing Director	n/a	5/5	n/a	n/a	7/8	n/a
Marianna Ellingson	Director	-	-	-	-	-	-

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.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2010

19. KEY MANAGEMENT PERSONNEL

Directorship disclosure

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

Name	Role	Nature of Interest	Company
Leon Buskens	Managing Director	Director as NSL Nominee	Brian Bell & Company Ltd Alotau International Hotel Ltd Gazelle International Hotel SP Brewery Ltd Coastwatchers Court Ltd Waigani Asset Ltd OPH Ltd
		Independent Director Shareholder	Telikom PNG Ltd Kopkop College
Wayne Smith	General Manager Commercial	Director as NSL nominee	Kumul Hotels Ltd Brian Bell & Company Ltd Gazelle International Hotel Ltd Coastwatchers Court Ltd Hunter Ltd Moki No.10 Ltd Pacific Building Services Management Ltd PNG Water Ltd Fernvale Ltd Morobe Front Holdings Ltd Waigani Asset Ltd OPH Ltd
Paul Yangen	General Manager Finance and Administration	Director as NSL nominee	Moki No.10 Ltd Hunter Ltd Pacific Building Services Maintenance Ltd Nambawan Savings & Loan Society Ltd Fernvale Ltd Morobe Front Holdings Ltd
		Director	Paura Ltd Southern Hires Ltd
Augustine Birie	General Manager Member Services	Director as NSL nominee	Nambawan Savings & Loan Society Ltd
		Director	AB Consulting Ltd

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

Compensation

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

	2010 K'000	2009 K'000
Salaries	2,779	1,936
Leave accruals	409	258
	3,188	2,194

Declaration by Trustee and Management

FOR THE YEAR ENDED 31 DECEMBER 2010

DECLARATION BY TRUSTEE

In our opinion the accompanying Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash flows, together with the Notes to and forming part of the Financial Statements, are drawn up so as a true and fair view of the state of affairs of the Fund as at 31 December 2010, and its performance for the year then ended.

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

- (a) Identified the key financial and operating risks;
- (b) established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes; and
- (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 adequate 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.



SIR NAGORA BOGAN
Chairman of Board



MR KERENGA KUA
Deputy Chairman of Board

Dated at Port Moresby the 17 day of March 2011

DECLARATION BY MANAGEMENT

In our opinion the accompanying Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash flows, together with the Notes to and forming part of the Financial Statements, are drawn up so as a true and fair view of the state of affairs of the Fund as at 31 December 2010, and its performance for the year then ended.

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

- (a) Identified the key financial and operating risks;
- (b) established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes; and
- (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 adequate 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 Nambawan Super Management



MR LEON BUSKENS
Managing Director



MR PAUL YANGEN
General Manager Finance & Administration

Dated at Port Moresby the 17 day of March 2011

DIRECTORY

Level 6, Era Rumana
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