



**Ready for
tomorrow**

**Annual Report
2019**

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**We strive to support the
communities we serve.**



Ready for tomorrow





Corporate

Fund Information

National Superannuation Fund ("Fund" "nasfund" herein after) is a registered trust in accordance with the Superannuation (General Provisions) Act 2000 and is incorporated and domiciled in Papua New Guinea.

Principal Place of Business

Level 4, BSP House
Harbour City
Port Moresby, NCD
Papua New Guinea

Trustee

National Superannuation Fund Limited

Directors of the Trustee Company

Mr. Charles Vee, Chairman
Mr. Hulala Tokome
Mr. Graham Ainui, MBE, OL
Mr. Murray Woo, OBE
Mr. Vera Raga
Ms. Tamzin Wardley, ML
Mr. Kepas Wali
Mr. Leon Buskens
Ms. Florence Willie
(appointed 1/01/2019)
Mr. Michael Murphy
(appointed 11/07/2019)

Secretary

Mr. Jack Parina

Auditors

Deloitte Touche Tohmatsu
Level 9
Deloitte Haus
Macgregor Street
Port Moresby, NCD
Papua New Guinea

Fund Administrators

Kina Investments and
Superannuation Services Limited

Licensed Investment Manager

BSP Capital Limited

Bankers

Bank South Pacific Limited
Australia & New Zealand
Banking Group (PNG) Limited
Kina Bank

Lawyers

Ashurst Lawyers
Dentons (PNG) Lawyers
Posman Kua Aisi (PKA) Lawyers
Corrs Chambers Westgarth Lawyers
Allens Linklaters International Lawyers

Professional Indemnity Insurance

QBE Insurance

Our Mission

We will provide world-class member services using innovative systems and technologies. We will also grow member retirement savings using a balanced fund portfolio to achieve a return above CPI over a rolling 5-year period.

Our Vision

Our members trusted Superannuation Fund providing quality services and financial security.

Our Values

Customer service is our priority.

We empower our people as capable professionals.

We work with integrity, honesty and diligence.

We are open, transparent and communicative.

We strive to support the communities we serve.

We are accountable for the decisions we make every day.

Our Board



Charles Vee

Chairman

Charles joined the Board in 2016 as an Independent Director and was appointed Board Chairman in May 2019.

Charles currently runs his own Architectural and Project Management Consultancy Firm and has over 20 Years in the Infrastructure Development Sector. He has vast experience in property development, building construction and infrastructure project management.

He has a Bachelor's Degree in Architecture from the University of Technology and Master's Degree in Project Management (major in Property Development) from the Queensland University of Technology. Charles is a Graduate of the Australian Institute of Company Directors (GAICD) and a Registered Member of the PNG Institute of Directors.



Hulala Tokome

Director

Hulala has served on the Board for over nine years as an Independent Director and was previously Chairman of the Board of nasfund.

He is the longest serving Director on the Board and has extensive corporate knowledge of the Fund. He also holds various directorships, including ncsl, Mainland Holdings and local Puma Energy entities.

Hulala has held senior management positions with BP, Inter Oil and Puma Energy. He is currently General Manager and Resident Director for Puma Energy, PNG. He holds a Bachelor of Accounting Degree from the University of Technology.



Vera Raga

Director

Vera has been a Director for over 8 years. He was initially the nominee representing the PNG Banks and Financial Institutions Workers Union which was later converted to an independent director role in line with BPNG Prudential Standard 7/2012 and amendments to the Constitution which advocates for more independent director representation on the Board.

Vera has extensive experience in the union sector and continues to maintain his network of contacts for the betterment of the Fund. He holds a Bachelor of Law Degree from the University of PNG.





Kepas Wali

Director

Kepas joined the Board in 2018 as nominee of the PNG Trade Union Congress. He has held various senior management positions within the public and private sectors in the country, including Managing Director for PNG Ports Corporation and the Mineral Resources Authority of PNG.

Kepas is currently the Executive Manager-Corporate Affairs for Harmony Gold PNG Ltd. He is also the Chairman of the Board of PNG Ports Corporation Ltd. He holds a Bachelor of Science Degree from University of PNG and a Post Graduate Diploma in Petroleum Engineering from Tulsa, Oklahoma USA.



Leon Buskens

Director

Leon joined the Board at the beginning of 2018 through a nomination of the PNG Chamber of Commerce and Industry.

Leon has a wealth of experience in the super industry having served as Managing Director for Nambawan Super (previously POSF) from 2002-2011. He played a major role in the transformation phase of Nambawan Super and the Superannuation industry.

He holds various senior management and board positions within the private, & public sectors, including charity not for profit organizations. He is currently Senior Vice President - Stakeholder Engagement with Oil Search Ltd.

Leon is a business graduate from the PNG University of Technology, and has a Master of Business Administration Degree from the Royal Melbourne Institute of Technology. He is a member of the PNG Institute of Directors and Australian Institute of Company Directors.



Tamzin Wardley, ML

Director

Tamzin joined the board on 1 January 2017 as an Independent Director. She is currently working with the Australia Papua New Guinea Governance partnership.

She has over 25 years experience across a broad range of commercial enterprises and is actively involved in the financial business sector being a director of Westpac PNG Ltd and was previously a Director of PNG Micro Finance Ltd. She is also very active in PNG sports governance, finance and inclusivity, sitting on the PNG Olympic Committee and Pacific Games Council Executive Committee.

Tamzin holds a Bachelor's Degree from the University of Queensland and is a member of the Institute of Chartered Accountants in England and Wales, PNG Certified Practising Accountants, PNGID and a Graduate of the Australian Institute of Company Directors (GAICD).

Our Board



Graham Ainui, MBE, OL

Director

Graham has served as a director for over eight years. He was initially appointed as nominee of the Rural Industries Council which was later converted to an independent director role in line with BPNG Prudential Standard 7/2012 and amendments to the constitution which advocates for more independent director representation on the Board.

He had a distinguished career as a police officer from 1969-1996, having risen to the rank of Deputy Commissioner (1991--1996). Graham was awarded a Member of the Order of the British Empire and the Queen's Police Medal for Services to the Police.

Graham serves on various boards, including the Employers' Federation of Papua New Guinea, RPNGC Police Legacy, First Investment Finance Limited, Security Industries Authority and the Investment Promotion Authority.



Murray Woo, OBE

Director

Murray has served on the Board for over 8 years as nominee of the Manufacturers Council of PNG (MCPNG). He is a founding director and the current chairman of MCPNG. The Council continues to foster good dialogue and working relationships with both government and the private sector, contributing to the growth of many businesses in PNG.

Murray is the Managing Director of Woo Textile Corporation, the only garment company that has invested in large format sublimation digital printing in the country.



Florence Willie

Director

Florence joined the Board in January 2019 as Nominee of the Employers Federation of Papua New Guinea (EFPNG). She is the Executive Director of the EFPNG and has served for over 12 years in that capacity.

She is a lawyer by profession and started her career with the law firm Blake Dawson Waldron (now Ashurst Lawyers). She has extensive experience in human resources management, industrial relations, labour and employment law. She is highly regarded in the sector and is also involved in negotiations between industry and the unions.

Our Executives



Mike Murphy

Director

Mike was appointed to the Board on 11 July 2019 as an independent director and currently runs his own superannuation and actuarial consulting business.

Mike is a qualified Actuary, with over 40 years' superannuation consulting experience with Aon (most recently as an Asia/Pacific Partner), Mercer and AMP.

He also has over 15 years' experience on superannuation trustee boards in both Australia and PNG.

He was a Trustee director of the Aon Master Trust in Australia for 14 years from 2003 to 2017 was also a Trustee director of the Aon Master Trust (PNG) from 2007 to 2018.



Ian A Tarutia, OBE

Chief Executive Officer

Ian is a career officer of nasfund. He joined the fund in December 1987, and was appointed CEO on November 1st 2011. Prior to this he was joint CEO from July 2007. Ian played an instrumental role implementing major reforms within the Fund on the back of legislative changes to the Superannuation Industry in 2002 and was twice awarded by Queen Elizabeth II for services to superannuation and nasfund in 2003 and 2017 respectively.

In other leadership capacities, Ian is President of the Association of Superannuation Funds of PNG (ASFPNG), Vice President of PNG Chamber of Commerce & Industry and a former President of the PNG Institute of Directors.

He is a Harvard Business School Alumni, having completed the Harvard Business School's Executive Advanced Management Program (AMP 185), holds a Masters in Business Administration (MBA), Bachelor of Business Economics, from the University of PNG, Diploma in Financial Markets from the Securities Institute of Australia and is a graduate and Fellow of the Australian Institute of Company Directors.



David Brown

Chief Investment Officer

David Brown joined nasfund in 2017 as the Chief Investment Officer.

His background includes over 20 years investing for Superannuation and Insurance companies in the UK and Australia as well as PNG.

David has held numerous Board positions as a professional Director. David is currently a Non-Executive Director of ASX-listed Insurance Company, Clearview Wealth Ltd (ASX:CVW) and a member of the Board of the PNG Institute of Directors. He holds an MSc in Investment Analysis from the University of Stirling in Scotland, a BComm from Auckland in New Zealand. David is a Member of the Australian Institute of Company Directors (MAICD), Member of the PNG Institute of Directors, Fellow of Finsia (FFin), and a member of the CFA Institute (CFA-UK).

Our Executives



Rajeev Sharma

Chief Financial Officer

Rajeev, joined nasfund in 2014 as the Chief Financial officer. He has over 30 years of experience of working with big corporates, multinational companies and financial institutions. He has held senior roles in PNG since 2002 and prior to coming to PNG, he has worked in India and in the Middle East.

He holds Bachelor Degree with Honours in Commerce from Delhi University, India. Rajeev has a professional accounting Degree of Chartered Accountant from India and CPA from Australia. Rajeev is also a member of CPA (PNG).

Rajeev is a graduate of the Australian Institute of Company Directors, and a member of Papua New Guinea Institute of Directors. Rajeev is a nasfund representative director on the board of Mainland Holdings Limited.



Jack Parina

Company Secretary

Jack joined nasfund in November 2014 as Company Secretary. Prior to joining nasfund, he was Company Secretary for MRDC (July 2012 to October 2014) and before that was the company secretary for the Kina Group of Companies (2010 to 2011).

Jack Parina has a Bachelor of Laws Degree from the University of PNG. He has practiced law in PNG for over 18 years in both litigation and commercial law. He started his career with Blake Dawson (now Ashurst Lawyers) in 2002.



Seema Dass-Raju

Chief Risk & Compliance Officer

Seema joined nasfund in 2017 as Chief of Risk and Compliance. Prior to joining nasfund, Seema has worked across a multitude of sectors predominantly in the financial and aviation sector. Her experience includes Risk Management, Internal Audit, Corporate Governance, Financial Accounting, Management Accounting and Advisory roles.

Seema holds a Bachelor of Commerce Degree in Human Resource Management and Post Graduate Diploma in Accountancy from Auckland University, New Zealand and Masters in Business Administration (MBA) from Southern Cross University, Australia. She is also a graduate from Australian Institute of Company Directors. Seema is a member of the Corporate Governance Institute of Australia, Australian Institute of Company Directors, Papua New Guinea Institute of Directors and Risk Management Association of Australia.





Charlie Gilichibi

Chief Officer Member Services

Charlie joined nasfund in January 2017 as Chief of Member Services. Charlie has extensive and diverse Superannuation Industry experience. His experience ranges from technology and innovation around systems and processes, change management, continuous improvement, leading and developing high performance teams from middle management to executive level at nasfund for 10 years, the last 3 years at Nambawan Super and re-joining nasfund most recently in January 2017.

He has a degree in Information Technology from the University of Canberra, a Diploma in Economics from the International Training Institute and a Master of Business Administration from University of PNG. Charlie is most passionate about creating unique and enjoyable customer experiences that exceed expectations.



Rennie Wekina

Chief Officer Properties

Rennie joined nasfund in August 2017 and is a property and facilities management professional. He has built an established career in property in his over 27 year's experience in the industry and has managed all aspects of property from concept design through to disposal. He has been involved in a number of major property developments and projects in Port Moresby.

His corporate experience includes serving as Company Secretary and General Manager Properties for Credit Corporation and is a current member of the PNGID. He also serves on the board of the Port Moresby General Hospital and as an alternate member representing the PNGCCI on the National Physical Planning Board.



Vincent Lialu

Head of Human Capital

Vincent Lialu is a qualified HR Professional with 15 years experience in managing a full spectrum of Human Resources, Learning & Development, Talent and Change Management. In January 2017, Vincent joined nasfund Limited as Head of Human Capital responsible for developing and implementing an organization-wide human resource strategy that aligns with the Strategic HR Framework and Fund's vision.

Prior to joining nasfund, Vincent served as HR Manager with Puma Energy PNG. In his career, Vincent joined South Pacific Brewery Limited as Graduate Trainee before making a career transition to British American Tobacco (PNG) Limited as HR Business Partner. In 2012 Vincent was appointed as HR Manager with InterOil Limited Refinery before the acquisition by Puma Energy in 2014.

Vincent holds a Bachelor of Arts Degree from University of PNG and is a member of AHRI and PNG HRI. Vincent is most passionate about HR transformation Programs and the value adds it brings to employees across the business.

Chairman's Statement



This is my first Annual Report to members covering the 2019 year as I take over the reins from previous Chairman Hulala Tokome. I intend to carry on with his good reforms of the fund and implementation of nasfund's 5-Year Strategic Plan to ensure continued Growth and Stability as we navigate through a forecasted turbulent 2020 and beyond.



In spite of weakening trading conditions in the PNG economy, your team here at nasfund was able to achieve another positive result. The 6.3% crediting rate for 2019 to Members continues the trend of recent years of modest outcomes based on a Board adopted defensive investment posture and cash driven revenue profile. The K312 million Profit achieved in 2019 consisted of 88% cash and 12% independent valuations which took into account the broad and diverse portfolio of global investments we manage on your behalf. This approach has served the fund well over the previous years and provides the future investment platform for the fund, as the macro economic outlook continues to present tough economic times. We remain confident that the fund's domestic and international investment asset diversification shall ensure that the fund remains resilient as we progress forward.

During the year, we conducted a major strategy review in preparation for the next stage of expansion of the Papua New Guinea economy, however, we have had to recalibrate our approach to cater for a less positive environment. This was primarily impacted by the delay in commencement dates of both gas and mineral projects which were earmarked to provide the required economic stimulus and by the projected general slowdown in the economy.

After several years, we are well used to the challenges of a fluctuating economy and the discipline required in strategic, investment and management processes that need to be employed on your behalf to steer the fund through both good and challenging times.

Oversight of portfolio companies and discipline in harvesting cash from investment assets where possible continue and the leaner approach has delivered positive returns in recent years. We have every confidence that the nasfund portfolio will continue to be a safe haven for both investors of high integrity and honesty.

I wish to extend my sincere thanks to my fellow Board Members and thank them for the various skillsets and contributions that each member has brought to nasfund which continues to ensure that we have a robust and balanced approach to how the fund is governed. Also, I must pay tribute to the high quality of our staff, led by our CEO Ian Tarutia and say how proud I am of their combined team effort in the pursuit of member returns and services.

This year, two senior executives moved to high profile roles elsewhere reflecting the status that nasfund has in up-skilling and building capacity of its staff, we wish Charlie Gilichibi and David Brown well in their new roles.

I am satisfied that the fund is well placed to take the challenges of 2020 in its stride and that the quality of our response will ultimately prove that our nasfund team continues to be committed to doing more for our members.

Charles Vee
Chairman

CEO's Statement

—

I am pleased to inform positive results were once again achieved in another tough year, against key financial and operational performance indicators. Membership grew by 5%, contribution receipts increased by 9%, withdrawal payments decreased by 9%, expenses were 0.75% below budget, profitability increased by 97% while net asset value increased by 9%.



Consequently your Board approved a 6.3% interest crediting rate compared to the 3.5% approved for 2018. In kina terms this is over K310 million which will be credited into members accounts in the first week of March 2020.

Members should be pleased, considering the economic challenges our country has endured over the last 4 years. Further it was expected that PNG's economy would be boosted by the roll out of key resource projects during the year. From a Fund perspective, this would have stimulated new jobs, created demand for services, provided potential new members as well as enabled new investment opportunities.

From a business sector view, the inflow of foreign exchange, reduction in the back log of currency orders and timely payments owed by the State to local business houses would have been a huge welcome relief.

While these projects have not started as discussions and negotiations between State and the project developers are still underway, it does provide upside for the Fund if approvals to proceed are granted.

A snap shot of the Fund's performance compared to 2018 is tabled below:

Indicators	Year 2019	Year 2018
New Members Registered	43,632	24,337
New Employers Registered	188	163
Total Membership	584,679	555,133
Total Employer Base	2,787	2,402
Default Employers	17 %	17.5%
Total Contributions Received	K561.9 million	K517.9 million
Total Withdrawals Paid	K383.2 million	K436.8 million
No. of Transactions	70,650	81,000
Employer & Member Conferences	10	7
Educational & Public Relation Presentations	494 presentations 21,085 attendees	821 presentations 30,902 attendees
Total Asset Value	K5.35 billion	K4.84 billion
Net Asset Value	K5.24 billion	K4.75 billion
Total Income Before Tax	K433.1 million	K261.7 million
Total Expenses	K62.1 million	K62.8 million
Net Profit	K312.6 million	K158.7 million
Interest Paid	6.3%	3.5%

CEO's Statement

Member & Employer Services

Improving our service turnaround times, access and communication continued to be our focus in 2019. We extended our client service hour to half a day on Saturdays in our Port Moresby Boroko branch as well as our call in center.

Other highlights included;

- Conduct of a super sweep across main centers in the country, identifying over 500 entities for possible compliance and registering.
- Collection of K1.2 million from employers making contribution payments for the first time.
- Introduction of the One Stream and One Member One Account projects designed to improve timely allocation of contribution payments into member accounts at the same time disallowing members holding more than one account.
- Roll out of the Member Kiosk in Kimbe – NBPOL. This will continue in 2020 in high traffic areas throughout Port Moresby and Lae.

Engagement & Awareness

An important activity to drive membership growth is our engagement and awareness program which has been successful over 2019. Our annual employer conferences in Port Moresby, Lae, Mt Hagen and Kokopo continue to provide a forum for direct feedback from our membership. 43,632 new members were registered compared to 24,337 registered in 2018. Other highlights also included;

- Appointment of well known local rugby league player, Justin Olam playing in the Australian National Rugby League (NRL) competition with the Melbourne Storm as Brand Ambassador to promote voluntary savings.
- Hosting of the second Annual Employer Awards recognizing top compliant Employers.

Finance & Investments

2019 was our second year of implementing our revised asset allocation strategy which classified our portfolio under four main categories, Yielding Illiquid Assets, Liquid Assets, Non-yielding Illiquid and International Asset classes. Current economic conditions as stated earlier have made it difficult to implement our optimum asset allocation strategy and consequently our investment posture continued to be passive in 2019. Cash from interest, dividends and rents were the main contributors to Fund income (K160 million from government bonds, K55 million from Treasury Bills, K55 million from rental income and K63 million from BSP dividend).

Other highlights were;

- Acquisition of Curtain Brothers 30% shareholding in the Edge Apartments plus 3000sq m of land for K63 million.
- Investment of K190 million in Government Bonds and K126 million in Treasury Bills. Investment of K35 million in Mainland Holdings as a subordinate loan.
- Commencement of Solwara Apartments refurbishment.
- Completion of the Kina Bank Haus refurbishment.

Risk, Governance & Compliance

Bank of Papua New Guinea as regulator conducted an on-site asset review in September. We have yet to receive a formal report, however initial feedback has been positive with suggestions of improvements in certain areas.

Four Board members who have served the Fund diligently over the last 10 years will be retiring during various times in 2020. Directors Murray Woo, Vera Raga Graham Ainui and former Chairman Hulala Tokome will be replaced by new directors who are in the process of being appointed. We thank them for their contribution in guiding and building the fund to where it is today.

Other activities undertaken were;

- Disaster recovery plan (DRP) successfully tried and tested.
- Business Continuity Plan (BCP) testings for Risk, Finance and Call Center conducted successfully.
- Legislative Review Workshop conducted by the Board.

