



2019

Annual Report

Change is here

Comrade Trustee Services Limited

Defence Force Retirement Benefits Fund





Table of contents

The Statutory Manager's Statement	2
Major Highlights	3
Financial Performance	3
Toea Homes	3
The Way Forward	4
Acknowledgement	4
Operational Report	6
Statutory Manager's Profile	16
Executive Team	18
Investment Manager Annual Statement	19
Fund Administrator's Statement	20-22
2019 Highlights at a glance	23
Five year performance summary	23
5-Year Net Asset Growth	23
Investment Portfolio	24
Major Investments	24
Portfolio At a Glance	24
Equity Transactions	25
Equities Portfolio	25
Property Portfolio	26
Cash & Fixed Portfolio	26
Comparative Statistics	27
Result Summary 2019	27
Financial Statements	29
Trustee's declaration to members	30
Management's statement	30
Statutory Manager's report	31
Independent auditor's report	32-34
Statement of net assets	35
Statement of comprehensive income	36
Statement of change in net assets	37
Statement of cash flows	37
Notes to the financial statements	38-60
Corporate Directory	61

The Statutory Manager's Statement

Sitiveni Weleilakeba

Bula Vinaka Members

On behalf of Comrade Trustee Services Limited (CTSL), Trustee for the Defence Force Retirement Benefit Fund (DFRBF), I am pleased to report the financial results for DFRBF for the period ending December 31, 2019.

This is the fourth Year of the Fund operating as a dual scheme and we continue to meet the challenges presented by this.

The 2019 Financial Statements for DFRBF, presented in this report were audited by the Fund's external auditors, KPMG who have provided an unqualified audit opinion and a clean bill of health of your Fund for the period under review.

The Fund has undergone some major structural changes this year, with the intervention of Bank of Papua New Guinea (BPNG), as the Regulator, in the second quarter of the financial year. This intervention saw the replacement of the Board of Directors with the appointment of the Statutory Manager. Despite this drastic measure, we have remained focused, agile and nimble throughout the remainder of the year and have worked tirelessly to deliver a more improved financial result compared to the performance of the Fund in 2018. This was achieved despite the intervention of BPNG coupled with the challenging economic landscape and conditions we went through.

MAJOR HIGHLIGHTS

From an operational perspective 2019 was an eventful and most difficult year for the Fund since its inception. Despite this, the Fund was able to navigate itself out of danger, re-set its priorities and stay ahead of the game.

Some of the major business highlights in 2019 are articulated below:

- BPNG, after careful consideration decided to place CTSL under Statutory Management and relieve the Board of its legal and fiduciary duties. This decision was underpinned by the deteriorating cash flow position of Fund over a prolonged period, which has a negative impact on the Net Asset base of the Fund coupled with the Toea Homes Limited poor performance and uncertain future.
- A review of the Toea Homes Limited operations was conducted and the outcome of this review was useful in putting together a “Rehabilitation Plan” which enables us to accelerate the completion of the 30 homes and commence our efforts to sell those units to our members. The other important issue revealed by the review was the urgent need to undertake in future an “eligibility analysis” to ensure that the “affordable” homes constructed on site can meet the expectations and affordability test of majority of our members.
- BPNG approved the continuation of the Toea Homes Project based on the strength of the Rehabilitation Plan and authorised the Statutory Manager to proceed with the completion of the project.
- To assist Fund in the acceleration of selling and assisting members to secure a loan package from the Banks, we sought the concurrence and approval of the PNG Defence Force Chief and Commander Major General Gilbert Toropo, DMS, CBE, to waive or remove the restrictive covenants in the lease. The impact of this decision would enable members to secure loans with minimum or no equity contributions required. This change also allows the Banks to assess the valuation of the land differently given that in the event of loan default, the Banks have a wider pool of potential customers to consider.
- On 13th October 2019, Retired Lt Col Ron Hosea was the first and proud recipient of one of the first thirty homes built at Taurama Valley just outside the Taurama Barracks in Port Moresby.
- The distribution of surplus funds to pensioners was made possible after a prolonged period. Special approval was sought from BPNG which saw the release of K5 million earmarked for the special surplus distribution to pensioners.
- Concerted efforts were made to address the cash flow situation of the Fund and stop the bleeding. The negative trend experienced in the first 6 months of the year was reversed in the second half of the year, with major turnaround in the cash flow position of the Fund.
- A major review of the organisational structure of the Fund was conducted. This review was aimed at streamlining operations, improving decision making process and eliminate areas of duplication. The outcome of this review resulted in the reduction of staff numbers.