Staff

Our staff are the main drivers of our operational success. They are trained have exercise professionalism, empathy and care in their conduct, when dealing with our members.

The results in new membership, retention of savings, increase in contributions are testament to this.

Pursuant to our HR Policy Framework, aside from competency and job specific up skilling, we continued to train and develop our staff in leadership roles.

I am pleased we saw the graduation of 5 staff from the Divine Word University with degrees in management. In addition we rolled out the first industry developed online Superannuation Certificate course conducted by the Association of Superannuation Funds of PNG (ASFPNG). 47 staff were enrolled. The course has also been extended to our Board Directors as part of their induction program.

We farewelled two EXCOM colleagues, Chief Investment Officer - David Brown and Chief Officer Member Services - Charlie Gilichibi, who left to pursue other professional opportunities in 2020. Their services and contribution to the Fund and the membership is greatly appreciated.

I also look forward to on boarding new EXCOM members to carry on the good work started by our departing colleagues.



Outlook for 2020

While economic conditions are expected to remain subdued in 2020, we will focus on growing membership, increasing contribution receipts and preserving withdrawals by applying the same strategy we adopted in 2019.

In the investment space, we are actively seeking opportunities in power, telecommunication and ports infrastructure that meet our risk and return criteria. Discussions to this effect has already commenced.

We will be unveiling a new look nasfund in early March 2020. The rebrand reflects nasfunds' ongoing evolution of doing more for members, positioning for the future and cementing itself as Papua New Guinea's first choice provider of superannuation services for workers.

Finally in September we are co-hosting the Pacific Island Investment Forum which is the association of all Superannuation and Provident Funds of the Pacific, including New Zealand and Australia. The event will provide an opportunity to discuss matters of mutual interest that promote regional prosperity and economic independence through our respective Funds. Lead up meetings will commence in February 2020 and is linked to the Australian Government's AU\$ 2 billion Australian Infrastructure Financing facility for the Pacific. We are looking forward to this event.

In closing, I thank Chairman, Charles Vee and the Board for their counsel and guidance over 2019. To the retiring directors, all the best in your future endeavors and thank you once again for your valuable contribution to the growth of the Fund.

My fellow colleagues, staff, our licenced Investment Manager – BSP Capital, our Fund Administrator – Kina, I offer my sincerest gratitude for your efforts, cooperation and commitment in delivering the 2019 results.

Finally, our valued members and employers. Thank you for keeping the faith, trust and confidence in us. We will not let you down.

A handwritten signature in black ink, appearing to read 'IAN A TARUTIA'. The signature is stylized with long horizontal strokes.

Ian A Tarutia, OBE
Chief Executive Officer



First Quarter

- Implementation of nasfund Board’s 5-year strategic plan 2019 – 2023.
- 2019 Corporate KPIs agreed and signed by Chairman.
- 2018 Audit completed and presented to the Board.
- Board accepts 2018 Audited accounts and declares 3.5% Interest for members.

- Staff Annual Workshop held and key objectives are conveyed to staff.
- Super Saturday Service initiated at Boroko and Lae.
- Annual Regional Conferences conducted starting in POM followed by Lae and Kokopo.
- EXCOM hold annual strategy workshop.



Second Quarter

- Last Regional Conference held in Mt Hagen.
- Finance Dept. conduct Divisional Workshop.
- Nationwide Super Sweep Exercise began in Port Moresby to boost membership growth.

- ASFPNG Training program launched with the first 20 staff who took the online training focusing on Superannuation in PNG.
- The Board appoints Mr Charles Vee as Chairman replacing Mr Hulala Tokome.
- Installation of first member KIOSK in Kimbe, NBPOL Mosa Oil Mill.

2019 in Figures

Gross Assets
K5.32 billion

Net Asset Value
K5.24 billion

Annual Crediting Rate
6.3%

Net Profit
K312 million

Annual Crediting
Rate paid into member accounts
K310 million



Third Quarter

- Board approves purchase of K56 million to purchase Curtains Bros & Partner 30% shares in The Edge Ltd.
- nasfund participate in the Investment conference.
- Boroko Service Centre becomes fully pledged payment centre.
- nasfund purchase remaining shares of The Edge Limited.

- nasfund soft opening function of Loloata Private Island Resort attended by Prime Minister Marape and prominent business leaders.
- Strategic Asset Allocation (SAA) Review held.
- New nasfund nominee directors appointed to the MHL Board.



Fourth Quarter

- nasfund participate in the first ever Exxon Mobil HR exposition.
- “One Member - One Account” conferences conducted in Lae & Port Moresby respectively.

- New Brand Ambassador Justin Olam engaged to replace Ase Boas.
- nasfund participate in the PNG Mining & Petroleum conference.
- Second Annual Employer Awards held at the Stanley.

Reserves

K12 million

Withdrawals Paid

K383 million

Total Employers

2797

Shop Floor Presentations

492

Contribution Receipts

K562 million

Number of Transactions

70,650

Total Membership

584,679

Regional & Member Conferences

10

The Magic of Compound Interest

“Compound interest is the eighth wonder of the world. Those who understand it... earn it and those who do not... pay it.”

Compound interest is a fundamental component of wealth creation and by understanding this principle, one can make a significant difference in financial independence.

In simple terms compound interest means that you begin to earn interest on the interest you receive, which multiplies your money at an accelerated rate.

There are two ways to accrue interest: simple and compound. Simple interest is when you earn interest only on the principal. So if you have K1,000 invested at 5% interest, you'll earn K50 every year.

Compound interest is earned on the principal and the interest in your account. This means your interest remains invested and earns interest. Think of this as a cycle of earning interest on interest which can cause wealth to rapidly snowball. In the case of compound interest, you will not only earn interest on K1,000, but also on K50 which is interest income in year one. Total interest income in year one will be K52.50.

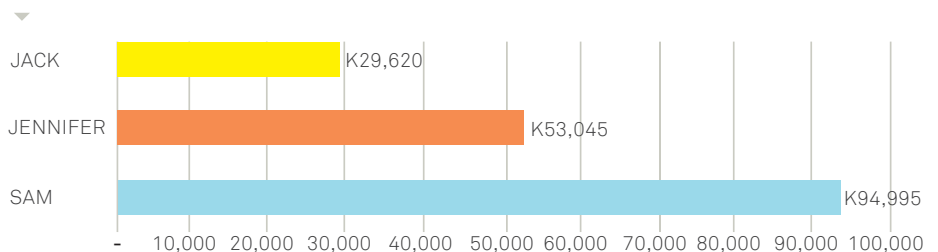
Let us look at the case study given below to understand impact of compound interest. Sam saved K2,000 per year from the time he turned 25 until he turned 35. Then he stopped saving but left his money in his investment account where it continued to accrue at a six percent rate until he retired at age 55.

Jennifer held off and didn't start saving until age 35. She put away K2,000 per year from her 35th birthday until she turned 45. Like Sam, she left the balance in her investment account, where it continued to accrue at a rate of six percent until age 55.

Jack didn't get around to investing until age 45. Still, he invested K2,000 for 10 years, halting his savings at age 55. He also left his money to accrue at a six percent rate until his 55th birthday.

Sam, Jennifer, and Jack each saved the same amount — K20,000 — over a 10 year period. Sadly for Jennifer, and even more so for Jack, their ending balances were dramatically different as shown below:

Total Balance Savings plus interest at the age of 55 on investment K20,000 by each of them during different age



To further take this case study John met Sam when he turned 45 and asked how much would Sam accumulate at the age of 55 years – taking inspiration to save around approximately K95,000. When John turns 55, he found out that he would have to invest approximately K6,800 per year totalling to K68,000 over 10 years from the age of 45 years as opposed to Sam who invested only K20,000 for 10 years during 25 and 35 year of age.

Name	Investments made during			At the age of 55 years	
	25 - 35	35 - 45	45 - 55	Interest Earned	Total Balance
SAM	20,000			74,995	94,995
JENNIFER		20,000		33,045	53,045
JACK			20,000	9,620	29,620

To conclude, compound interest rewards people who invest over long periods of time, not necessarily those who can afford to invest the most. It's specifically helpful for young people who start investing early. An investment left untouched for a period of decades can add up to a large sum, even if investing stopped in later years.

Start investing early in life and remain invested for long time to benefit from the magic of compounding interest.

Performance Breakdown

Statistical Information	2019	2018	2017	2016	2015
Assets & Liabilities					
Net Asset Value ("Nav" - K'000)	5,244,847	4,753,895	4,514,617	4,219,072	3,936,310
Growth	10.33%	5.30%	7%	7%	6%
Profitability					
Total Comprehensive Income (K'000)	312,627	158,707	242,438	283,471	150,978
Interest Credited to Members' Accounts	6.31%	3.50%	8.00%	7.25%	4.00%
Reserves (% Nav)	0.57%	0.30%	0.22%	2.19%	1.96%
Employers & Active Members					
Number Of Active Employers	2,797	2,402	2,626	2,540	2,383
Total Membership	584,679	555,133	556,459	537,520	515,535
Balance Per Member (K'000)					
Balance Per Member (K'000)	8.97	8.56	8.11	7.85	7.64
Expenses					
Total Expenses (K'000)	62,077	62,761	53,067	50,370	50,126
Management Expense Ratio (MER)	1.25%	1.23%	1.22%	1.24%	1.31%
Fund Administrator's Fees (K'000)	7,707	7,999	8,342	6,779	6,736
Investment Manager's Fees (K'000)	6,951	6,724	6,307	5,914	5,875
Number of Full Time Staff	152	152	150	150	139
Cashflow					
Withdrawals (K'000)	383,232	436,870	430,680	456,007	407,600
Contributions (K'000)	561,947	517,865	493,094	451,633	473,818
Number of Members Receiving Benefit Payment	70,650	81,781	61,358	74,871	71,011
Gross Return to Member					
Gross Return to Member	8.80%	5.94%	8.05%	9.74%	6.76%
Net Profit After Tax Return					
Net Profit After Tax Return	6.35%	3.62%	6.20%	7.79%	4.25%
Less					
Transfer to/(From)Reserves	0.35%	0.12%	-1.80%	0.54%	0.25%
Equal					
Crediting Rate to Member	6.30%	3.50%	8.00%	7.25%	4.0%

Corporate Governance

The Board of nasfund (“the Fund”) is a strong advocate of corporate governance at the Board and Management level and is committed to ensuring that the Fund has a strong governance culture throughout the organisation.

Corporate Governance

The Fund is an “Approved Superannuation Fund” regulated by the Bank of PNG under the Superannuation (General Provisions) Act and various Prudential Standards among other legislation.

In addition to its Constitution, the Fund has adopted various policies and procedures which are reviewed regularly by the Board committees and complement the regulatory framework in ensuring that a ‘best practice’ governance culture is maintained within the Fund.

Board Composition

The Board is chaired by an independent director and is comprised of independent directors and shareholder representatives from the following organisations:

- Employers Federation of PNG.
- PNG Trade Union Congress.
- Manufacturers Council of PNG; and
- PNG Chamber of Commerce and Industry.

The majority of the Board is comprised of independent directors in accordance with the Constitution of the Fund and Prudential Standard 7/2012.

Board Committees

The Board has three committees which are also chaired by independent directors. Each committee carries out its mandated roles and responsibilities and reports to the Board.

The committees are:

- Investment Committee.
- Audit & Risk Committee.
- Remuneration & Nomination Committee.

Investment Committee

The Investment Committee (IC) is responsible for:

- Making appropriate recommendations to the Board on investment proposals from the Licensed Investment Manager (LIM) and the Funds internal Investment Division.
- Reviewing the Funds Investment Framework and Strategic Asset Allocation.
- Ensuring appropriate systems and controls are in place to effectively monitor and evaluate the Funds investment portfolio on an ongoing basis; and
- Reviewing various policies within its domain.

Audit & Risk Committee

The Audit & Risk Committee (ARC) is responsible for:

- Overseeing the Funds financial performance and budgetary process;
- Considering financial reports from the Finance Division.
- Considering reports from the Auditors (internal and external).
- Ensuring that appropriate controls are in place to identify and mitigate risks on an ongoing basis.
- Ensuring that a strong risk “Management culture” is instilled throughout the Fund; and
- Reviewing and adopting various policies with its domain.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee (RNC) is responsible for:

- Reviewing and approving the Funds organisational structure.
- Appointment and remuneration of the CEO.
- Developing the Board Skills Matrix and overseeing the selection and appointment of new directors.
- Developing and implementing succession plans for the Board and CEO.
- Implementing professional development and continuous staff improvement programs; and
- Reviewing various policies within its domain.

Conflict of Interest & Disclosure

The Fund maintains a register of interest which keeps a record on any shareholding or directorship which a Director or Senior Executive may have with any company (private or public) or organisation within PNG or abroad.

Directors and Senior Executives are also required to disclose any conflict or interest in a matter for discussion at Board or Committee meetings. A Director or Senior Executive may be excused from discussions on that matter where necessary.

Board Evaluation

In 2019 the Board went through an evaluation by governance specialists firm, Effective Governance. Effective Governance have done similar reviews for other major financial institutions in PNG. The evaluation helped develop a Skills Matrix which among others identifies particular skills set which are lacking or required on the Board. This will assist the Board in the selection and appointment of new Board directors.



Board Attendance and Fees

Directors	Board Status	nasfund Director Fee (Net)	nasfund Committee Fee (Net)	Total	Investee Company Director Fee (Net)	Board Meeting	ARC Meeting	IC Meeting	RNC Meeting
Charles Vee	Appointed as Chairman on 06/06/19	110,400	13,000	123,400	71,760	9/9	(n/a)	2/2 (Date Ended 06/06/19)	2/2 (Date Ended 06/06/19)
Hulala Tokome	Ceased as Chairman on 06/06/19	105,600	15,000	120,600		9/9	(n/a)	3/3 (Date Started 06/06/19)	3/3 (Date Started 06/06/19)
Murray Woo	Continued	96,000	16,000	112,000	30,000	9/9	2/5	5/5	(n/a)
Vera Raga	Continued	96,000	19,000	115,000	71,760	9/9	5/5	5/5	(n/a)
Graham Ainui	Continued	96,000	18,000	114,000		9/9	5/5	(n/a)	4/5
Tamzin Wardley	Continued	96,000	18,000	114,000		8/9	(n/a)	5/5	5/5
Kepas Wali	Continued	96,000	18,000	114,000		8/9	3/3 (Date Started 06/06/19)	2/2 (Date Ended 06/06/19)	5/5
Leon Buskens	Continued	96,000	13,000	109,000		6/9	4/5	1/3 (Date Started 06/06/19)	2/2 (Date Ended 06/06/19)
Florence Willie	Appointed on 01/01/19	96,000	18,000	114,000		8/9	5/5	(n/a)	5/5
Michael Murphy	Appointed on 11/07/19	45,419	6,000	84,309		2/2 (Date Started 11/07/19)	2/2	2/2	(n/a)

Risk Management



At nasfund, we take a systematic and structured approach to risk management across all the business units and the process which are in place to support the achievement of the business and strategic goals of the organization, the continuity of the operations and safeguarding of the company's assets.

Risk Management Framework

We have in place the Risk Management Framework (RMF), which is the totality of systems structures, policies, processes and people within nasfund's business operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent risk that could have a material impact on our business operations or the interests of beneficiaries (material risks). The RMF was reviewed during the reporting period.

The RMF serves as a management tool to enable nasfund Board and Executive team to develop and implement different strategies, policies and controls to appropriately manage different types of material risks. The RMF determines nasfund's risk appetite and risk tolerance which is expressed in the Risk Appetite Statement.

By giving effect to the RMF, nasfund ensures that each material risk to the business operations is being prudently managed, having regard to the size, business mix and complexity of its operations. Business units are responsible for their own risk management. The risk management function has the ultimate oversight throughout the company to ensure visibility of risks and risk management activities covering all risks from strategic and operational to financial.

The responsibility for overall risk management is vested with the Board. However the Management and staff at all levels have a responsibility and a part to play in the risk management process.

Compliance

The Management provide the Audit & Risk Committee (ARC) with regular updates regarding all compliance matters including compliance with all legal and regulatory obligations and the Constitution.

All investigation and follow up of any fraudulent activities or any non-compliance issues are also reported to ARC. Management along with the ARC and Board review any findings made by regulatory agencies and respond accordingly.

Internal Audit

nasfund has a co-sourced internal audit function with external service providers. The purpose of the co-sourcing model is to build the internal capacity and capability whilst ensuring independent oversight. The Internal Audit functions has direct access to Audit and Risk Committee (ARC) and to the full Board. All findings and recommendations made by the internal audit team is reported to the ARC and ultimately to the Board and any significant findings are discussed promptly. The committee monitors and ensures that management responds to recommendations by the internal auditors on a timely basis.

External Audit

Deloitte Touche Tohmatsu (Deloitte) has been nasfund's external auditor for six years. The external audit performance and appointment is reviewed on an annual basis. The Board re-appointed Deloitte as the external auditor in 2018 based on best practice and governance protocols. Every five years the lead audit partner is rotated and Mr. Ben Lee has been the audit partner since 2016. Deloitte as a matter of independence do not provide nasfund with any non-audit service and have provided the required independence declaration which forms part of the annual report.

The lead audit director and partner, both attend the Audit and Risk Committee or Board meetings as and when required. As part of independence and good practice the Deloitte team, is also meets with the Committee or Board without the presence of management.

Our Work Culture

At nasfund, we aspire to foster a Healthy Working Culture. This is done through encouraging trust, respect, openness and honesty while inspiring our team to perform beyond their call of duty in serving our Members each day.

Employment Culture

nasfund is proud of the development and retention of its staff, recognizing that “people are our most important asset.” We believe in training, supporting and empowering our staff to carry out their respective roles in an environment that fosters teamwork, leadership and recognizes and rewards high performance. Through workshops to identify SWOT (Strengths, Weaknesses, Opportunities, Threats), staff are given the opportunity to create and review the Strategic Plan. At different levels, nasfund staff are given the opportunity to contribute to the strategic direction of the Fund. These workshops are the precursor to the acceptance and ratification by the Board of the Fund’s 5 Year Strategic Plan.

Working Together

Staff are encouraged to recognize that they are part of a team at nasfund. Individual staff objectives and Key Performance Indicators (KPIs) are formulated through an interactive process that starts with the Board and CEO and between Management and Staff. This process ensures that the sum of individual KPIs are aligned with the objectives set by the Board in its Strategic Plan. It also ensures that Staff, Management and the Board work towards a common objective. A balanced Scorecard is used to provide an objective measure of progress against the Strategic Plan, and is reviewed on a regular basis by Staff and Management.

Equal Opportunity

nasfund promotes an open culture that fosters equal opportunity and mutual respect. It is where diversity is celebrated and where all Staff can contribute equally to the success of the organization. Career development is based on the input and application of Staff.

Empowerment

Staff are encouraged to take ownership of their areas of responsibility. As an organization that values its staff, nasfund believes that as its people are empowered in their respective roles, they will take more ownership of the desired outcomes, reaping the rewards not only for themselves but for the organization.

Rewarding Performance

nasfund recognizes that ‘People’ are at the core of driving the Fund’s performance. In order to motivate and inspire our employees to support the delivery of the vision, there is a strong emphasis on performance, contribution and achievement in all of our reward and recognition processes. Recognition initiatives such as CEO’s Monthly Award reinforces the Fund’s desired behaviour because it motivates individuals to aim for superior performance, which also creates a positive work environment.

Ethical Behaviour

nasfund promotes ethical behaviour. All aspects of harassment, bullying, theft, fraud and other forms of anti-social and unwanted behaviour is not tolerated. Our Code of Conduct is an integral part of our corporate governance and are designed to provide a decision-making framework for all employees. Our Employees are encouraged to uphold high ethical standards and are expected to comply with them.

Non-Discrimination

nasfund is committed to providing equal employment opportunities and treatment of its Employee’s, regardless of age, race, religion, sex, sexual orientation, or disability. A comprehensive Anti-Discrimination Policy and Procedures Manual has been compiled and is reviewed by the Human Resource Department annually. Staff are encouraged to report any incident where they feel they have been discriminated against, either to their Division Manager, Head of Human Capital or Chief Executive Officer. The Anti-Discrimination Policy also allows staff to report directly to the Board in instances where the offender is at a higher level of authority within the Fund.

Occupational Health & Safety

As part of its Corporate Social Responsibility (CSR), nasfund is committed to preventing all work related injuries and illnesses. We strive to keep our employees well informed on all types of infectious or communicable disease such as HIV/AIDS, and TB throughout its operations in PNG. nasfund recognises the importance of successfully implementing its OHS, which contributes to a healthier working environment for staff, as well as improved physical, mental & spiritual well-being. The organization’s HR Division drives these policies through its Culture and Well being programs to ensure employees recognize the value that the Fund places on their individual health & well-being.

Communication

To keep staff informed and up to date with developments within the organization, the Fund employs a number of methods to disseminate information. The Intranet and “Staying Informed” Newsletter are regular mediums that contain items of interest that highlight staff milestones and achievements. Monthly townhall meetings are also hosted by the CEO where he acknowledged the Fund’s monthly champions. There are also CEO Awards that recognise and celebrate staff who have performed above and beyond their duty. There are also opportunities each month for EXCOM members to provide updates or highlight areas of concern for their respective divisions.



Our Work Culture

Training and Development

nasfund recognizes that a highly motivated and competent workforce is critical to the Fund's success. nasfund continues to invest in its people through training and professional development. These include Executive Enhancement Programs and further education (tertiary studies) under a guided Employee Further Enhancement Scheme (EFES). The organization through its continuous development plan, identifies development needs through a structured assessment of current capability levels, against the expectation of the role. This allows targeted development solutions to bridge capability gaps. This process allows individual employees to develop knowledge and skills required to perform competently on the job, or prepare themselves for future successive roles within the Fund.

Graduate Development Programme

Since 2017, graduate recruitment and development has been a part of nasfund's business strategy, ensuring that the Fund is equipped with young talent to succeed in our increasingly competitive business environment. The GDP is a two-year development programme that forms the first crucial step on a structured, long-term career path. With nasfund's reputation as PNG's leading Superannuation provider, we are committed in working partnership with our Graduates to continuously build their functional and leadership capabilities throughout their career with us. The GDP intake has already commenced, with 5 young graduates expected to start in 2020.

Leadership Development Program

Well trained and Motivated People are critical to nasfund's reputation and success. Through its Employee Further Enhancement Scheme (EFES) program, the Fund ensures adequate financial resources are invested in the development of 'key employees' as part of our succession plan and retention program. nasfund, like any organization worldwide, has invested a lot in the development of its human resources in partnership with top-notch global business schools and learning institutions. These includes Divine Word University (DWU), Institute of Banking & Business management (IBBM), INSEAD, Melbourne Business School, and FranklinCovey. This ensures that the capabilities of our current and future leaders are identified and developed to ensure nasfund is well placed to meet the demands of current and future job requirements.

Young Trainee Directors Program

Since 2007, nasfund has successfully invested in 15 young Papua New Guinean professionals through its Young Directors Training program. This program provides participants an opportunity to experience first hand boardroom dynamics, board protocol, and good governance. It also equips them with the necessary experience and general understanding of Director roles. This is a two-year program and a strategic investment by the Fund. 3 Young Trainee Directors are expected to graduate by the end of 2020.

ASFPNG Online Training

The ASFPNG Certificate in Superannuation Accreditation Programme is a Superannuation Industry Training Program designed by the 4 major PNG super funds with the assistance of the Australian Super Funds Association (ASFA). This is based on the ASFA Training Certificate module. ASFPNG Certificate in Superannuation provides a comprehensive perspective of the industry, and covers topics from the industry which includes the Superannuation Act, its application and interpretation. nasfund being the first ASF, enrolled a total of 47 employees in 2019, who completed this online course. In addition to our staff, 4 nasfund Board Directors and 5 EXCOM members have also commenced the Program. The 12 weeks program covers 6 chapters. The certificate program is recognized by our industry (ASFPNG) much the same as the IBBM courses are recognized by the Banking industry in PNG.

Brand Ambassador

Discipline in life and sport is important to ensure success.

The nasfund 2019 brand ambassador lives by this belief, his entire life has always been about discipline on and off the field. From an early age growing up in the highlands of Papua New Guinea Mr. Justin Olam has had this value embedded in him by his family particularly his mother. Currently playing in one of the best teams in the Australian NRL competition, he says that when he was approached by nasfund to become its brand ambassador he felt it to be a natural fit, as the essence of superannuation is in self discipline.

During his introduction at nasfund headquarters he was given an opportunity to walk through the different aspects of the business operations drawing inspiration on the intricacies of the simple business model the Fund uses to care for its 500,000 members.

The underlying aspect that stood out for Justin was the undeniable culture the organization possesses, a culture he recognizes in his current NRL team.

He believes that people make the place and nasfund has a strong, vibrant and engaging workforce championed by the Chief Executive Officer Mr. Ian Tarutia that makes this organization great.

A champion team is ideal for his personal branding and in line with his beliefs so it is without hesitation that he embraces his new found responsibility. He aims to use his influence to inspire Papua New Guinean's to save for life after retirement, for a life of well-deserved rest and prosperity, for a life with nasfund.

Former Ambassador's pledge to be lifetime advocate

Outgoing nasfund Brand Ambassador, Ase Boas, has pledged to be a lifetime advocate of retirement savings.

The Rugby League icon pioneered the Fund's Brand Ambassador Program in 2018 and was the face of the Fund's voluntary contribution campaign that recorded 9,714 members making voluntary contributions valued at a total value of K631,000 as first time superannuation savings.

Boas's leadership skills, dedication, and loyalty to the sport resonated well with the Fund's role in educating members about the importance of committing to the practice of long term savings.

"As the outgoing brand ambassador and also a member, I believe in your products and will continue to advocate about the benefits to the people I meet, and in the communities that I engage with through my rugby league career." he said.

"I would like to remind and encourage the amazing staff of nasfund that, you are all ambassadors of this great company.

"As you connect with the world around you, continue to portray positive messages that reflect the vision of nasfund to promote retirement goals.

"I have learnt a lot about the work of this great organization that has encouraged me to also think about my financial plans after Rugby." he said.

"Thank you for giving me the opportunity to promote the importance of savings, I will continue to be an advocate knowing the benefits that it will bring to individuals and their families." he said.



Member Engagement

Inspiring a generation to be home owners

For most employed Papua New Guineans, purchasing a family home tops the list of lifetime goals.

Housing Advance Scheme

Members of nasfund can purchase their dream home through the Housing Advance Scheme by accessing their pre-taxed member portion to meet the deposit amount from a selected bank of their choice when applying for a Home Loan.

Members of nasfund can purchase their dream home through the Housing Advance Scheme by accessing their member portion to use as equity for a home loan.

The Housing Advance Scheme has assisted hundreds of families in the past decade to own their homes, and thus improving their lives. Generational game changer as a lifetime investment and an inheritance for their children and their grandchildren.

For Donald and Ivy Haru, receiving the keys to their new home at EDAl Town is one of the most memorable moments they will never forget.

As an average working class Papua New Guinean and being the eldest children in their families. It was a six-year journey to save up the equity to secure a first home ownership loan to purchase a three bedroom duplex at Edai Town Estate.

While Ivy contributes through compulsory contribution through her employer EXXON Mobil, Donald is an EDA SUPA member and contributes through voluntary contribution.

Combining their housing advance, they were able to afford the equity and lessen their housing loan repayment period.

“We thank nasfund for providing us a savings vehicle that achieves the purpose of long term savings.” Donald said. “We now have a home that we can also repay at an affordable rate as a couple.” he said.

“Like most parents, my wife and I have always thought about how we could do something that could help our eleven year old son to work towards achieving his goals and nasfund did that for us too.”

Our son has been with us during the entire process and when we moved into our new house, the first thing he said was, “mum and dad, I am definitely saving up for my own house one day.”

For us, that changed our perspective of how we saw nasfund. You are doing something greater than just providing members the opportunity to save in purchasing a house.



“Our son will grow up living in a house that nasfund has made possible. He will do the same for his children and their children one day.”

Member Engagement



Retirement funds help member set up life time goal

Lawrence Suzuata is a proud nasfund contributor, his passion and appreciation for the savings culture has no equal. nasfund had the opportunity to meet with Lawrence as he shared his story of how through his nasfund savings he was able to start his own business when he retired.

After living a full life of employment working for big global companies in the security and mining industry for a good number of years Lawrence decided to retire back to his home province in Bougainville. He is one who has a passion for his people and a vision to help his community.

Back home in Bougainville, Lawrence looked to his Super to help him set the foundation for his business. He lodged his withdrawal application in March of 2018 and was put on partial payment. Through this monthly benefit payments he was able to start his own Farm, 'Hamuri Farm', a three in one project, raising chicken (poultry), pigs (piggery) and setting water tanks for water supply to the village. Through this farm Lawrence has created employment and income opportunities for young children doing various jobs in his projects. He also runs trainings for security and animal management. By the end of February 2019 his project would be valued at half a million.

All this success is a testament to starting off his project with his superannuation funds. Lawrence said that looking back, he is a satisfied member of nasfund and his savings has now seen him realize his long term dreams of starting his own business.

A tour of his farm was encouraging to the nasfund team. We had the opportunity to see what members can set up for themselves using their retirement savings. Lawrence said that once he has formalised the business he will register the company with nasfund.

As a member who is experiencing the benefit of his retirement savings, Lawrence has since been vocal about the importance of retirement savings to people within his community he says, "I enjoy sharing my story especially on the reality of how my savings has allowed me to contribute to my community. As a former nasfund member and contributor I am inspired to continue contributing to the fund."

It is true to say "a little saving today is a big gain tomorrow."

“I would have never realized my dreams or be able to help my people at home without my savings, so my thank you to nasfund.”

Improved life expectancy needs better retirement planning

“Life expectancy of Papua New Guineans has improved and members must be aware to make financial decisions for the benefit of their retirement.”

- Rajeev Sharma, CFO, nasfund

With better health care and economic development, Papua New Guineans are living longer than they did, ten years ago.

“Comparing the life expectancy movement between 1975 and 2015, the Life expectancy of Papua New Guineans has increased from 49 years to 63 years. This means that members must take into account that, if or when they retire at the age of 55, they will need to survive financially for the next 10 years when they withdraw their retirement savings.”

“This raises the concern of members not having enough funds to be financially independent for the next five years after retirement.”

The Fund in its ongoing awareness is encouraging members to increase their member contributions through voluntary contributions, increase their employer contributions, leave their superannuation without withdrawing funds before retirement and make use of the benefit of compound interest.

We encourage employer representatives to promote the benefit of savings for the long term in their respective companies.



Determination over Disability

Jireh Taylor Widuh was a happy member when he withdrew his funds in July to start a small financial lending company after leaving formal employment.

Jireh, a Person Living With Disability (PLWD) became a member of the Fund in 2000 when working in the security industry. He later progressed, working for different organisations within Security, until applying for his funds in 2020, after leaving formal employment. His reason - to become an entrepreneur.

When he turned up at the Port Moresby service centre in May to withdraw his funds, he was told that his application was queried due to several missing pieces of information.

nasfund's Port Moresby Service Centre supervisor, Airi Kaipu who assisted Jireh during the process said that, not every day you get to serve members living with disability. "Although Jireh is a person living with a disability, his determination to do things as a normal person was inspiring to the team."

A few days after providing all required information, his funds were paid into his nominated account.

He thanked the officers for the great customer service, he was elated when he saw his balance, stating that he had made the right decision to save for the long term.

The 48 year old from Bonahitam village in the Yangoru Sausia District of East Sepik Province proved that disability is just a word. Jireh left a satisfied member, knowing that his superannuation savings would be used to open a door into the world of entrepreneurship.



"I am really happy with the service provided to me by the Port Moresby service chamber team and I will be forever grateful to nasfund in keeping my Funds safe and more importantly growing it."

Inspiring young minds to save early

Investing, as with anything in life, provides benefits from an early start. The earlier you begin planning for retirement, the greater your potential return on investment.

By taking advantage of your youth, you can get a head start on saving for your future.

This was the message to Port Moresby Grammar grade 12 students who invited nasfund to speak to them about long term savings. Michael Pokanau and Arnold Topai told the grade 12 students to adopt a savings culture as a pre-employment tip.

“It is important for you to understand this at an early age. Because many young people tend to be dependent on their families even when they are working and starting a family.” they said.

Products like the EDA SUPA and the NCSL Kids Savings Account were highlighted, basic information about the superannuation industry and the Fund’s role in managing member’s funds and the benefits of compound interest were stressed.

The session was very informative with a multicultural audience. Some of the students asked about the process of joining earlier and the possibilities of expatriates joining the Fund and keeping their savings with nasfund when leaving the country.

POM Grammar Principal, David Olley said that he was impressed with the presentation and his students found the sessions informative and educational. “Congratulations and well done. We should have a structured program where we present to Grade 12s and university students on the benefits of Super, importantly the products and services we provide.” Mr. Olley said.

Michael said that, the marketing team has included in this year’s business development and media plan to visit schools as an early pre-employment awareness.

“It is our job to ensure they know the benefits of Superannuation to promote inclusion of financial literacy in Papua New Guinea.”

Retiree saves with Eda Supa

A 63-year-old retired legal secretary deposits K30,000 into EDA SUPA to continue her journey of financial empowerment following formal employment.

Maria Auda Soge a retiree and a small canteen owner opened her Eda Supa Account on Monday 2nd December, following advice that Eda Supa was available for individuals who choose to continue saving with nasfund.

After she retired last year, Maria began selling small goods from a table outside her house at Porebada village until she received her retirement payout in May 2019. With her initial draw down from nasfund she opened a small trade store that has provided her an income. Senior Approvals Officer Mrs. Doriga Soge who is a relative of the member spoke to her about the option of saving a portion of her funds through Eda Supa

noting the financial responsibilities that were on her as the only breadwinner of her family.

Maria, thanked Doriga for explaining the registration process, options of saving her earnings on a monthly or fortnightly basis and the benefit of compound interest that could assist retirees like her down the line. She said that once she understood that being a member provided the same benefits as employed members, she immediately contacted Doriga to open her account. Doriga has spoken to three other canteen owners at Porebada who are interested in opening their accounts.



Employer Engagement



Employer Regional Conferences

Regional conferences for member and employer representatives is an annual event that is held after the audited accounts are accepted by the Board of Directors and interest is announced. The conferences kick off the first of many of the Funds engagement activities with members and employers throughout the year.

Management led by the CEO provides an account of the Funds activities and performance over the previous financial year at the same time allows a forum for feedback from conference participants.

The conferences also provide the opportunity to drive key messages consistent with our mandate as a Superannuation Fund. These messages are adopting a strong savings culture, universal coverage, savings as an investment and preservation for comfortable retirement.

At times, the Fund uses the conferences to host exhibitions of organizations and companies that provide Discounts to members for goods or services under the Fund's Membership Discount Program.

The 2019 conferences held in the main centers of Port Moresby, Lae, Mt Hagen and Kokopo attracted in excess of 1000 participants representing over 2700 employers and close to 600,000 members.

2019 Employer Awards

In 2018 we introduced the Employer Awards to recognize and give credit to an important contributor to the growth of a members' retirement savings – the Employers. Too often, members forget that their employers contribute a minimum of K1.40 for every K1.00 that the member contributes towards their retirement savings. Without the employer's contribution, the growth and return potential of a member's savings account would be much less.

In 2019 we were pleased to recognise 14 employers for their efforts in the following categories;

- Most Compliant.
- Best Voluntary Contributions.
- Member Maintenance.
- Benefit Payments.
- Overall Employer of the Year.

Employers were divided into 3 groups by way of size of monthly contributions as follows.

- Category A – Included Employers contributing > K100,000 per month.
- Category B – Employers contributing less than K100,000 and more than K50,000 per month.
- Category C – Employers contributing less than K50,000 per month.

Winners of the 2019 Employer Awards

Winners were:

Award 1 – Most Compliant Employer – Contributions.

- Category A – Ok Tedi Mining Limited.
- Category B – Heduru Moni Limited.
- Category C – Vanguard International Limited.

Award 2 – Best Voluntary Contributions.

- Category A – Barrick (Niugini) Limited.
- Category B – Total E & P Limited.

Award 3 – Most Compliant Employer – Member Maintenance

- Category A – NBPOL Admin.
- Category B – Total E & P Limited.
- Category C – Vanguard International.

Award 4 – Most Compliant Employer – Benefit Payments.

- Category A – Oilsearch (PNG) Limited.
- Category B – Kimbe Bay Shipping Agencies Limited.
- Category C – Port Moresby Grammar School.

Award 5 – Best EDA SUPA Employer – Less than 15 employees

- Category A – Hargy Oil Palm Plantation.
- Category B – Datec (PNG) Limited.
- Category C – EMO Trans PNG Limited.

2019 Employer of the Year.

- Category A – OK TEDI Mining Limited.
- Category B – Total E & P Limited.
- Category C – Vanguard International.

Overall Winner Category A

OK TEDI Mining Ltd

Ok Tedi Mining Limited is a 100% PNG-owned company operating the Ok Tedi Mine, an open-pit copper and gold mine located in the Star Mountains of the Western Province of Papua New Guinea. It has 1745 direct employees, plus a large number of indirect contractors.

Managing Director and CEO of OTML, Mr. Peter Graham said, “Ok Tedi on the world stage is recognised as a significant mining operation.”

Copper and gold is produced from the Mt Fubilan mining and mill operations and concentrate is sent by pipeline to port operations in Kiunga from where it is shipped to the Port Moresby Harbour and onto markets in Germany, India, Japan, Korea and the Philippines.

Mr. Graham says one of the company’s values is integrity – “by which we mean honesty, trust, fairness and respect.” To maintain trust and respect with employees, it is important to make sure we are looking after their best interests.

Mr Graham said, “Today we are a globally competitive producer and we are very proud of that. That is a result of the efforts of our workforce and our contract partners who work with us to make Ok Tedi the best it can be.”

“Receiving the award for Best Compliance as well as the Chairman’s Award for Employer of the Year was exciting for us and we thank nasfund for the recognition. Superannuation is essential so that employees have the ability to support a dignified retirement, when that time comes” Mr. Graham said.

Overall Winner Category C

Vanguard International

Vanguard’s Chief Executive Officer, Michael Elton says that he is very proud of the company’s achievement. “It is a brilliant result for Vanguard International” stated Mr Elton. “It’s a real pleasure for me to acknowledge and give all credit to Vanguard’s wonderfully dedicated Finance, Contracting and HR Admin teams.”

Mr Elton added “At Vanguard, our business formula is pretty simple, the dedication we have to our employees, our clients and our community is returning to us in spades. We are growing the business, we offer secure, satisfying jobs for our employees and this means that our employees are also growing. We are committed to providing all of our clients quality services.”

However, Mr Elton also stressed the importance for businesses to be compliant with all appropriate authorities - IPA, IRC, nasfund etc.

He stressed that this is especially important for the SME sector, as the National Government’s policies are focused on this sector to create wealth for small business owners and create more employment opportunities. He added “Vanguard International’s results highlight what can be achieved in this sector, with a focus on commitment to employees, the determination to deliver quality service at reasonable prices and all the time, ensuring all statutory requirements are fully met.”



Employer Engagement

Winner Datec (PNG) Limited



Datec specializes in providing innovative solutions, valued services to businesses and communities in Papua New Guinea. From its humble beginning more than 30 years ago. Datec is now the largest end-to-end information and communications technology (ICT) solutions and services provider in PNG.

Datec's competitive edge is the quality of its people. A dedicated workforce of 200+ staff ensures Datec customers professional responses at all times. The Datec team combines a global wealth of knowledge with local experience to ensure an unmatched competitive edge in the PNG market.

"The award is indeed a great recognition and gives us encouragement that industry-peers are acknowledging our efforts in bringing good HR practises to Datec.

Being the leading ICT Solutions & Service Providers in PNG over 30+ years, a lot of people have the opportunity to know about Datec as an ICT Solutions and Services Company. The recognition helps to position us also as best company to work for. The award belongs to all Datec HR & Payroll Team as a result of everyone's great contribution" Datec Management Team.