FINANCIAL PERFORMANCE

Despite booking two major impairments in our accounts for period ending December 31 2019, we recorded a Net Surplus after Income Tax of K31,473,652.00. This represented an increase of 32.3% compared to 2018 Surplus after Income Tax of K23,857,942.00. The major contributor to this outcome was the change in fair value of financial assets.

Net asset or Fund size grew in 2019 by 4.7% from K571,855,627.00 in 2018 to K598,638,627.00

The Fund has announced the approval of a Crediting Interest Rate of 6.5% for contributing members of the Accumulation Schemes (AS) which is 25.7% higher than what was credited in 2018 into members account of 5.17%. This crediting rate is applied to each member standing contribution than the amount derived is added onto their standing contributions.

For Pensioners, their share of Net Surplus after Tax amounting to K18,240,473.00 was transferred to their pool of retained earnings specifically for the purpose of paying their monthly employee portion for the Defined Benefit Pension Scheme.

TOEA HOMES

Toea Homes Limited (THL) is a 100% owned subsidiary of Comrade Trustees Services Limited (CTSL), the Trustee of the Defence Force Retirement Benefit Fund (DFRBF). THL operates as the Home ownership Scheme of the Fund, which provides affordable homes within the vicinity to the main entry of the PNGDF Taurama Barracks. This initiative is commendable; however, it needs to be broad based and inclusive, but there is a cost to it, which needs to be carefully considered.

The scope of the residential sub-division was to build 600 homes, a service station and a Shopping Centre outside the Taurama Barracks in Port Moresby. The commercial precinct was developed by CTSL as an investment to generate return on investment sufficient to cover both the investments on THL and the commercial precinct.

The civil works and construction of the initial 30 homes, consisting of 15 high cost and 15 low cost for the first stage of the housing project have been completed. All works required in the commercial precinct has also been completed.

The Fund has invested well over K62.7 million to deliver the project (Residential K43.1 million and Commercial K19.6 million). The decision made by the Board of CTSL to proceed with this Project demonstrated that financial considerations were overridden by the social consideration of providing affordable homes for members.

Based on our recent eligibility analysis, only 97 members or 2.7% of the total membership have the ability to purchase these completed 30 Homes on site, whilst the commercial precinct owned directly by CTSL comprised of 12,000 sqm was expected to be main revenue source.

Based on our recent assessment and the status of the project as is, our proposed solutions moving forward are as follows:

1. Review membership eligibility criteria to widen members participation;
2. The need to accelerate the sale of 30 completed homes to members who can afford and liquidate the investment made and to earn an estimated revenue of K13.4 million. Proceedings from the sales will be used as recycled funds to develop other allotments;
3. The work has begun on Phase 2 of the project in securing clean titles for 128 lots in anticipation of selling with an approved Home plan to our members or other parties or institutions who may be interested in securing land for their housing scheme;
4. Work will commence on Phase 3 subject to a full evaluation of the impact of COVID – 19 of the projects aimed reducing the cost per allotment, increase allotment size to 450 square meters and redesign home plans to meet the members purchasing power. This will comprise of 225 allotments.

THE WAY FORWARD

While the year ahead looks to be yet as more challenging with the business landscape keep changing, the impact of COVID – 19 in 2020 is expected to put pressure on the State honouring their commitment, affecting our inflows of contributions and the impact on our investments. The situation is still very fluid and a better barometer for this Year 2020 performance would be in June when BSP is expected to announce their dividend pay-out. We will be reviewing our Strategy and Action Plans for 2020, in Q2 at the middle of June 2020. We remain confident that the changing contours and business landscape around us, will not dampened our spirit but will bring the best out of us in the outcome we will generate.

Our focus will be to improve our services and lift our engagement with members from 2020 and beyond. We are looking at various options to provide a business footprint at major locations through the country to support the above in the most cost effective and efficient manner.

The challenge is always to stay ahead of the game by ensuring that we are able to ride the wave of rapid changes around us and navigate our organization through uncharted waters. Our aim is to remain agile and nimble in the face of adversity.

ACKNOWLEDGEMENT

On behalf of CTSL, I take this opportunity to thank the stakeholder representative, The PNG Defence Force Commander and Chief, Major General Gilbert Toropo DMS, CBE for his patience, never-ending support, and dedication to see the Toea Home Project re-program, reset its pathway and to ensure that it thrives in future for the benefit of his highly dedicated men and women in uniform.

I also wish to thank the Central Bank, the industry regulator for their wise counsel, guidance and advice without which I would be lost in the mountain of documentation I had to go thorough in my appointment.

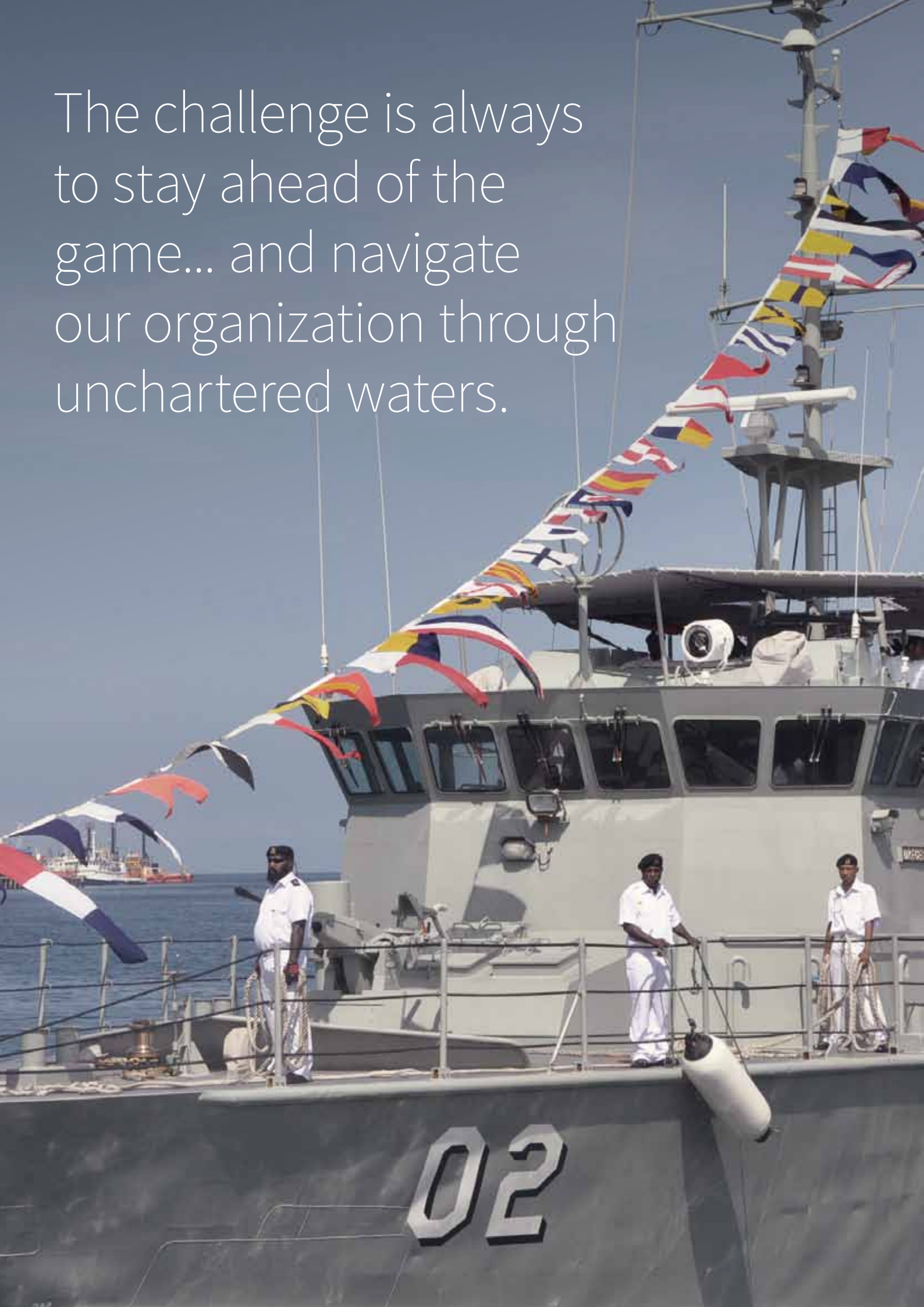
Last but not the least, I also wish to place on record my immeasurable gratitude to the staff for their loyal and dedicated service when push comes to shove. They were resolute in their determination to correct the past and stay ahead of the game and to be part of history in rebuilding an institution from the face of disaster to an institution which will become a flag-bearer of success in future.