Winner NBPOL – Admin

New Britain Palm Oil Limited (NBPOL) is a large scale integrated, and leading industrial producer of sustainable palm oil in Papua New Guinea and Solomon Islands.

The NBPOL Group has over 90,000 hectares of planted oil palm plantations, over 5,600 hectares of sugar cane and a further 9,500 hectares of grazing pasture, twelve oil mills, two refineries (one in PNG, and one in Liverpool, UK), as well as a seed production and plant breeding facility.

Fully RSPO accredited, NBPOL is a fully vertically integrated business, producing its own seed (which it also sells globally), planting, cultivating and harvesting its own land and processing and refining palm oil, in both PNG and the UK.

It also contracts directly with its end-customers in the EU and arranges shipping of its products.

With more than 24,000 employees supporting our operations our people are our most valuable asset. Superannuation provides our people with a safety net for their future and peace of mind in knowing that they will reap the rewards of their hard work upon retirement through their savings with nasfund.

Corporate Social Responsibilities

Outside our role as Trustees of retirement savings for our valued members, we acknowledge the community we operate in and the role other stakeholders play in the socio-economic development of our country.

nasfund continues to provide support in cash and kind for a number of NGOs, not for profit institutions, benevolent charities and causes that promote good governance, fight against corruption, gender equality, women empowerment, childhood literacy, health, commerce and development of young professionals.

We provide office space for the PNG Institute of Directors, the Association of Superannuation Funds of PNG, Buk Bilong Pikinini and PNG Cancer Society to enable these organizations carry out their respective roles which are beneficial to society.

We at nasfund are proud to play our part as a responsible corporate citizen of Papua New Guinea.

PNG Institute of Directors (PNGID)

Papua New Guinea Institute of Directors (PNGID) was established in 2002 with the purpose of promoting good corporate governance in Board rooms and developing the pool of professional directors in Papua New Guinea. PNGID and nasfund's shared values of governance and ethical corporate behaviour as a cornerstone of success has seen both organizations enjoy a mutually beneficial relationship over the last 17 years. nasfund executives have led the Institute as President or served as a Board Director on a number of occasions while nasfund has provided office space at concessional rents including administrative support for the Secretariat.

PNGID provides professional training programs for Directorships and conducts activities that enable its members to network and engage with one another in formal and informal settings. The PNGID signature event that is now a "must attend commitment" on the Port Moresby social calendar is the Annual Directors Awards Night. Awards are accorded to individuals and organizations for being the best Female Director, Male Director, Young Director, Best Annual Report and Most Innovative Company. To date, 31 individuals have been awarded Director of the Year, 11 organizations Most Innovative Company of the Year and 2 organizations have been awarded Best Annual Report of the Year.

PNGID Office was formally located at nasfund's Face Building along Champion Parade in Port Moresby CBD. Today it is located in another nasfund owned property, known as The Factory which is adjacent to IPA Haus.

PNGID is extremely grateful for nasfund's continued support and shared vision to grow the talent of professional directors in PNG and looks forward to maintaining this partnership in years to come.

Kokoda Track Foundation (KTF)

For over a decade, NGO Kokoda Track Foundation (KTF) has expanded their work in health, education, livelihoods and leadership across Papua New Guinea. Now in 17 provinces, a vital part of KTF's expansion was building their PNG operations with the establishment of a dedicated Port Moresby-based team.

nasfund has played a key part in this expansion, partnering to provide KTF with access to office space in our commercial properties as a hub for their growing operations. From their central base in the capital, the KTF team have worked with people and communities across the country towards improved lives and futures.

KTF's four program pillars provide a strong foundation to achieve community empowerment, development and positive change. Over the last 4 years, KTF's programs have seen positive results, which include:

- 3,685 elementary teachers trained across 14 Provinces via KTF's Teach for Tomorrow project.
- Primary school support for 1,846 school scholarships, across 12 schools.
- Support for 230 students undertaking FODE (Flexible Open Distance Education) in Oro, and Western Province.
- 11 aid posts supported with health worker training, postings, provision of medicines and infrastructure, providing accessible health care to 40,000 people.
- 32,000 solar lights distributed to children across 12 provinces.
- 1,000 houses along the Kokoda Track illuminated, with the Village Connect project bringing solar powered lighting and energy solutions to 6,000 people along the Track.
- Archer Leaders Program Alumni expanded to 50 dedicated and passionate leaders for PNG.
- Eight Archer Leader Alumni community and social impact projects have been delivered across PNG.

KTF is extremely grateful to nasfund for being a part of KTF's PNG journey.

Buk bilong Pikinini

Together we may give the children the roots to grow and the wings to fly.

Buk bilong Pikinini (BbP) was founded in 2007 with a mission to provide PNG's children with access to books and learning through the establishment of Library Learning Centres. Twelve years later, the organisation has more than 20 Library Learning Centres across PNG, a Teacher training program, a special needs program, a Book publishing program and a Book donation program.

BbP owes much gratitude to nasfund for its long-term and invaluable support as a foundation donor.

nasfund provided Buk bilong Pikinini with a start up grant in 2008 and has been providing the organisation with an office space since 2010.

nasfund recognised BbP as a human development organisation worth supporting - as it works at the core of communities -aiming to support vulnerable families with educational opportunities for their children.

BbP establishes Library Learning Centres, where five-year-old children are invited to attend a comprehensive early childhood development program for two hours, every weekday, for one year. BbP believes in inclusive education and endeavours to support all children with access to books and educational programs.

In addition to establishing its own centres, BbP also works with donors in PNG and Australia, to gift more than 100 schools every year with a School Library Re-establishment Kit. The kits contain 1000 books for children of all age groups, teaching resources and reference books and are much in demand as most schools are without a school library.

It is absolutely clear that, without vital office space support from nasfund, BbP would not have been able to grow and support so many families and children in remote, rural and urban locations of PNG as it does today through its different programs and services. BbP is honoured to have received such generous support from nasfund and its members.





Papua New Guinea Cancer Foundation. nasfund has supported the Papua New Guinea Cancer Foundation (PNGCF) from 2017 to 2019, by way of reduced rental rates in its commercial properties.

In 2019, this partnership with nasfund enabled PNGCF to extend its reach with the message of cancer prevention and the importance of early detection, through successful delivery of the following PNGCF Outreach programs:

- Healthy Teens Schools Program (HTSP) is about educating and empowering teenagers to make healthy lifestyle choices as a way to reduce their cancer risk in the future. PNGCF saw the participation of 2,970 students across 11 schools in Central Province (Papa, Lealea, Boera, Baruni, Tatana, Hanuabada), Port Moresby, and Western Province (Tabubil).
- Cervical Cancer Education Program (CCEP) is an awareness session on cervical cancer prevention conducted to high school female students in grades 10 to 12 in Port Moresby, and various centres across PNG. PNGCF saw the participation of over 12,150 female and male students across seven (7) provincial centres including Lae, Madang, Kimbe, Wewak, Kokopo, Hagen and Port Moresby.
- Community Outreach Prevention Education Program (COPEP) aims to educate the public about cancer prevention and the importance of early detection and screening.

This program consists of an awareness session conducted at the community level on Cervical, Breast and Mouth Cancer prevention. PNGCF saw the participation of over 4,000 participants from various locations in the Port Moresby (Bomana, Gordons, Kirakira, 2 Mile) and the impact areas of Ok Tedi Mining in the Western Province (Tabubil, Bige, Kiunga).

PNGCF would like to thank nasfund for their support towards the work of the foundation and for joining the fight against cancer in PNG.

Our Investments

Harbour City: A Vision for a New, Modern & Progressive Moresby.

Harbour City isn't your ordinary precinct. It is a transformational vision for the future, taking on a shape and form that can be seen as a reflection of our evolving values and cultures.

While its physical environment is not the sole determinant of our behaviour in society, it certainly influences and constrains our actions through the interactive effects of environment, values, and behaviour. As we progress from the rural way of life into the modern day, our social values and social norms can progress equally as a result of improving our surrounding nature of work and living environment.

However, progress can only arrive when the state of inertia is moved, and that status quo is challenged. The Harbour City represents that and a breath of new life into the city.

To gain a better understanding of how the Harbour City's environment impacts its residents, one has to start by examining the work of its urban visionaries, nasfund and Curtain Brothers. The impetus for the implementation of this ideal urban development project was the LNG Project and commercial expansion of the economy. It was the beginning of the age of Port Moresby, and an opportune time to ride the wave of the booming economic activity and the construction flurry that was coming online. Thus was born the concept and eventual realization of the Harbour City, which saw nasfund inject K90 million into the construction, making it then the largest development project undertaken by a Papua New Guinean organization at that time.

The year 2009 saw the Harbour City's first commercial building of the dreamed utopia go up, which was ANZ Haus. Following suit were the construction of the Ravalian Haus, The Edge Apartments, Solwara Apartments, Car Park, BSP Haus, and PWC Haus. The quality commercial spaces drew immediate tenancy interest from companies in various industries including banking institutions, multinational conglomerates, diplomatic missions, accounting firms, and law firms. The interest signalled a collective belief in the vision.

In 2016, the attractive and increasing value of the precinct enticed nasfund to reach an agreement with Harbour City Development Limited (HCDL) to acquire their interest in Malagan Ltd (BSP Haus), Car Park Ltd, and Gewani Ltd (PWC Haus). This was a vital acquisition for the Fund and equally for the contributing membership base as nasfund looked to continuously add value to its property portfolio with high quality commercial buildings.



The correlative result of high occupancies within the commercial spaces was increased tenancies in the residential apartments in the precinct, most notably, The Edge Apartments. The Edge Apartments has been a terrific investment for the Fund, and with an increasing interest to capture its complete returns, nasfund, in late 2019, acquired HCDL's remaining shares in The Edge Ltd.

Fast forward to the year 2020, and we continue to see an expansion of this precinct which was once covered in a body of water before the land filling commenced. Across the retail shopping center, the popular Stop 'N' Shop, and surrounding eatery establishments, stands an aesthetically appealing six-story commercial building with an adjoining car park owned by East New Britain Development Corporation. Next to it is the new American Embassy currently under construction. And to complement the commercial complexes is the Peninsula Apartments, owned by Curtain Brothers.

This healthy combination of retail, commercial and residential spaces gives you a buzzing hub of economic activity and an indication for the need of progressive work and living lifestyle all in one zone.

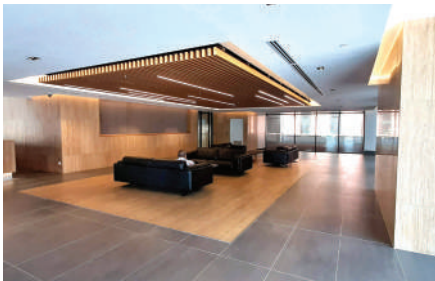
The vision and realization of Harbour City gives you an idea of what Port Moresby can be. It indicates the need to diversify the city and create additional commercial hubs. It can be an influencer in determining urban development policies, a stimulant for civic idealism and pride. We find ourselves in a progressive era, and with a collective effort, we can develop solutions for our infrastructure problems such as road congestion and substandard housing. The vision sees a need to replace the chaotic, unplanned city with models reflecting a better way of life for its inhabitants. This is your Harbour City, the way forward.

Our Investments



Kina Bank Haus

We are pleased to inform members that your prime asset, Kina Bank Haus, is revitalised and ready for the next phase of its life.



The two year revitalisation project has not just been an aesthetic fix, but a properly designed roof and branch upgrade to ensure not only that the issues of the past have all been addressed, but the building also contains the latest state of the art equipment and systems and the building is future proofed against obsolescence in the years to come.

At a cost of K52.0 million, this investment was timely and necessary for one of Port Moresby CBD's iconic landmarks.

The revitalised Kina Bank Haus, can now boast of being on par or better than any of the new commercial properties around the city and remains an attractive, functional and prominent address for quality corporate organisations to reside.

You may ask, how has the building changed? We summarise the transformation as follows:

- The façade, main entrance and common areas and amenities have been given a brand new, modern look and feel.
- There is now a trendy, new licenced café and restaurant with outdoor seating and a lounge for our tenants, their guests and the public to enjoy.
- All the services including the lifts, air conditioning, generators, electrical installation, hydraulic installation and fire services have been upgraded with the latest state of the art and energy efficient equipment.
- Kina Bank Haus is now a smart building with a high level building management system controlling and monitoring all this new equipment with remote management capability; no need for a building manager to be sitting in the office to know what is going on.
- The security envelope of the building has been upgraded with world class visitor control through the main entry lobby via turnstiles, CCTV monitoring throughout and access control to all levels and tenancies.

We welcome everyone to visit the new look building and enjoy a beverage and a meal in the ambience of the new café bar and lounge.

A World-class Private Island Facility

Loloata Private Island Resort provides an exotic and peaceful get away experience for business or pleasure.

nasfund is a 50 per cent shareholder with investment partners, Lamana Development and the Solomon Islands NPF. The new look resort looks to the future of Port Moresby as an important business capital in the Pacific region. With this investment and others, nasfund does not only generate a return for our members, your Fund also generates employment opportunities for our people.

The new look resort will generate employment for approximately 100 workers.

Loloata Private Island Resort is an excellent facility that provides an exotic and peaceful get away experience from Port Moresby for a relaxing family time out or more serious business conferences. Surrounded by a protected Marine Park featuring an array of biodiversity and yet only 15 minutes from Jackson's Airport, the resort will cater for an international market who will be able to experience some of PNG's natural beauty, while being within

practical distance from government and business meeting in Port Moresby. We hope the island will cater for local firms wanting a restful location for executive off-sites and, of course, local people enough to grab a quick getaway, pampered by the luxury of a world-class venue.

With a membership of more than 500,000 contributors and a net asset value of over K5billion, nasfund will continue to do more for our members in identifying and developing investment opportunities that generate wealth and grow your savings.



Our Investments

The Brian Bell Group

Since its inception over 61 years ago, the Brian Bell Group has proudly had a connection to the nation through its heritage, its team and its ‘family’ values.

Sir Brian Bell built the company with a vision to deliver Quality, Value, Trust, Honesty and to give back to the communities in which he served.



Today, these values remain stronger than ever, are the drivers of the business success and are the cornerstones to its future. nasfund is proud to share in the Brian Bell Group’s history and future, as we remain a key shareholder in this business with ownership of 20.3% of the company.

This humble, family influenced company values the traditions of Papua New Guinea, while at the same time continues to introduce new innovations in product sourcing, technology, customer services and new facilities. The introduction of numerous ‘firsts’ has made the Brian Bell Group a leading PNG enterprise striving to remain at the forefront of retail across the country.

The Group today employs over 1,200 people, with many team members being with the Brian Bell ‘family’ for over 20 years.

Operating across 5 divisions, the Brian Bell Group network covers all key regions of PNG, with facilities in transport, warehousing, service/warranty, retail, sourcing and product development. And where the Brian Bell Group doesn’t have store infrastructure, it has an extensive dealer network that provides access to its range of quality products in areas where it otherwise may not be able to service.

Its growth as a true international sourcing enterprise has allowed the Brian Bell Group to represent many of the leading brands globally, providing customers with access to some of the best products available anywhere in the world.

“The Brian Bell Group maintains a diverse portfolio of business activities that provide our customers with access to some of the widest ranges of products and services in Papua New Guinea.”





PNG Air looks forward to 2020

PNG Air traces its roots back to 1987 and the formation of Milne Bay Airlines, moving into Port Moresby in 1990 to provide contract support for both Chevron and Misima Mines.

In the late 1990's the company evolved into Airlines PNG, maintaining its focus on charter work. Finally, in 2015, PNG Air was launched, with brand new aircrafts, completing the transition from bush operator, through charter, all the way to the scheduled airline we see today.

nasfund has been a committed investment partner in PNG Air for many years. When nasfund members see the sleek ATR 72 aircraft with its distinctive artwork representing the cultural diversity of all 22 provinces, it would be right for them to think that 'em kaikai bilong yumi' meaning 'this is the result of our contribution'. nasfund owns 39.29% of PNG Air.

In 2015 PNG Air introduced the country's first brand new the ATR 72-600 arriving fresh from the manufacturer in Toulouse, France. Over the following 2 years a further six aircraft were added bringing the ATR fleet to seven, along with the DeHavilland Dash 8 fleet which continues to service airfields which are too small to accommodate the ATR.

Commencing June 2022, PNG Air will continue its investment in Papua New Guinea, expanding the fleet by a further five brand new ATR aircrafts; a mix of the ATR72-600 and ATR 42 STOL (short take off and landing) types, which will allow operations into airfields currently inaccessible by the larger 72 seat ATR aircraft.

In 2019, the airline reached another milestone, as our Maintenance Repair and Overhaul (MRO) facility received Part 145 certification by EASA (European Aviation Safety Agency) allowing our engineers to conduct third party engineering work.

PNG Air also transports cargo, and in 2019, we saw 20% growth in this business line with a record-breaking 3.5 million kilograms of cargo transported across PNG. This growth in cargo volumes is a good news story for PNG as a whole, as it is a key indicator of performance across a range of sectors including manufacturing and agriculture.

Aviation is highly regulated and all decisions require a risk based approach by key stakeholders. In addition to meeting and exceeding CASA PNG regulations, PNG Air are also regularly audited against BARS (Basic Aviation Risk Standard) and have just renewed their gold standard in 2019.

Our Investments



CPL Group



City Pharmacy Limited (CPL Group) is Papua New Guinea's leading diversified retailer. CPL listed on the PNG Stock Exchange in 2002. nasfund is the largest shareholder of CPL, owning 17.29% of the company.

Since its establishment in 1987 CPL Group has been one of the fastest growing retailers in Papua New Guinea. While the City Pharmacy chain remains a keystone of the business, CPL has diversified in a several strong retail brands in the PNG market across several categories over the years: The Stop & Shop supermarkets, Hardware Haus, Bon Café (Coffee outlets), Jacks of PNG and Prouds Duty Free at the airport and duty paid stores in Port Moresby.

Overall, the CPL Group retail chain operates 60 stores nationwide, and employs more than 3,000 staff, 95% of whom are Papua New Guinean citizens. Through an ongoing program of opening new stores, revitalizing existing outlets, digital strategies and introducing new merchandising concepts, the CPL Group aims to continue to make shopping an exciting experience for its customers.

CPL Foundation

CPL Group of companies has community involvement in its DNA and committed to supporting this developing nation through many of its community service programs. Every year the organization donates hundreds of thousands of kina or items to charities, sports teams, schools, communities, youth programs and also to the winners of the prestigious awards, the Pride of PNG so as to help support and improve the lives of the people of Papua New Guinea. CPL believes that the company's success lies in the community it serves and so it tries to make an impact and improve the lives of every person in Papua New Guinea.





Licenced Investment Manager Statement - BSP Capital Ltd



Dear Members of nasfund,

Refreshed SAA and a new focus

2018 saw a lot of changes internally with the appointment of a new Licensed Investment Manager (BSP Capital Limited) and the adoption of a new Strategic Asset Allocation (SAA) which has adapted traditional portfolio allocation methods to take advantage of the unique PNG investment environment. The new SAA was simplified to four (4) asset classes with an emphasis on opportunistically acquiring high cash yielding investments. The new SAA includes assets categorised into the following asset classes: Liquid; Yielding Illiquid; Non-Yielding Illiquid; and International.

The table on the right shows the transition from the previous SAA to the new SAA and asset clusters.

Investment Review 2019

The macroeconomic outlook deteriorated over the course of 2019 reflecting a range of factors, especially the indefinite delay of spending on key resource projects. Meanwhile, fiscal policy has been tightened and the backlog of currency orders has increased. Ongoing weakness in the PNG economy appears highly likely. The recovery in the non-resource sector that began in 2017 has largely stalled and employment in the sector appears to be declining. PNG inflation rates peaked in 2008 at 10.8% and by the second half of 2019 inflation was running at just 3.3%. Inflation in PNG has been cut in half since 2016. Inflation rates globally have been on a declining trend for decades and it would appear that global disinflation is now being imported into PNG via the fixed exchange rate mechanism.

Over the twelve months ending December 31 2019, nasfund's net funds under management grew K430 million to K5.244 billion (8.7% annualised growth rate). The Fund's asset allocation between its four asset classes largely remained static, with a slight increase in International assets (9% of total assets up from 8%) and a slight decline in Liquid assets (23% of total assets down from 24%).

2019 drivers

The vast majority of new cash flows into the Fund were used to purchase more PNG Government securities (net new GIS purchases of K190 million and net new T-Bill purchases of K152 million). The Fund divested Kina Securities (-K18 million) and made two significant new investments: a K35 million loan to Mainland Holdings; and a K68.8 million additional investment in The Edge apartments.

Before expenses, nasfund generated a gross cash income of K381 million on its investments in 2019, recording gross cash yield of 7.8%. This cash yield comfortably achieves the Fund's target cash yield of 4.5% per annum.

After expenses, nasfund generated a K371 million return on its investments in 2019, recording a 7.7% total return before taxes. This return is above the Fund's target return of 7% per annum.

Yielding Illiquid assets generated the vast bulk of the cash yield (K286 million) while the Liquid asset class generated K63 million in cash income. As expected, Non-Yielding Illiquid assets generated minimal cash flow (K5 million).

Balancing Risk and Return in a Changing Economic Environment

Over the last three years, investments now included in the Non Yielding illiquid asset class have generally underperformed due in part to the difficulties experienced by the PNG economy and have also failed to provide nasfund with regular dividends. The strategy going forward is to carefully monitor each of these investments and where these investments do not meet the minimum cash yield and return objectives of the Fund, nasfund will look to exit these investments. In 2020, working with BSP Capital, nasfund will look to opportunistically invest in new opportunities in PNG which are expected to generate steady, regular cash income and protect members capital. The focus of new investments will be safer, debt instruments over unsecured equity investments.

We would also like to thank the Board and management of nasfund in giving us the opportunity to work with nasfund and we look forward to helping improve nasfund members' investment outcomes.

Gheno Minia
General Manager

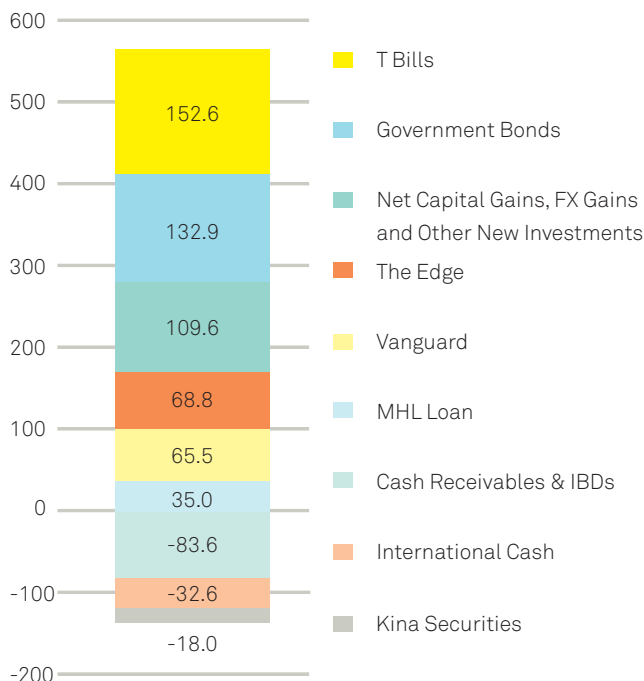
Previous SAA

#	Domestic Asset Class	#	International Asset Class
1	Cash, T-Bills	6	Cash
2	Fixed Income (GIS)	7	Fixed Income
3	Property	8	Equities
4	Equity	9	Emerging Markets
5	Infrastructure		

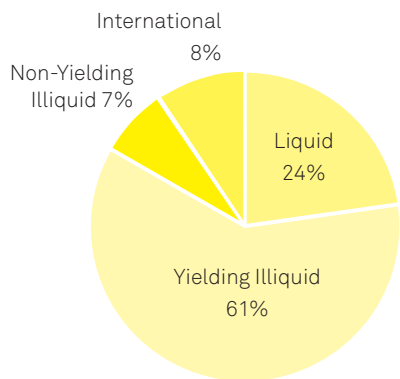
New SAA

#	Asset Class	Asset Cluster
1	Liquid	Cash, T-Bills
2	Yielding Illiquid	Gis, Loans, Unlisted Brownfield Property & Infrastructure, PNGX Listed Equity Providing Regular Dividends
3	Non-Yielding Illiquid	PNGX Listed Equity (Not Providing Regular Dividends), Greenfield Property & Infrastructure, Late Stage Private Equity
4	International	All International Assets

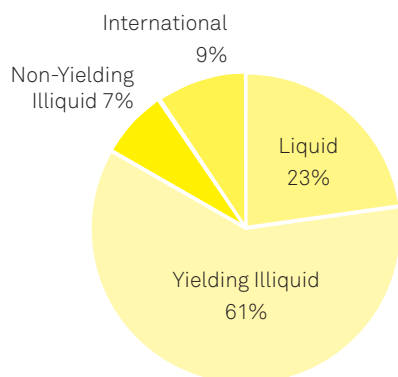
Major Uses of nasfund 2019 Fund Growth (in K millions)



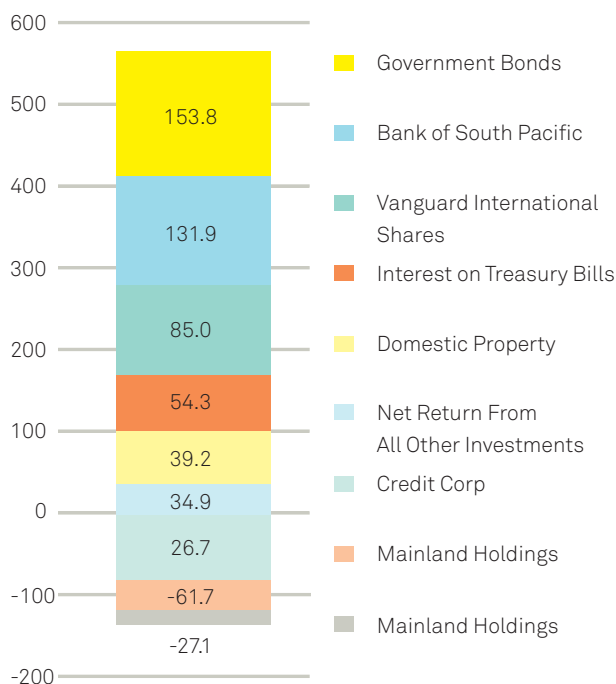
nasfund Asset Allocation as at 1 January 2019



nasfund Asset Allocation as at 31 December 2019



Major Contributions and Detractors to nasfund's 2019 Returns (in K millions)



Kina Investment & Superannuation Services Ltd



2019 Year in Review

It has been another great year in Fund Administration and we are delighted to provide nasfund and its members with the following report.

Customer service remains our number one priority and that has been evident over the last 2 years. This year is no exception with over a 98% performance rating on our Service Level Agreement, which is well above industry standard. Access to information anywhere, anytime is key to providing service to members. It was pleasing to see more than 100% increase in members registered for online services by the end of 2019. This proves that members are beginning to show interest to connect with their funds, and effectively setting the foundation to plan better when they retire from active work.

Likewise, it is also pleasing to see more employers signing up to use the employer online service to allocate members' contributions.

For those members and employers that are not utilising these online services, we encourage you to meet with the nasfund team to get yourself registered. With more technological initiatives in the pipe line members and employers will enjoy additional benefits on how to better manage their retirement savings.

Online Services

Keeping members connected to their funds has been the main initiative driven this year, which saw a massive increase in the use of our member and employer online services over the last 2 years clearly indicating that members and employers are now taking notice of their retirement savings.

Increase in usage of employer online services also proves that large corporate organisations who are contributors to nasfund are now taking control of remitting and allocating contributions for their employees. This will allow better tracking of contribution remittance at employer level, alleviate unallocated contributions, at the same time promoting data cleansing and maintenance process.

Description	2018	2019
Employer Online Registration	1,068	1,961
Member Online Registration	19,322	61,115

Fund Membership

Fund membership increased by 5.32% in 2019 from 555,133 to 584,679 in 2019. Below is the break-up of the membership base:

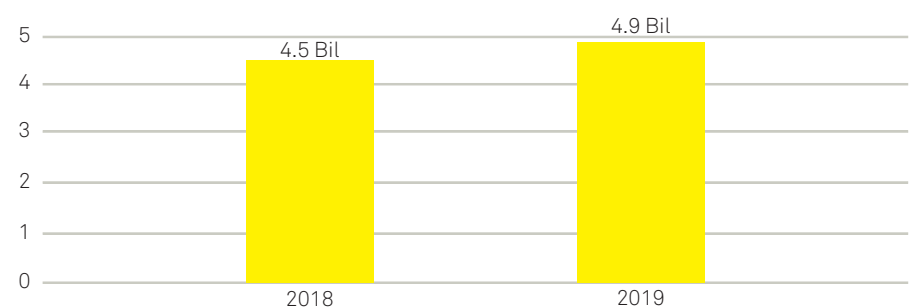
Fund	Number of Members
Mainstream	550,750
Eda Supa	33,689
Retirement Savings Account (RSA)	240

Funds Under Administration

Total funds under administration was K4.9 billion, an increase of K332 million (7%) from 2018.

2018 (PGK)	2019 (PGK)
4,587,132,167	4,919,510,384

Funds Under Administration Per Year



Contributions

nasfund has received total contributions of K564.11 million as at 31 December 2019. Below is the break-up of each contribution type.

The management of unallocated contributions continue to remain a challenge. The key to resolving this issue is data integrity and quality. To alleviate this, all members and employers are required to remit contributions and schedules consistently and on time. We continue to work closely with nasfund to ensure that all members and employers comply.

Description	2018	2019
Member Contributions	195,863,067.90	204,103,671.34
Employer Contributions	274,499,804.82	285,922,208.97
Member Voluntary	18,474,005.65	23,166,814.59
Employer Voluntary	4,279,793.88	6,250,132.40
Member Salary Sacrifice	2,004,176.13	1,502,750.72
Housing Advance Repayment	11,412,133.90	13,270,375.08
Transfers from Other ASF	5,080,472.22	3,807,040.19
Unallocated Contributions	6,251,757.78	26,093,027.32
Total	517,865,212.28	564,116,020.61

Benefit Payments

A total of 67,526 benefit payment transactions were processed in 2019 to the value of K385 million. Below is the break up of each benefit payment types.

Description	2018	2019
Normal Retirement	299,566,308.07	266,242,242.30
Medical Retirement	7,322,728.33	5,957,718.67
Death	20,176,168.95	17,841,486.02
Transfer Out (to other ASF)	4,339,095.32	6,142,032.45
Unemployment Benefits	42,027,791.99	40,402,355.32
RSA Payments	5,305,039.81	4,116,688.54
Housing Advance Payments	38,476,575.68	29,492,558.43
Tax on Full Benefit Payment	16,071,359.48	12,972,656.61
Tax on Partial Benefit Payment	3,585,065.81	1,914,105.56
Total	436,870,133.44	385,081,843.90

Looking Ahead

As part of a commitment to the superannuation industry in PNG, Kina is undergoing key infrastructure and technology initiatives that will revolutionise the way we service our clients and their members not only in the superannuation industry but also harnessing synergies through our banking technology. With this, more focus will be on streamlining the member contribution management process to address issues such as unallocated contributions, duplicate accounts and reconciliation challenges.

We believe in a strong and valued strategic partnership with all stakeholders in the superannuation, banking and finance industry to help Papua new Guineans realise their dreams.

Together it's possible!



Sharon Punau
Head of Operations (Wealth)

Independent Auditor's Report to the Members of nasfund



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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Superannuation Fund Limited (the "Fund"), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, the Trustee's and Management's declaration.

In our opinion the accompanying financial statements presents fairly, in all material respects, the Fund's financial position as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, Superannuation (General Provisions) Act 2000 and the Superannuation Prudential Standards.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with the auditor independence requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial statement. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other Information

The Directors and management of the Trustee are responsible for the other information. The other information comprises the information included in the Fund Information and the Report of the Trustee of the Fund, for the year ended 31 December 2019, but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and the Directors for the Financial Statement

The Directors and management of the Trustee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Superannuation (General Provisions) Act 2000 and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea, and for such internal control as Directors determine is necessary to enable the preparation and fair presentation of the financial statement and is free from material misstatement, whether due to fraud or error.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors and management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

- Members of the audit team are also members of the Fund under normal commercial terms and conditions.
- Proper accounting records have been kept by the Fund as far as appears from our examination of those records.



DELOITTE TOUCHE TOHMATSU



Benjamin Lee
Partner
Registered under the Accountants Act 1996

Port Moresby, 25 March 2020

Report of the Trustee of the Fund

The Directors of the Trustee have the pleasure in submitting their report and the financial statements of National Superannuation Fund (“the Fund”) for the year ended 31 December 2019.

Activities

The principal activities of the Fund during the year was the management of retirement funds for employees in the private sector and State-owned entities throughout Papua New Guinea.

There were no significant changes in the nature of the activities of the Fund during the year.

Results

The net profit after tax for the year was K312.602 million (2018: profit after tax of K158.707million).

Directors

The directors of the Trustee at the date of the report of the Fund are listed on page 1. No director of the Trustee had any material interest in any contract or arrangement with the Fund or any related entity during the year end 31 December 2019.

Remuneration of Trustee Directors

The remuneration of Trustee Directors, including the value of benefits, received during the year, is as follows:

Director's name	31 Dec 2019 (K)	31 Dec 2018 (K)
Charles Vee – Chairman	190,345	182,069
Hulala Tokome	182,069	198,621
Graham Ainui MBE, OL	165,517	165,517
Murray Woo, OBE	165,517	165,517
Vera Raga	165,517	165,517
Tamzin Wardley, ML	165,517	165,517
Leon Buskens	165,517	165,517
Kepas Wali	165,517	165,517
Florence Willie	165,517	-
Lata Milner, MBE (resigned 10 September 2018)	-	124,138
David Doig (resigned 10 September 2018)	-	124,138
Michael Murphy	78,309	-
	1,609,342	1,622,069

Costs in relation to travel and meeting expenses, are incurred by nasfund.

Remuneration of Employees

The number of employees (not including directors) whose remuneration exceeds K100,000 in bands of K50,000 is disclosed in note 18.

Interests Register

Interests of the Directors of the Trustee and key management personnel as recorded in the interests register are disclosed in note 22.

Signed on behalf of the Board of Directors of the Trustee of National Superannuation Fund.



Mr. Charles Vee
Chairman
Date: 25 March 2020



Mr. Vera Raga
Chair of the Audit and Risk Committee
Date: 25 March 2020

Trustees' Declaration

In our opinion, the financial statements set out on pages 8 to 45 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2019 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

The Board of the Trustee has satisfied themselves that they have:

- 1) Identified the key financial and operational risks.
- 2) Established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes.
- 3) Ensured the risk management systems are operating effectively and are adequate in regards to the risk they are designed to control.
- 4) No apparent conflicts of interest with respect to National Superannuation Fund'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 Provisions).

Act 2000 and requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at PORT MORESBY this 27th day of February 2020.

For and on behalf of the Board of Directors of the Trustee of National Superannuation Fund:



Mr. Charles Vee
Chairman
Date: 25 March 2020



Mr. Vera Raga
Chair of the Audit and Risk Committee
Date: 25 March 2020

Management's Declaration

In our opinion, the financial statements set out on pages 8 to 45 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2019 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

Management has satisfied themselves that it has:

- 1) Identified the key financial and operating risks.
- 2) Established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes.
- 3) Ensured the risk management systems are operating effectively and are adequate in regards to the risk they are designed to control.
- 4) No apparent conflicts of interest with respect to National Superannuation Fund'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 Provisions) Act 2000 and requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at PORT MORESBY this 27th day of February 2020.

For and on behalf of the Management of National Superannuation Fund



Mr. Ian Tarutia
Chief Executive Officer
Date: 25 March 2020



Mr. Rajeev Sharma
Chief Financial Officer
Date: 25 March 2020

Statement of Financial Position

As at 31 December 2019

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Investment Assets			
Cash at Bank and on Hand	21 (a)	63,094	134,838
Interest Bearing Deposits and Treasury Notes		949,582	817,906
Interest Receivable (Net)		34,815	31,029
Property Receivables		19,560	20,993
Government Securities and Other Loans	8	1,522,387	1,316,072
Equity Investments	9	2,174,506	1,980,906
Current Tax Asset	12 (b)	2,909	-
Investment Properties	10	543,547	526,232
		5,310,400	4,827,976
Other Assets			
Withholding Taxes Recoverable		21	75
Other Receivables		1,085	1,728
Property And Equipment	11	10,695	9,320
		11,800	11,123
Total Assets		5,322,201	4,839,099
Current Liabilities			
Sundry Creditors and Accruals	13	49,354	57,520
Withholding Taxes Payable		1,345	4,348
Provisions for Employee Entitlements	14	780	826
Current Tax Liabilities	12 (b)	-	9,284
		51,480	71,978
Non-Current Liabilities			
Deferred Tax Liability (Net)	12 (c)	23,007	10,452
Provisions	14	2,890	2,773
		25,897	13,225
Total Liabilities		77,378	85,203
Net Assets		5,244,823	4,753,896
Represented by			
Liability for Accrued Benefits			
- Allocated Funds		4,851,043	4,552,661
- Unallocated Contributions		68,525	35,183
- Unallocated Earnings		319,410	160,207
Revaluation Reserve	15	5,845	5,845
Total Member Funds		5,244,823	4,753,896



Mr. Charles Vee
Chairman
Date: 25 March 2020



Mr. Vera Raga
Chair of the Audit and Risk Committee
Date: 25 March 2020

Statement of profit or Loss & Comprehensive Income

For the year ended
31 December 2019

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Investment Income			
Interest Income		221,370	197,180
Dividend Income		117,792	89,090
Property Rentals		60,705	61,749
Movement in Net Fair Value of Investments	16	40,410	(6,884)
Impairment Losses on Financial Assets		(4,022)	(30,596)
Gain on Disposal of Shares		2,896	-
Net Foreign Exchange Gain/(Loss)	17	16,370	(28,868)
		455,521	281,671
Less: Property Costs		(23,188)	(21,028)
Net Investment Income		432,333	260,643
Other Income And Expenses			
Sundry Income		767	973
Profit / (Loss) on Disposal of Fixed Assets		40	98
		807	1,071
Expenditure			
Staff Related Expenses	18	(23,948)	(21,320)
Fund Administration Fee		(7,707)	(7,999)
Investment Manager's Fee		(6,951)	(6,724)
Advertising		(1,206)	(1,549)
Depreciation		(2,228)	(2,123)
Board Expenses		(2,089)	(2,296)
Bank of PNG Regulatory Fees		(3,430)	(954)
Other Administration Expenses		(14,517)	(15,219)
		(62,077)	(58,184)
Profit Before Tax		371,064	203,530
Income Tax Expense	12	(58,462)	(44,823)
Profit for The Year		312,602	158,707
Other Comprehensive Income Items That Will Loss Never be Reclassified to Profit or Revaluation (Loss) / Gain of Property		-	-
Total Comprehensive Income For The Year		312,602	158,707

Statement of Changes in members' Fund

As at 31 December 2019

				31 Dec 2019 K'000	31 Dec 2018 K'000
	Allocated Funds K'000	Unallocated Contribution K'000	Unallocated Earnings K'000	Revaluation Reserve K'000	Total K'000
As At 1 January 2018	4,161,146	31,082	316,545	5,845	4,514,618
Profit for the Year	-	-	158,707	-	158,707
Total Comprehensive Income for the Year	-	-	158,707	-	158,707
Contributions Received	-	515,714	-	-	515,714
Allocated Contributions	511,613	(511,613)	-	-	-
Interim Interest	3,383	-	(3,383)	-	-
Benefits Paid to Members	(436,870)	-	-	-	(436,870)
Interest Allocated to Members' Accounts	313,389	-	(313,389)	-	-
Provision On Member Funds	-	-	1,727	-	1,727
As At 31 December 2018	4,552,661	35,183	160,207	5,845	4,753,896
Profit For The Year	-	-	312,602	-	312,602
Total Comprehensive Income for the Year	-	-	312,602	-	312,602
Contributions Received	-	561,947	-	-	561,947
Allocated Contributions	528,605	(528,605)	-	-	-
Interim Interest	1,391	-	(1,391)	-	-
Benefits Paid to Members	(383,232)	-	-	-	(383,232)
Interest Allocated to Members' Accounts	151,618	-	(151,618)	-	-
Provision On Member Funds	-	-	(391)	-	(391)
As At 31 December 2019	4,851,043	68,525	319,410	5,845	5,244,822

Allocated funds represent National Superannuation Fund's obligation to pay benefits to members and beneficiaries arising as at 31 December 2019.