Sitiveni Weleilakeba

Statutory Manager

The challenge is always to stay ahead of the game... and navigate our organization through uncharted waters.



Operational Report

For the Period Ending December 31 2019

Dear Members

The Bank of Papua New Guinea, as the superannuation industry regulator took a strategic decision on July 29 2019 to intervene in the affairs of the Fund in conformity with the requirements of Superannuation Act and had to set aside the Board and appointed the Statutory Manager Mr. Sitiveni Weleilakeba. This decision was taken, after a thorough assessment of the trustee activities in Toea Homes Limited and the deteriorating liquidity position of the Fund.

Operating Environment

The operating environment in 2019 was challenging as the PNG economy slowed down, despite earlier prediction of economic recovery. Government was not able to reach a conclusive agreement with foreign parties with respect to the 2 gas/oil projects which were ear-marked to commence in 2019. It was expected that the investments in these two major projects, if it came through would have major impact to the economy and would have fuelled and contributed immensely to the increased business activities in the country and offer increased opportunities for employment to locals.

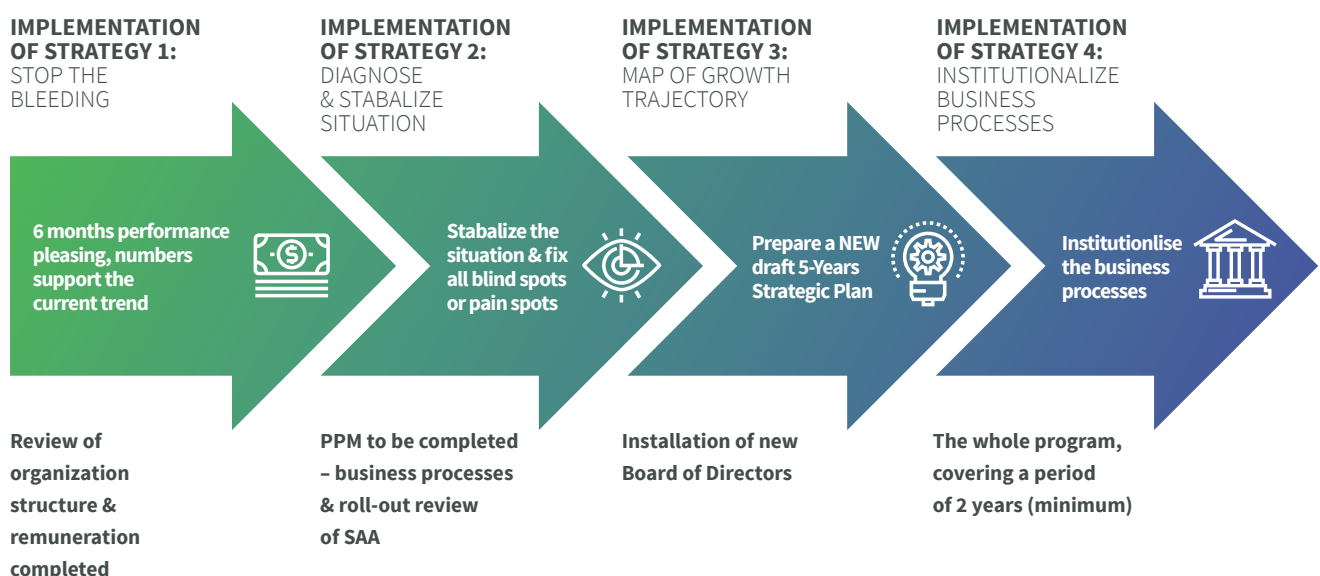
As a direct consequence of the above, the economy slowed down, competition in many business sectors were intense, putting increased pressure on income generating capabilities of many businesses and forced them to look internally for areas where cost savings could derive. Whilst inflation rate stabilized, foreign exchange issues continues to pose major threat to the economic and business activities in the country. Whilst the newly installed government sought assistance and negotiated some soft loans from neighbouring countries, its flow on impact was minimal.