Unallocated contribution represent deposits not yet allocated to members due to insufficient documentation and due to deposits recently received prior to 31 December and not yet processed.

Unallocated earnings represent profits not yet allocated to members at 31 December. Each year the final allocation of current year earnings would be approved by the board of directors subsequent to year end and credited to member accounts in the ensuing financial year.

Statement of Cash Flows

For the year ended
31 December 2019

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Cash Flows From Operating Activities			
Interest Received		217,583	214,935
Net Rent Received		62,139	50,073
Dividend Received		117,847	89,270
Wages and Administration Payments		(85,678)	(71,962)
Income Tax Received / (Paid)	12	(38,920)	-
Net Cash From Operating Activities		272,971	282,316
Cash Flows From Investing Activities			
Purchase of Property And Equipment	11	(3,611)	(945)
Proceeds From Sale of Property and Equipment		-	100
Proceeds From Sale of Property Investments		25,212	-
Investments in Equity		(194,370)	(38,898)
Investments in Government Securities and Other Loans		(358,885)	(208,163)
Investments in Investment Property		(29,137)	-
Net Cash Used in Investing Activities		(560,790)	(247,906)
Cash Flows From Financing Activities			
Contributions Received		561,947	515,714
Benefits Paid		(383,232)	(436,870)
Net Cash From Financing Activities		178,715	78,844
Increase in Cash and Cash Equivalents		(109,008)	113,254
Effect of Exchange Rate Fluctuations	17	16,370	(28,868)
Cash and Cash Equivalents at the Beginning of the Year		198,853	114,467
Cash and Cash Equivalents at the End of the Year	21 (a)	106,216	198,853

Notes to and forming part of the financial statements

For the year ended
31 December 2019

1. Reporting entity

National Superannuation Fund (“the Fund” or “nasfund”) is a defined contribution superannuation fund domiciled in Papua New Guinea. The address of the Fund’s registered office is Level 4, BSP House, Harbour City, and Port Moresby, Papua New Guinea. The Fund primarily is involved in the management of retirement funds for employees in the private sector and State Owned Entities throughout Papua New Guinea.

Under the Trust Deed number 220228, National Superannuation Fund Limited is the Trustee of the Fund.

2. Basis of preparation

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Superannuation (General Provisions) Act 2000, and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

The financial statements were authorised for issue by the Board of Directors of the Trustee, on 27 February 2020.

Basis of preparation

The financial statements have been prepared primarily on the historical cost basis except for the following material items in the Statement of Financial Position which are measured at fair value:

- Financial instruments at fair value through profit or loss measured at fair value.
- Available-for-sale financial assets measured at fair value.
- Certain financial instruments carried at amortised cost.
- Certain property, plant and equipment carried at revalued amounts.
- Investment property measured at fair value.

Functional and presentation currency

The financial statements are presented in the currency of Papua New Guinea, the Kina, which is the Fund’s functional currency, and amounts are rounded to the nearest thousand.

Investments in controlled and associated entities

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

Use of estimates and judgments

In the application of the Fund’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting are recognised in the period in which the estimate is revised and in future periods if affected.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Valuation of investment properties

The Fund has adopted the fair value approach in determining the carrying value of its investment properties. While the Fund has opted to rely on independent appraisers’ advice to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Fund made different judgments and estimates or utilised different basis for determining fair value.

The fair value methodology and any unobservable inputs that would be applicable to estimation for investment properties are considered in notes 4 (i) and 10.

Notes to and forming part of the financial statements

For the year ended
31 December 2019

2. Basis of preparation (continued)

Valuation of financial assets and liabilities

The Fund carries most of its financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. In addition, certain liabilities acquired through debt exchange and restructuring are required to be carried at fair value at the time of the debt exchange and restructuring. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Fund utilised different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The fair value methodologies and unobservable inputs used in calculating the financial assets and liabilities of the Fund are considered in notes 4 (ii) to (v), 9, 10 and 23.

Contingent liabilities

The Fund is currently involved in various legal proceedings as disclosed in note 20. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defence in these matters and is based upon an analysis of potential results. The Fund currently does not believe these proceedings will have a material adverse effect on the statement of financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Fund's strategies relating to these proceedings.

Application of new and revised International Financial Reporting Standards.

New and amended IFRS Standards that are effective for the current year.

Impact of initial application of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The date of initial application of IFRS 16 for the Fund is 1 January 2019.

As a Superannuation Fund, they are predominantly the lessor of property and therefore will continue to account for their leases in accordance with IAS 17. While the Fund also has existing short term leases, in relation to staff accommodation, in which case the Fund has applied the optional exemption for short-term leases and leases of low value assets.

The Directors of the Fund reviewed and assessed the Fund's existing leases as at 1 January 2019 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 16 has not had a significant impact on the financial position and/or financial performance of the Fund.

New and Revised IFRSs in issue but not yet effective

The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 10 and IAS 28.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments).
- Amendments to IFRS 3.
- Definition of a business.
- Amendments to IAS 1 and IAS 8.
- Definition of material.
- Conceptual Framework.
- Amendments to References to the Conceptual Framework in IFRS Standards.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Funds financial statements in future periods should such transactions arise.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Fund.

(a) Member accounts

Contributions are accounted for, and members' accounts credited with their contributions, on a cash basis based on the receipt of reconciled contributions schedules.

(b) Investment assets

In accordance with IFRS investments assets including investment properties and equity investments are included in the Statement of Financial Position at fair value as at the balance sheet date and movement in fair value of investment assets are recognised in the statement of comprehensive income in the period in which they occur.

The Fund also hold Government Securities, loans and cash, the accounting policy for which is detailed in Note 3 (e).

The Fund's interest in controlled entities and associated investments are treated as plan assets or investments of the Fund available for sale and therefore not consolidated or equity-accounted in these financial statements.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Fund at the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Deferred expenditure

All staff housing subsidies advanced are amortised over a five-year period at 20% per annum.

(e) Financial instruments

(i) Non-derivative financial assets

The Fund initially recognises loans and receivables and deposits on the date that they have originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. The Fund de-recognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts 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 2019

3. Significant accounting policies (Continued)

Government Securities

Government securities including treasury notes are recognised at amortised cost, and assessed for impairment annually.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Fund's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Fund is restricted by the Superannuation (General Provisions) Act 2000 from borrowing funds. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Fund becomes a party to the contractual obligations.

The Fund's non-derivative financial liabilities include trade and other payables.

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

(f) Property Plant and equipment

(I) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

(ii) Reclassification into investment property. When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gains arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity.

Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

(iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund, and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Fund will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Building	40 years
Plant and equipment	5-12 years
Fixture and fittings	5-10 years
Motor Vehicles	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Impairment of assets

(i) Financial assets (including receivables) A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Fund on terms that the Fund would not consider otherwise, indication that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Fund considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level.

All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Fund uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets.

The carrying amount of the Fund's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes to and forming part of the financial statements

For the year ended
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3. Significant accounting policies (Continued)

An impairment loss is recognised if the carrying amount of an assets exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

(i) Employee benefit plans.
Defined contribution plans. The Fund is a defined contribution plan and as part of its post-employment benefit plan for its employees the Fund pays fixed contribution into the Fund. The Fund has no legal or constructive obligation to pay further amounts to each employees. The obligation for contributions are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits.
The Fund's obligations in respect of long-term employee benefits other than pension plans is the amount of benefit that employees have earned in return for their services in the current and prior periods as required by law. That benefit is accrued each period and the increase taken to profit and loss account.

(iii) Short-term employment benefits.
Short-term employment benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Fund has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Revenue recognition

Revenue is recorded on an accrual basis. To the extent in which it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, revenue is recognised. The following recognition criteria relates to the different revenues the Fund has recognised.

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at balance date, is reflected in the statement of financial position as a receivable.

Interest revenue

Revenue on money market and fixed interest securities is recognised using the effective interest rate method, if not received at balance date, is reflected in the statement of financial position as a receivable.

Movement in net market value of investments

Changes in the fair value of investments are recognised as income and are determined as the differences between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

Rent

Rent from property is recognised in accordance with the rental agreement on an accrual basis.

(l) Expenses

Fees, commission and other expenses Fees, commission and other expenses are recognised in profit or loss on an accrual basis.

(m) Income taxes.

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the law that have been enacted substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax is reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Determination of fair values

A number of the Fund's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on methods discussed in the following sections. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that assets or liability.

The Fund has an established control framework with respect to the measurement of fair values. The overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, rests upon the General Manager for Finance and Investments. The General Manager for Finance and Investments reviews the valuation reports and assesses the reasonableness of the significant unobservable inputs. The key items in the valuation reports are reported to the Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Fund uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during the change has occurred.

The following is a summary of significant fair values determined in preparing the notes to the Fund's financial statements.

(i) Investment property.

Investment property is initially recorded at cost. Individual property assets are externally valued each year. An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, then values the Fund's investment properties as required. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Fund and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate, counter-notices, have been served validly and within the appropriate time. The sensitivity analysis on investment property revaluations was disclosed in Note 10.

(ii) investment in quoted equity and debt securities.

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

Notes to and forming part of the financial statements

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4. Determination of fair values (Continued)

(iii) Unquoted equity investments

Unquoted equity investments are initially recorded at cost. Individual unquoted equity investments are externally valued at a minimum of every three years. An external valuation will also be required where the Directors of the Trustee believe that the value of the asset has changed by the greater of K5 million or 10% from the previous external valuation. When an external valuation is required, an external independent valuer, having appropriate recognised professional qualifications and recent experience of unquoted companies being valued, values the Fund's unquoted equity investments. Directors' valuations are required for all other years. The fair values are based on either the cumulative multiple earnings, net assets, discounted cash flows, dividend discount model, or liquidation method. The method adopted is applied consistently from year to year. The sensitivity analysis on unquoted equity investments is disclosed in Notes 9(e) and 23 (e).

(iv) Trade and other receivables.

The fair value of trade and other receivables for disclosure purposes, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(v) Non-derivative financial liabilities.

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Operational risk.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and management risks, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors of the Trustee company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The board has established the Audit and Remuneration Committee, which is responsible for developing and monitoring the Fund's risk management policies. The committee reports regularly to the Board of Directors of the Trustee company on its activities.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities. The Fund, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Trustee company oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers and investment securities.

Trade and other receivables

Trade and other receivables relate mainly to the Fund's rental debtors. Customers that are graded as "high risks" are placed on a restricted customer list and monitored by the property managers and management of the Fund.

The Fund establishes an allowance for impairment that represents its estimates of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Investments

The Fund manages its exposure to credit risk by ensuring that adequate return is priced for the Fund taking on the specified credit risk. The fund actively monitors its investments for changes in credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Typically the Fund ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of repayments of members balances, withdrawals and loans; this exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Fund standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Fund standards is supported by a programme of periodic reviews undertaken by management.

The results of internal reviews are discussed with management with summaries submitted to the Audit and Remuneration Committee and Board of Directors.

6. Funding arrangements

The employers have contributed to the Fund during the current financial year at a rate of 8.4% of the gross salaries of those employees who were members of the Fund (2018: 8.4%). Employees contributed to the Fund during the year at a rate of 6.0% of the gross salaries (2018: 6.0%).

7. Fund requirements

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is an investment entity when it:

- Obtains funds from one or more investors for the purpose of providing them with professional investment management services
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates performance of substantially all of its investments on a fair value basis.
- nasfund meets the criteria of an investment company, which allows it to operate as a Superannuation Fund. Consequently the Fund is subject to regulatory requirements under the BPNG Prudential Standards and the Superannuation Act 2000.

Notes to and forming part of the financial statements

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8. Government securities and other loans

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Government Incribed Stock	(a)	1,390,009	1,244,846
Sovereign Community Infrastructure	(b)	29,083	29,083
Treasury Bill (SCITB)			
Notes and Other Loans	(c)	103,295	42,134
		1,522,387	1,316,072

(a) Government Incribed Stock

GIS		1,402,959	1,253,774
Provision for Impairment	(d)	(12,950)	(8,928)
		1,390,009	1,244,846

(b) Sovereign Community Infrastructure Treasury Bill ("SCITB") other loans

SCITB		68,581	68,581
Interest Receivable from SCITB		35,250	35,250
Provision for Impairment	(d)	(74,748)	(74,748)
		29,083	29,083

The SCITB was issued by the Treasurer on behalf of the State under the Treasury Bills Act using National Capital Limited (NCL) as the State's Agent, However the State has disputed its liability to repay the SCITB and the Fund has therefore commenced proceedings for recovery of the amount subscribed for the SCITB and interest. On 28 August 2017, the National Court ordered that approximately K56.4 million of the funds advanced by the Fund which were held in several NCL bank accounts be paid to the Fund. These monies have since been received by the Fund. As a consequence, the principal remaining in dispute has reduced to approximately K68.6 million. The balance of the SCITB remains in dispute and the proceedings to recover those funds continue to be prosecuted by the Fund.

The yield on the SCITB is 7.05%. Interest relating to the SCITB of K8.8 million (2018: K8.8 million) has not been included in interest revenue.

8. Government securities and other loans (continued)

	Note	Maturity Yield	Average Yield	31 Dec 2019 K'000	31 Dec 2018 K'000
(c) Notes and Other Loans					
PNG Power		-	10.2%	-	-
Panamex Limited		1	12.0%	11,198	11,198
Lamana Hotel		-	15.0%	2,474	5,600
Tawaili Resort	(i)	-	-	4,057	4,057
Big Rooster		3-5	9.2%	-	-
Heritage Park Hotel			12.5%	27,932	25,336
Mainland Holdings				35,000	-
The Edge				6,600	-
PNG Air				20,000	20,000
CCD				20,091	-
				127,352	66,191
Less: Provision for Impairment	(i), (ii)			(24,057)	(24,057)
				103,295	42,134

All loans are subject to fixed interest rates except City Centre Development (CCD).

(1) In 2012 the Fund provided for the loan to Tawaili Resort of K4.06 million as there is doubt regarding its recoverability. (ii) In 2017 Nasfund purchased additional shares in PNG Air worth K20 million, however to date, the shares have not been issued.

As such, this has now been recorded as a loan and fully provided for in accordance with IFRS 9, impairment assessment performed in 2018.

	31 Dec 2019 K'000	31 Dec 2018 K'000
(d) Movement in Provisions		
The movement in the provision for impairment in respect of government securities and other loans is as follows:		
Opening balance	107,733	78,307
Provision for Impairment on SCITB Interests (note 8[b])	-	498
Provision on Government Inscribed Stock	4,022	8,928
Provision for Impairment Loan to PNG Air (note 8[c])	-	20,000
	111,755	107,733

Provision for Impairment is Comprised of the Following:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Tawaili Resort (note 8[c])	4,057	4,057
Provision on Government Inscribed Stock	12,950	8,928
Provision for Impairment on SCITB	39,498	39,498
Interest Receivable on SCITB (note 8(b))	35,250	35,250
PNG Air (note 8[c])	20,000	20,000
	111,755	107,733

Notes to and forming part of the financial statements

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9. Equity Investments

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Quoted Investments – Domestic	(a)	676,744	604,320
Quoted Investments – International	(a)	563,297	437,941
Unquoted Investments	(b)	934,465	938,645
		2,174,506	1,980,906

(a) Quoted investments Summary of revaluation of quoted investments is as follows:

	31 Dec 2018 K'000	Revaluation K'000	Purchase (Sales) K'000	31 Dec 2019 K'000
Quoted shares domestic				
PNG Air	15,525	-	-	15,525
Bank of South Pacific Limited	464,967	68,884	-	533,851
City Pharmacy Limited	20,748	7,262	-	28,009
Credit Corporation (PNG) Limited	85,076	14,283	-	99,359
Kina Securities	18,005	-	(18,005)	-
	604,320	90,429	(18,005)	676,744

Quoted shares international

Oil Search Limited	104,695	1,871	-	106,566
Vanguard	250,868	67,825	82,684	401,377
Steamships Trading Company Limited	82,378	27,024	-	55,354
	437,941	42,673	82,781	563,297

Reconciliation of movement in quoted investments is as follows:

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening Balance		1,042,264	1,046,757
Additions / (Disposal) During the Year		64,679	(22,493)
Profit on Disposal		-	-
Fair Value Gain / (Loss)	16	133,101	18,000
		1,240,044	1,042,264

9. Equity Investments (continued)

Summary of revaluation of unquoted investments is as follows:

(b) Unquoted Investments at Fair Values	Note	Percentage Holding	2019 Valuation Model	2018 Valuation Model	Market Multiple	2018 K'000	Revaluation K'000	Other movements K'000	2019 K'000
Amalgamated Packaging Limited		30.00%	(iii)	(iii)			1,700	-	
Hornibrooks NGL		21.13%	(ii)	(ii)			(1,500)	-	
Nas Aviation		40.00%	(ii)	(ii)			-	-	
Nasmel Limited		100.00%	(iii)	(iii)			-	-	
Brian Bell & Company Limited		20.00%	(iii)	(v)			250	-	
The Edge Limited		70.00%	(iii)	(iii)			(519)	62,150	
Port Services Limited		5.00%	(ii)	(ii)			-	-	
City Centre Developments Limited		100.00%	(iii)	(iii)			2,750	-	
South Pacific Brewery Limited		0.72%	(iii)	(iii)	8x – 9x		(750)	-	
Pacific Balance Fund		22.00%	(ii)	(ii)			-	-	
Toyota Tsusho (PNG) Limited		0.61%			4x – 5x		-	-	
Hillside Garden		50.00%	(ii)	(ii)			-	-	
Panamex Limited		46.30%	(iii)	(iii)	4.5x – 5.5x		(4,367)	(8,383)	
Heritage Park Hotel		60.00%	(ii)	(ii)			3,900	-	
Malagan Limited		100%	(iii)	(iii)			(9,378)	-	
Carpark Limited		100.00%	(iii)	(iii)			5,087	-	
Gewani		0.00%	(ii)	(ii)			381	-	
Capital Insurance Group Ltd		19.20%	(iii)	(iii)			(1,200)	-	
Loloata Island Resort		50.00%	(iv)	(iv)			-	7,398	
Mainland Holdings Ltd		78.27%	(ii)	(ii)			(61,700)	-	
						938,645	(65,346)	61,165	934,465

Unobservable inputs of valuation models are discussed in note (d). The valuation models as indicated above are as follows:

- (i) Orderly Realisation of Assets.
- (ii) Net Assets on a Going Concern Basis.
- (iii) Capitalisable Maintainable Earnings (“CME”).
- (iv) Cost.
- (v) Discounted cash flows.

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9. Equity Investments (continued)

(b) Unquoted Investments at Fair Values (continued)	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Reconciliation of Movement in Unquoted Investments is as Follows:			
Opening Balance		938,645	984,423
Additions / disposals during the year		61,166	(36,029)
Fair value gain/ (loss)	16	(65,346)	(24,924)
Other adjustments	(i)	-	15,175
		934,465	938,645

The above unquoted investments are stated at fair value, which have been determined by the Board of Directors based on external valuations performed by KPMG PNG (by Zanie Theron - KPMG PNG Partner, Bachelor of Business (Accounting), Member Institute of Chartered Accountants, Australia and CPA PNG and Ernst & Young Australia (by Michael Fenech - Transaction Advisory Services Partner, Bachelor of Business (Accounting)/Bachelor of Laws, Member of Chartered Accountants Australia and NZ Valuation Specialist Interest Group). The main methodologies in determining the fair value of unlisted equities are usually based on future maintainable earnings, dividend yields, net tangible assets or cash flows. It is appropriate to consider all of the above methods in arriving at a fair value.

(i) Other adjustments relate to the transactions by the Fund with City Centre Developments Limited arising from advances and repayments of short-term working capital requirements.

(c) Equity investments that are over 5% of the net asset value of the Fund

Bank of South Pacific Limited	10.18%
Vanguard	7.65%

(d) Fair value model and significant unobservable inputs.

Set out below are the fair valuation models used and the significant unobservable inputs that may affect the valuation.

(i) Orderly Realisation of Assets

Orderly Realisation of Assets (ORA) is a valuation model based on the identifiable net assets of the investee. Intangible assets such as customer lists, management, supply arrangements, and goodwill are ignored where not already recorded. The individual assets of the company are discounted for costs that would be incurred to realise those assets.

Significant key unobservable input used in this valuation model is the fair value adjustment for the realisation costs, ranging from 10% to 30%. This valuation method assumes that the company is wound up in an orderly manner. The final valuation is taken at the mid-range of the provided valuation range.

Accordingly, an increase in the discounts for the realisation costs will decrease the estimated fair value of the equity investment. A decrease in the fair value adjustments for the realisation costs will increase the estimated fair value of the equity investment.

(ii) Net Assets on a Going Concern Basis

Net assets approach is a valuation model similar to the orderly realisation of assets. Under this model, fair value is based on the identifiable net assets of the investee. Intangible assets such as customer lists, management, supply arrangements, and goodwill are likewise ignored. The difference lies in the treatment of realisation costs, where under this valuation model, and these costs are ignored as the investee is assumed to continue its operations for the foreseeable future. This method is used where the underlying assets and liabilities approximate their fair value and management do not believe there is any intangible value in the company.

9. Equity Investments (continued)

(iii) Capitalisable Maintainable

Earnings (“CME”) Capitalisable maintainable earnings (CME) approach is a valuation model based on market multiples derived from quoted prices of companies comparable to the investee and the maintainable earnings of the investee. The fair value estimate is adjusted for the effect of the non-marketability of the equity securities. Significant key unobservable input used in this valuation model are the maintainable earnings of the investee and the adjusted market multiples ranging from 3.4x to 14.5x.

Accordingly, an increase in the maintainable earnings of the investee and / or an increase in the adjusted market multiple will increase the estimated fair value of the equity investment. A decrease in the maintainable earnings of the investee and / or a decrease in the adjusted market multiple will decrease the estimated fair value of the equity investment.

(iv) Cost

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

(v) Discounted cash flows

The discounted cash flow (“DCF”) method estimates market value by discounting a company’s future cash flows to their present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life. Significant key unobservable input used in this valuation model are the cash flows projection of the investee and the adjusted discount rate.

(e) Sensitivity analysis

The following is a sensitivity analysis of significant unobservable inputs:

Effect on profit or loss Increase / (decrease)	31 Dec 2019 K'000	31 Dec 2018 K'000
Increase of 1% in market multiples	(41,840)	(19,955)
10% increase in earnings	(48,320)	(16,693)
Increase of 5% in discount rates	144,221	110,744

A decrease in any of the above unobservable inputs would have the opposite but similar effect to profit or loss.

Notes to and forming part of the financial statements

For the year ended
31 December 2019

10. Investment properties and work in progress

	31 Dec 2019 K'000	31 Dec 2018 K'000
Residential Properties	54,884	58,502
Industrial Properties	30,469	28,546
Commercial Properties	443,775	424,893
Land	14,417	14,291
	543,547	526,232

(a) Investment Properties (at market value)
Summary of Movement in Revaluation of Investment Properties as Follows:

Residential properties

	Valuation Model	Capitalization Rates	2018 K'000	Revaluation K'000	Other Movements	2019 K'000
Peacehaven Apartments	MC	11.00%	-	(2,860)	(240)	-
Sol Wara Apartments	MC	10.81%	-	(4,677)	4,125	-
Cross Street Apartments	MC	11.00%	-	240	-	-
Lot 18 Sect. 69 House Property	MC	11.00%	-	-	-	-
Lot 3 Sect. 2 Madang Property	DMA	-	-	(45)	(45)	-
Lot 11 Sect. 13 KBB Property	DMA	-	-	24	-	-
Siroi Panu Units	MC	11.00%	-	(140)	-	-
Airways Avenue Apartments	MC	11.00%	-	-	-	-
			58,502	(7,458)	3,840	54,884

Industrial Properties

API	MC	11.00%	-	-	60	-
Gordons - Cameroon Road	MC	11.11%	-	1,863	-	-
			28,546	1,863	60	30,469

10. Investment properties and work in progress (continued)

	Note	Valuation Model	Capitalization Rates	2018 K'000	Revaluation K'000	Other Movements	2019 K'000
Commercial Properties							
Ravalian Haus		MC	10.00%	-	(793)	111	-
Able Computing Madang		MC	10.00%	-	-	159	-
ANZ Haus		MC	10.00%	-	1,606	329	-
Westpac Head Office Building		DMA	-	-	(2,600)	-	-
BSP Douglas Street	(iv)	Cost	-	-	-	243	-
Luship Voco Point Lae		DMA	-	-	-	-	-
Malahang Shed Regina St. Lae		DMA	-	-	(142)	(30)	-
Madang Slipway		DMA	-	-	(4,511)	350	-
Kina Haus		MC	10.00%	-	6,103	23,724	-
nasfund Haus Lae		MC	11.50%	-	-	7	-
NCSL Head Office	(iii)	DMA	-	-	-	-	-
IPA Haus		MC	12.50%	-	2,908	108	-
Burns Philip		MC	-	-	1,180	60	-
The Face		MC	-	-	(285)	285	-
The Factory		MC	12.50%	-	(9,953)	22	-
				424,894	(6,487)	25,368	443,775
Land							
Section 69, Lae		Cost	-	-	-	-	-
8 Mile and 9 Mile	(ii)	DMA	-	-	-	-	-
Vacant Land, POM			-	-	-	-	-
Vacant Land, Lae		DMA	-	-	257	(131)	-
				14,291	257	(131)	14,417

Notes to and forming part of the financial statements

For the year ended
31 December 2019

10. Investment properties and work in progress (continued)

Reconciliation of movement in investment properties is as follows:	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening Balance	526,233	444,175
Improvements, Reclassifications, and Additions	29,137	74,947
Disposal of Properties	-	-
Fair Value Gain/ (loss)	(11,825)	7,111
	543,545	526,233

Investment properties are stated at fair value, which have been determined by the Board of Directors in line with the accounting policy at 4(ii).

(b) Measurement of fair value, fair value model and significant unobservable inputs information about how the fair values of the Fund's investment properties are determined (in particular, the valuation method(s) and inputs used) is detailed as follows:

(i) Direct market approach (DMA) is a market-based valuation technique which considers the most recent completed sales transactions and quoted market prices (when available) of similar properties in the location adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary).

(ii) Market capitalisation (MC) is a fair valuation model which considers the present value of net cash flows to be generated from the property. The expected net cash flows are discounted using risk-adjusted market capitalisation rates adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary). Key unobservable input includes the risk-adjusted market capitalisation rates and market lease rates.

(iii) Certain properties are valued at cost either due to the recent acquisition of these investments. Management believes that the cost of these properties approximates their fair value.

(iv) Fair value hierarchy
The classifications of fair value hierarchy has been discussed in note 23(g). The reconciliation of the movement of investment properties based on their respective fair value hierarchy classification are detailed as follows:

The fair value measurement for investment properties of K38.348 million (2018: K44.978 million) have been categorised at Level 2 fair value as the inputs to the valuation techniques used made reference to recent market sales transactions of comparable properties.

The fair value measurement for investment properties of K505.197 million (2018: K481.255 million) have been categorised at Level 3 fair value as the inputs to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates.

10. Investment properties and work in progress (continued)

(v) Level 2 fair value.	31 Dec 2019 K'000	31 Dec 2018 K'000
The following table shows a reconciliation from the opening balances to the closing balances for Level 2 fair values:		
Opening Balance	44,978	43,887
Improvements, Reclassifications, and Additions	387	1,091
Changes in Fair Value	(7,017)	-
	38,348	44,978

Direct market comparison was the valuation model used in measuring the fair value of the above properties. Direct market comparison valuation model considers the most recent completed sales transaction and quoted market prices (when available) of similar properties in the location adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary).

The estimated fair value would increase or decrease based on the market's most recently completed sales transaction for comparable properties and the changes in the costs of constructing new similar properties.

(vi) Level 3 Fair Value.	31 Dec 2019 K'000	31 Dec 2018 K'000
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:		
Opening balance	481,255	400,288
Improvements, reclassifications, and additions	28,750	73,856
Changes in fair value	(4,808)	7,111
	505,197	481,255

Market capitalisation was the valuation model used in measuring the fair value of the above properties. The valuation model considers the present value of net cash flows to be generated from the property. The expected net cash flows are discounted using risk-adjusted market capitalisation rates adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary).

Significant key unobservable inputs used include market lease rates and market capitalisation rates ranging from 10.5% to 12%. Accordingly, an increase in market lease rates and / or a decrease in market capitalisation rate would increase the fair value of the properties. A decrease in market lease rates and / or an increase in market capitalisation rate would decrease the fair value of the properties.

(vii) Sensitivity analysis.	Effect on profit or loss increase / (decrease)	
	31 Dec 2019 K'000	31 Dec 2018 K'000
Increase of 1% in Capitalisation Rates	22,174	33,352
10% increase in Rentals	111,557	119,740
10% increase in Sales Prices and / or Replacement Costs	1,518	1,588

A decrease in any of the above unobservable inputs would have the opposite but similar effect to profit or loss.

Notes to and forming part of the financial statements

For the year ended 31 December 2019

11. Property and equipment

a) Property and Equipment	Motor Vehicles K'000	Office Equipment K'000	Fixture and Fitting K'000	Total K'000
At 1 January 2018	1,020	9,250	7,635	17,905
Additions	611	271	63	945
Disposals	(18)	-	-	(18)
At 31 December 2018	1,613	9,521	7,698	18,832
At 1 January 2019	1,613	9,521	7,699	18,832
Additions	582	1,499	33	2,114
Disposals	(1)	-	-	(109)
At 31 December 2019	2,086	11,020	7,731	20,837

Accumulated depreciation

At 1 January 2018	439	5,913	1,738	8,091
Depreciation for the Year	232	1,284	559	2,075
Disposals	-	-	-	-
At 31 December 2018	671	7,197	2,297	10,165
Depreciation for the Year	191	1,213	824	2,228
Disposals	(102)	-	-	(102)
At 31 December 2019	760	8,410	3,121	12,291

Carrying amounts

At 31 December 2019	1,325	2,610	4,610	8,544
At 31 December 2018	942	2,324	5,401	8,666

Capital Work in Progress included in property and equipment

	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening Balance	654	108
Additions	1,497	546
Commissioned	-	-
	2,151	654

Total Property and Equipment

At 31 December 2019	10,695
At 31 December 2018	9,320

12. Income Tax

	31 Dec 2019 K'000	31 Dec 2018 K'000
(A) Income Tax Expense		
Current Tax	49,754	38,835
Under Provision of Current Taxes in Previous Years	8,708	5,088
Deferred Tax Expense	-	900
	58,462	44,823
Accounting Profit Before Tax	371,064	203,530
Tax on The Profit for the Year at 25%	92,766	65,422
Taxation Effect of Permanent Differences		
• Non-Deductible Items	26,697	21,508
• Non-Taxable Items	(40,261)	(10,342)
Dividend Rebate	(29,448)	(22,314)
Under Provision in Prior Years	8,708	5,088
	58,462	44,823

(B) Income Tax Balance

Opening Balance of Income Tax Payable	9,284	1,977
Current Tax Payable	30,093	9,315
Under Provision of Taxes in Previous Years	8,708	5,088
Offset Of Withholding Taxes Recoverable	(12,074)	(7,096)
Payment During The Year	(38,920)	-
	(2,909)	9,284

(C) Deferred Tax Balances

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

As at 31 December 2019	Asset K'000	Liability K'000	Net K'000
Property, Plant and Equipment	-	36	36
Investment Property	-	(13,285)	(13,285)
Provisions	1,135	-	1,135
Interest Receivable	-	(652)	(652)
Other	19,353	(29,594)	(10,241)
	20,488	(43,495)	(23,007)

As at 31 December 2018

Property, Plant and Equipment	-	(474)	(474)
Investment Property	-	(2,822)	(2,822)
Provisions	8,209	-	8,209
Interest Receivable	-	(8,052)	(8,052)
Other	11,230	(18,544)	(7,313)
	19,439	(29,892)	(10,452)

13. Sundry Creditors and Accruals

	31 Dec 2019 K'000	31 Dec 2018 K'000
Sundry Creditors and Other Accruals	7,637	21,697
Unearned Interest on Treasury Bills	36,183	32,843
Bonds and Repayable Deposits	5,534	2,980
	49,354	57,520

Notes to and forming part of the financial statements

For the year ended
31 December 2019

14. Provision

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Current		780	826
Provisions for Employee Entitlements			
Non-current		2,890	2,773
Provision for Long Service Leave			
		2,890	2,773

The movement in provision for long service leave is presented as follows:

Opening Balance		2,773	2,107
Charge for the Year	18	117	694
Payments Made During the Year			(28)
Closing Balance		2,890	2,773

15. Revaluation Reserve

Opening Balance		5,845	5,845
Closing Balance		5,845	5,845

16. Movement in Fair Value

The realised gain from financial instruments at fair value through the profit and loss, represents the difference between the carrying amount of a financial instrument at the beginning of the year or the transaction price upon acquisition during the year, and its settlement / sale price upon disposal.

The unrealised gain represents the difference between the carrying amount of a financial instrument at the beginning of the period or transaction price upon acquisition during the year, and its carrying amount at the end of the period. A summary of the movement in fair value of the investments is as follows:

Unrealised in respect of those investments held at the end of the year:	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Government Inscribed Stock			3,222
Shares in Listed Companies	9(a)	133,101	(12,092)
Shares in Unlisted Companies	9(b)	(65,346)	(35,215)
Investment Properties	10(a)	(11,826)	7,111
		55,930	(36,976)

Movement in related to net foreign exchange gain/(loss) shown separately on the face of the SOCI:

Investment Properties / Unlisted Companies / Other	17	15,520	(30,092)
Movement in Fair Value Not Attributed to Foreign Exchange Gain/(Loss)		40,410	(6,884)

17. Operating surplus for the year has been arrived at after charging the following items:

	Note	31 Dec 2019 K'000	31 Dec 2018 K'000
Auditors' Remuneration – audit		345	298
Legal Expenses		858	1,042
Gain / (loss) on sale of property, plant and equipment		40	98
Net foreign exchange gain/(loss) – related to cash		850	1,224
Net foreign exchange gain/(loss) – related to investments		15,520	(30,092)

18. Staff related expenses

		31 Dec 2019 K'000	31 Dec 2018 K'000
Salaries and wages		15,352	12,717
Superannuation		1,283	1,114
Long service leave	14	117	694
Other expenses and benefits		7,196	6,795
		23,948	21,320

The number of full-time employees at the end of the year was 152 (2018: 152).

The number of employees whose remuneration exceeds K100,000 for the year was 14 (2018: 12).

Total remuneration (Kina)	31 Dec 2019 K'000	31 Dec 2018 K'000
K100,001 TO K150,000	1	2
K150,001 TO K200,000	4	1
K200,001 TO K250,000	-	-
K250,001 TO K300,000	3	3
K300,001 TO K350,000	-	-
K350,001 TO K400,000	-	-
K400,001 TO K450,000	1	1
K450,001 TO K500,000	2	2
K500,001 TO K550,000	-	-
K550,001 TO K600,000	-	-
K600,001 TO K650,000	-	-
K650,001 TO K700,000	-	-
K700,001 TO K750,000	-	-
K750,001 TO K800,000	-	-
K850,001 TO K900,000	-	1
K900,001 TO K950,000	-	1
K950,001 TO K1,100,000	-	-
K1,100,001 +	3	1
	14	12

19. Employee benefit plans

Post-employment benefits

The Fund contributes to the National Superannuation Fund for its own employees. The plan for general employees is a defined contribution type, whereby the Fund matches contributions to the scheme made by employees at the rate of 6% of the employees' base salary. The Fund's employees receive 10% employer contribution rates. Employee contributions are based on various percentages of their gross salaries. During 2019, the Fund expensed K1.233 million in contributions (2018: K1.146 million).

Notes to and forming part of the financial statements

For the year ended
31 December 2019

20. Commitments, contingencies and disputes

(a) Commitments

The Fund has entered into a contract for the management and maintenance of its investment properties (facilities management), member's fund management, and investment portfolio management for the next three years (Refer note 20 (c)). The annual expense expected to be incurred in relation to these contracts is as follows:

Contract	Amount
Facilities management (i)	K5.6 million per annum
Security fees	K1.14 million per annum
Member's fund management	
• Monthly fee for up to 180,000	K590,000 per month
• Withdrawal fees charged to exiting members	Nil
Investment portfolio management	
Custodial Services	K125,000 per annum
Asset Consulting Services	K1.625 million per annum
Listed Funds Management Services	K480,000 per annum
Unlisted Funds Management Services	30 basis points per annum, based on value of funds under management

Contract

(i) Facilities management includes fees for properties in 100% owned companies and other JV companies.

(b) Government securities in dispute and litigation liabilities

The Fund had the following government securities and other litigious matters which were directly or indirectly in dispute as at 31 December 2019:

(i) Sovereign Community Infrastructure Treasury Bill (SCITB) - K125 million.

Recoverability of the SCITB is in dispute. The Government of Papua New Guinea claims that the SCITB is not a lawfully issued Treasury Bill. The Fund maintains, based on independent legal advice that the SCITB was legal and funds advanced for the SCITB and the applicable interest are fully recoverable. The Fund has commenced legal action against the State of Papua New Guinea, the Bank of Papua New Guinea and National Capital Limited (NCL) for the return of the K125 million being the amount the Fund advanced to the State in exchange for the SCITB. On 28 August 2018, the National Court ordered that approximately K56.4 million of the funds advanced by the Fund which were held in several NCL bank accounts be paid to the Fund. These monies have since been received by nasfund. As a consequence, the principal remaining in dispute has reduced to approximately K68.6 million. This amount, and accrued and unpaid interest, is still being pursued in the ongoing legal proceedings.

(ii) Exchange of Niugini Nominee Notes (K100 million) for Bank of South Pacific shares During 2011, the Fund redeemed its holding of Notes issued by Nominees Niugini Limited (NNL) in exchange for shares in Bank of South Pacific (BSP), being part of a parcel of BSP Shares which Motor Vehicles Insurance Limited (MVIL) had mortgaged to NNL. There is currently legal action between Kumul Consolidated Holdings (KCH) (parent of MVIL), NNL and MVIL by which KCH is seeking to have the BSP shares returned to MVIL. The Fund was joined as a party to these proceedings in June 2011 after the BSP shares were transferred to the Fund and all relevant transactions were closed out. One of KCH's claims is that all of the transactions entered into by the parties were void and that as a consequence all of the BSP Shares which had been mortgaged to NNL including those transferred to the Fund should be returned to MVIL. The Fund is advised that KCH's claim should fail.

The Fund's independent legal advisor has advised the Fund that it has good title to the parcel of BSP shares transferred to the Fund and there is no basis for any legal action against the Fund that would result in a negative outcome for the Fund.

(iii) Provision for impairment

Whilst the Fund does not accept that its claim in relation to the SCITB referred to in paragraph (i) will fail, the Fund has made a provision in relation to this matter in which it is engaged, of K39 million (2018: K39 million) to take account of the uncertainties of litigation (see note 8d). There are no other provisions for impairment on litigation matters.

(c) Material contracts – operational

Kina Investments & Superannuation Services: Administration
Expiry Date: July 2022

Black Swan
Services: Security
Expiry Date: March 2021

BSP Capital Limited
Services: Investment Management
Expiry Date: June 2021

Ashton Brunswick Limited
Services: Facilities Manager
Expiry Date: June 2020

21. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank and short-term deposits. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Cash at bank and on hand	63,094	134,838
Interest bearing deposits and treasury notes	43,122	64,015
Cash and cash equivalents	106,216	198,853

Interest bearing deposits and treasury notes have a maturity of less than 90 days. Interest rates ranged from 0.5% to 6.25% (2018: 0.5% to 6.25%).

22. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Fund and entities controlled, jointly-controlled or significantly influenced by such parties. Pricing policies and the terms of these transactions are approved by the Board of Directors.

Transactions with related parties during the year are as follows:

(i) Nasfund Contributors Savings and Loan Society ("NCSL")

nasfund Contributors Savings and Loan Society is a related party as only nasfund contributors are eligible to be members of the Society.

Notes to and forming part of the financial statements

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22. Related party transactions (Continued)

	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening balance owing to nasfund	62	56
Administration services provided by nasfund	21	6
Payments made to nasfund	(82)	-
	1	62
(ii) Nasmel Limited	-	
Opening inter company balance owing to nasfund Improvements to Nasmel Limited investment properties Amalgamation	-	127,440
Closing intercompany balance owing to nasfund	-	(127,440)

(iv) Transactions with key management personnel.

Key management personnel are Ian Tarutia (CEO), Charlie Gilichibi (COMS), Seema Dass Raju (CRO), Rajeev Sharma CFO), David Brown (CIO), Rennie Wekina (CP), Jack Parina (Company Secretary) and Vincent Lialu (Head Of Human Capital).

(v) Compensation

	31 Dec 2019 K'000	31 Dec 2018 K'000
Key management personnel compensation comprised of		
Salary and fees	6,533	5,201
Non-monetary benefits	2,512	2,608
Post-employment benefits	1,490	1,395
	10,535	9,204

(vi) Loans

No loans were provided to key management personnel during the year.

(vii) Benefits paid to key management personnel

The following payments were made to Board members and Audit Committee members:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Sitting allowance	124	129
Quarterly allowance	1,572	1,622
Committee fees	83	81
Directors insurance	190	170
Other Costs	120	294
	2,089	2,296

All of the above payments were made in the ordinary course of business.

22. Related party transactions**(Continued)****(viii) Board and CEO personnel interests**

	Note	Organisations
Mr. Hulala Tokome	Director	Puma Energy PNG Ltd, Puma Energy Refining PNG Ltd, Puma Energy Supply PNG Ltd, Mainland Holdings Ltd, nasfund Contributors Savings & Loans Society Ltd., BP Oil, Interoil Corporation, Kina Asset Management Ltd.
	Shareholder	BP Oil, Interoil Corporation, Kina Asset Management Ltd.
Mr. Vera Raga	Director	nasfund Contributors Savings & Loans Society Ltd, Edge Ltd, Car park Ltd, Gewani Ltd, Malagan Ltd, National Housing Corporation Ltd.
Mr. Graham Ainui, MBE, OL	Director	First Investment Finance Ltd, Police Legacy, Employers, Federation of PNG, Viva No.5 Ltd, Security Industry Authority, Investment Promotion Authority.
	Shareholder	JEM Investments Ltd.
Mr. Murray Woo, OBE	Director	Woo Textile Corporation Ltd, Heathly Kamwood Ltd, Manufacturers Council of PNG, Getaway Travel Ltd, Print Monster Ltd, nasfund Contributors Savings & Loan Society Ltd, City Centre Developments Ltd, Employers Federation of Papua New Guinea, Port Moresby Nature Park, Mainland Holdings Ltd, PNG Ports Corporation, Pacific View Apartments.
	Shareholder	Highlands Pacific Ltd, Oil Search Ltd.
Mr. Charles Vee	Director	Edge Ltd, Carpark Ltd, Gewani Ltd, Malagan Ltd, Architectural Alliance Ltd.
	Shareholder	Architectural Alliance Ltd.
Mr. Leon Buskens	Director	ANZ (PNG) Ltd, SP Brewery Ltd, Capital General Insurance Group, IPA, Business Coalition for Women, Gazelle International Hotel, Kopkop College.
	Shareholder	Oil Search Ltd, Kopkop College.
	Trustee	National Football Stadium.
Mr. Kepas Wali	Director	Minerals & Petroleum Consultants Ltd, PNG Ports Corporation Ltd.
Ms. Tamzin Wardley, ML	Director/Executive	Royal Papua Yacht Club Inc., PNG Olympic Committee Inc.
	Director	Pacific Games 2015 Ltd, Westpac Bank Ltd.
	Shareholder	Steel Industries Ltd, Oil Search Ltd.
Ms. Florence Willie	Director	Konevilla No 1 Consultants Ltd.
	Shareholder	Konevilla No 1 Consultants Ltd.
Mr. Michael Murphy	Owner	Mike Murphy Actuarial.
	Shareholder	Telstra Corporation Ltd (AUS), AMP Ltd (AUS), AON PLC (US/UK).
Mr. Ian Tarutia OBE	CEO	nasfund.
	Director	nasfund Contributors Savings & Loan Society Ltd, Federation of Savings & Loan Societies, PNG Chamber of Commerce of Industry, Seychelles Ltd, East New Britain Properties Ltd, Cloud App Laboratories Ltd. Bank South Pacific Ltd, Seychelles Ltd, PNG Air Ltd.

Notes to and forming part of the financial statements

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23. Financial instruments

(a) Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Government debt securities	1,419,092	1,322,355
Equity securities	2,174,600	1,972,624
Loans and receivables	103,295	70,416
Interest receivables	34,815	32,208
Property receivables	19,560	20,993
Other receivables	1,085	1,722
Interest bearing deposits and treasury notes	906,460	753,890
Cash and cash equivalents	106,216	198,854
	4,765,122	4,373,062

The maximum exposure to credit risk for loans and receivables at the reporting date is concentrated in Papua New Guinea.

The ageing of unimpaired property receivables at the reporting date was:

Aging of trade receivables	31 Dec 2019 K'000	31 Dec 2018 K'000
Current	2,809	7,102
31 - 60 days	376	81
61 - 90 days	2,050	127
Over 90 days	14,325	13,682
	19,559	20,992

The movement in the allowance for impairment in respect of property receivables is as follows:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening balance	1,448	1,448
Additional doubtful debts upon amalgamation with SIOS	-	-
Doubtful debts provisions during the year	-	-
Write-offs during the year	-	-
	1,448	1,448

23. Financial instruments (continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity to meet its obligations when due under normal and stressed conditions without incurring unacceptable losses or risking damage to the Funds' reputation.

Contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements are expected to be realised within the first three months of 2019. Contractual financial liabilities comprise sundry creditors and accruals and current tax liabilities. Any interest payable on these accounts is expected to be insignificant for expected future contracted payments.

(c) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments that are denominated in a currencies other than the functional currency (Kina) of the Fund.

Consequently, the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's investments denominated in currencies other than the Kina.

The Fund's exposure to foreign currency risk was as follows based on notional amounts:

	AUD K'000	USD K'000	FJD K'000	SBD K'000
As at 31 December 2019				
Equity investments	161,920	404,375	-	64,750
Cash at bank	2,637	-	-	7,664
Gross balance	164,556	404,375	-	72,415
% of net asset value	3.1%	7.7%	-	1.4%
Foreign exchange rate	0.42	0.30	-	2.41
As at 31 December 2018				
Equity investments	309,569	252,947	35,000	122,620
Cash at bank	-	-	-	3,124
Gross balance	309,569	252,235	35,000	125,744
% of net asset value	4.8%	0.01	0.8%	2.6%
Foreign exchange rate	0.40	0.32	0.67	2.45

Sensitivity analysis

A 10 percent strengthening of the PNG Kina against the above currencies at 31 December would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2019 and 2018.

Notes to and forming part of the financial statements

For the year ended
31 December 2019

23. Financial instruments (continued)

	31 Dec 2019 K'000	31 Dec 2018 K'000
AUD	16,456	30,957
USD	40,437	25,295
FJD	-	-
SBD	7,241	6,492
	64,135	62,74

A 10 percent weakening of the PNG Kina against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Fixed rate instruments		
Financial assets (Government bonds and inscribed stock)	1,930,009	1,253,774
Treasury bills and interest-bearing deposits	949,582	817,906
Loans and other receivables	75,363	15,255
	2,954,954	2,086,935
Variable rate instruments		
State grant	-	-
Loans and other receivables	-	-
61 - 90 days		
	2,954,954	2,086,935

(e) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Fund's financial instruments are carried at fair values with changes recognised in the statement of comprehensive income, changes in market conditions affecting fair value will be recognised.

Investments of the Fund (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities, shares in listed

companies, investments in unlisted companies and funds. The Fund's exposure therefore is limited to the fair value movement of these investments. Other market price risk is mitigated by constructing a diversified portfolio of instruments which are traded on various markets. All investment managers are subject to extensive due diligence prior to being appointed with the recommendation for their appointment and removal made by the Investment Committee to the Board for final approval.

The Investment Department receive monthly reports from all investment managers which are reviewed in detail and assessed against relevant benchmarks and expected returns. Investment manager performance is reported to the Investment Committee and Board on a quarterly basis.

23. Financial instruments (continued)**(e) Other market price risk (continued)**

Sensitivity analysis

Following analysis of historical data and expected investment rate movements during the 2019 financial year, together with consultation with the investment consultant, the Fund's Investment Department considers the following movements in other market price risk are reasonably possible.

List overseas shares	15%
Listed local shares	10%
Investment in unquoted companies	5%

	%	Carrying Amount K'000	Effect on net assets and profit Increase K'000	Effect on net assets and profit Decrease K'000
As at 31 December 2019				
Listed overseas shares	15%	563,391	84,509	(84,509)
Listed local shares	10%	676,744	67,674	(67,674)
Investment in unquoted companies	5%	934,465	46,723	(46,723)

As at 31 December 2018				
Listed overseas shares	15%	437,941	65,691	(65,691)
Listed local shares	10%	624,321	62,432	(62,432)
Investment in unquoted companies	5%	910,362	45,518	(45,518)

(f) Fair value versus carrying values

The carrying amounts of financial assets and liabilities as set out in the statement of financial position approximates their fair values. The significant methods and assumptions used in estimating the fair values are stated in notes 4, 9 and 10.

financial assets at fair value through profit and loss ("FVTPL") and financial liabilities at FVTPL. The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. Details of each level are discussed in note 4(iii).

(g) Fair value hierarchy

Subsequent to initial recognition, the Fund uses the fair value hierarchy in determining the fair value of its available-for-sale financial assets,

The table below presents the basis of determining the fair value of each class of the Fund's financial instrument measured at fair value subsequent to initial recognition.

	Level 1 K'000	Level 2 K'000	Level 3 K'000	TOTAL K'000
As at 31 December 2019				
Equity securities	1,240,041	-	934,465	2,174,506
Investment Properties	-	38,348	505,199	543,547
	1,240,041	38,348	1,439,664	2,718,053

As at 31 December 2018				
Equity securities	1,042,261	-	938,645	1,980,907
Investment Properties	-	44,978	481,254	526,232
	1,046,755	44,978	1,419,899	2,507,139

Notes to and forming part of the financial statements

For the year ended
31 December 2019

23. Financial instruments (Continued)

(i) Financial instruments measured at fair value

Equity securities

Capitalisable maintainable earnings (CME) approach, orderly realisation of assets (ORA), net assets approach, and sum of parts were the valuation models used in measuring the fair value of the Level 3 fair value equity securities.

For a summary of valuation methods used, unobservable inputs and sensitivity analysis associated with Equity securities, please refer to note 10.

Debt securities - Government Inscribed Stock

Government Inscribed Stock has been reclassified from FVTP to amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(ii) Financial instruments not measured at fair value

Debt securities

Debt securities, which includes government securities and other loans, but excludes Government Inscribed Stock, are valued at amortised cost. Due to the absence of an observable market of these debt securities in Papua New Guinea and/or their nature as loans, the amortised cost approximates their fair values. There is no significant unobservable input used in the valuation model.

(iii) Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	31 Dec 2019 K'000	31 Dec 2018 K'000
Opening balance		
(Disposals / redemptions) or additions during the year	1,419,900	1,384,711
Changes in fair value	(77,558)	(18,905)
Closing Balance	90,302	54,094
	1,432,645	1,419,900

24. Comparative figures

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. Management believes that the above reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss.

The Fund is in the process of assessing possible financial impacts of the situation on its business, however, given it is still evolving, the exact financial impact cannot be quantified at this stage

The directors and management are not yet able to reliably determine the potential impact of the COVID-19 pandemic on the financial statements of the Fund, including its potential impact on the going concern assumption, however it is likely to have a material impact on the financial performance of the Fund and potentially on the carrying value of investments.

25. Events after balance sheet date

The spread of Novel Coronavirus (COVID-19) subsequent to year end is currently impacting businesses globally. The extent of impact varies by industry mainly resulting in reduced availability of human resources, increased cost of alternative working arrangements, stock market volatility and consequent increase in provisioning requirements and reduction in revenue streams from industries impacted.

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Mr. Hulala Tokome
Independent

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Manufacturers Council of PNG

Mr. Graham Ainui, MBE, OL
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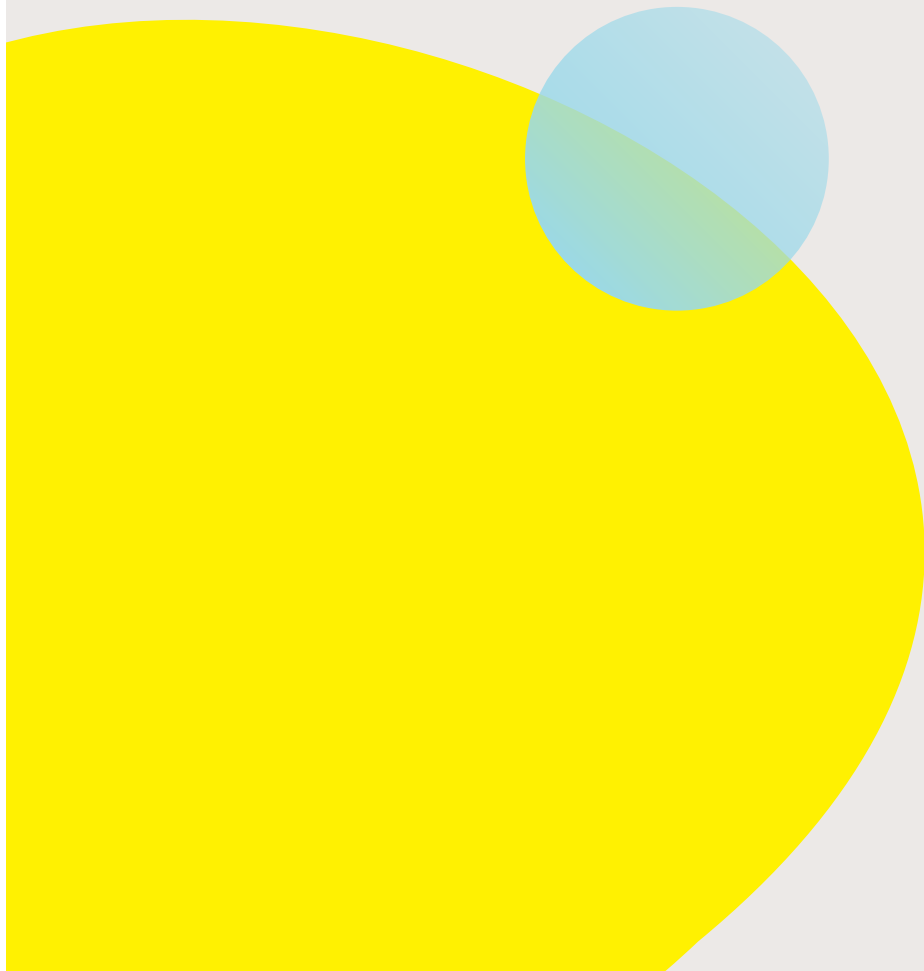
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Brian Bell Chemicals	15%	Nuigini Electrical Company	12.50%	Milne Bay Hardware (Brian Bell Supplier)	15%
PNG Air	K50	Nesian Beauty	20%	Tawali Resort	25%
		AGD Printings	25%		
<u>Port Moresby</u>		<u>Mt Hagen</u>		<u>Lihir</u>	
ACountry Farmers Hardware	5%	Country Farmers Hardware	5%	Awella Books & Stationary	5%
Magani Motor Services	5%	FU Qing GOR Trading	5%	Anitua Hardware	10%
PNG Pipemakers	5%	Hagen Airport Motel	5%	<u>Kavieng</u>	
Poiyo Ltd	5%	Jiwaka Mission Resort	5%	Joseph Tongs & co	5%
Prolonk International	5%	Magani Motor Services	5%	Bisi Trading Ltd	5% - 8%
Wellness	5%	Manan Hardware & Electrical Services	5%	Huilong Enterprise Limited	5% - 10%
Able Computing (PNG) Ltd	10%	Mt Wilhelm Hotel	5%	Island Builders Suppliers	10%
Anitua Hardware	10%	Poiya Ltd	5%	Red Star Investment Limited	10%
Badili Hardware	10%	Total Homes Limited	5%	Kavieng Hotel	15%
Camp Adminsitraion	10%	Gilsenan Melpa Ltd	10%	PMM (Cofgro No.35) Ltd	15%
Cellar Resturant	10%	Jamie Timbers, Joinery & Furniture	10%	<u>Tabubil</u>	
City Health Care	10%	McRoyal Hotel	10%	Camp Administration	10%
Courts (PNG) Ltd	10%	Steel Works	10%	WP Constructions ltd	15%
Daltron Ltd	10%	Shir Shar Computing & Electronics	15%	<u>Kiunga</u>	
Dental On Coronation	10%	Kiminiga Hotel - Accomodation	15% - 20%	WP Contructions & Phamacy	
Etnambo Builders	10%	<u>Kokopo</u>		Hardware	15%
Glow Hair Boutique	10%	Barlow Industries	3%	Dynamic Engineering & Contruction Ltd	10%, 12% - 15%
Lamana Hotel	10%	Electrical Services Suppliers	6.50%	<u>Vanimo</u>	
Leon Enterprise Ltd	10%	Plumbers & Builders Suppliers	6.50%	Vanimo Beach Hotel	5%
Look Fresh Salon	10%	Rabaul Refrigeration Services	6.50%	Vanimo Forest Products	5%
Majestic Ocean Ltd - Bzzworld	10%	Hongland Hardware	10%	Aung Myae Ltd	10%
Mills Dental Care	10%	Rapopo Plantation Resort	10% - 20%	Lin S Trading	10%
Monier Ltd	10%	<u>Kimbe</u>		<u>Kundiawa</u>	
Mr. Mike	10%	Abel Computing	10%	Etnambo Builders	10%
The Play Station	10%	Kimbe Bay Hotel	10%	<u>Manus</u>	
The Shady Rest Hotel	10%	Liamo Reef Resort	10%	Tapo's Lodge & Tours	5%
Theodist Ltd	10%	Kimbe Bay Shipping Agencies	12%	Handyman Home Centre Shop	7%
Chin H Meen & Sons Ltd	10% - 15%	<u>Madang</u>		Juromo Enterprise	10%
Solar Solutions PNG Ltd - Sentinel	10% - 15%	Madang Resort	10%	Kingfisher Lodge	10%
Solar Energy Solutions PNG	10%, 12.5% - 15%	Natu Clinic	10%	<u>Bialla</u>	
Ideal Hardware	11% - 15%	Jais Aben	15%	Bialla Staywell Lodge	3%
Nanga Medical & Dental Centre Ltd	12.50%	<u>Goroka</u>		Huvi Guest House	10%
Lamana Dental Clinic Ltd	15%	Pacific Gardens Hotel	15%		
Lotus Spa	15%	Leon Hardware	10%		
All Workers Barber Services Ltd	20%	Seaview Hotel	10%		
Neisian Beauty	20%	<u>Wewak</u>			
Oi Lau Timber Yard	20%	Leon Hardware	10%		
Sed Optical	20%	Seaview Hotel	10%		
Sed Optical Ltd	20%				
The Sancutuary Hotel Resort & SPA	20%				
<u>Lae</u>					
Niugini Builders Suppliers Ltd	5%				
Phils Hotel	5%				
PNG Pipimakers Ltd	5%				

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