The 4-Piece Strategy

The installation of the Statutory Manager by BPNG as regulator was timely, which enabled the Fund to stabilize its cash flow position, help to re-habilitate key areas of the business and took corrective measures to stop the bleeding as early as possible.

Further short-term issues were addressed to ensure that the Fund is pivoting in the right direction and that the momentum forward is not hampered.

This quick turnaround was on the back of the implementation of a 4-piece strategy established by the Statutory Manager to guide him in the rehabilitation of the Fund and to address with a heightened sense of urgency, key areas which poses major threat to future growth. The implementation phases of the 4-piece strategy are clearly articulated below:



The Strategy 1 has been fully implemented and the desired outcomes were achieved at year end. We are now into the implementation of Strategy 2 the outcome of which should be known at the end on quarter 2 of the next financial year 2020.

The Fund Performance

The Fund despite the challenges it faced during the year including the intervention of the regulator BPNG, the results achieved for the period ending December 31 2019 was commendable. In summary the performance of the Fund compared to the same period last year is provided in the table below:

Table 1: Summary of Performance

KEY PERFORMANCE INDICATOR	FY18	FY19	% CHANGE (+, -)
Total Revenue	37,572,279	43,753,401	+16.5%
Expenses	12,982,973	14,193,902	+9.3%
Net Surplus After Tax	23,857,942	31,473,652	+32.3%
Fund Size	571,855,627	598,638,402	+4.7%

Key Ratios

Crediting Rate	5.1%	6.5%	+27.4%
Return on Investment	6.8%	7.35%	+8.1%
Management Expense Ratio	2.44%	2.1%	-13.9%

Total revenue grew by 16.5% in 2019 when compared to what was achieved in 2018. This can be attributed to the change in fair value of financial assets, despite the valuation loss booked for unlisted financial assets.

In terms of expenses, the increase recorded in 2019 can be attributed to the “one- off” cost associated with payment of redundancies incurred after the implementation of the new organisational structure in September 2019 and the increase in License fee which directly relates to BPNG annual licence fee renewal together with the engagement costs of an independent auditor and the appointment of the Statutory Manager.



The net surplus after tax recorded an increase of 32.5% in 2019 compared to what was achieved in 2018. This can be attributed by the gain from the change in fair value of the financial assets.

Total Fund size grew by 4.7% on the back of improved net surplus after tax performance.

The return on Investment recorded for the period under review improved by 8.1% in 2019 as compared to 2018. Despite the increased in the cost of administration, the Management Expenses Ratio (MER) recorded a decrease by 13.9% as compared to 2018.

Based on the above, we were able to announce and declare a crediting rate of 6.5% for the period ending December 31 2019, for the Accumulation Scheme members. This is an increase of 24.7% as compared to 2018.

Fund Investments

The global markets grew despite the global trade tension between the US and China. Domestically the expected impact of the two resource-based projects did not eventuate.

2019 saw a change in CTSL's Licensed Investment Manager from Kina Funds Management (KFM) to Frontier Equities Ltd (FEL). FEL a locally own and managed Fund Investment Manager was appointed in October of this year.

CTSL recorded an investment Total Return of K44.41million, or 8.27% in 2019 up K5.31 million or 13.59% from the previous corresponding period last year 2018. These results are highly commendable given the economic challenge the country has encountered in the period under review.



Our aim is to remain
agile and nimble in
the face of adversity.

Table 3: Investment Performance (By Segment)

ASSET CLASS	FY18	FY19	TOTAL RETURN FY19 PGK	% CHANGE (+, -)
Cash	31,845,832	41,046,958	373,283	1.17%
Fix	33,093,919	33,283,459	3,111,000	9.40%
Listed	112,013,869	93,857,592	-14,733,711	-13.15%
Unlisted	137,439,967	157,306,057	37,759,249	27.47%
Properties	155,781,000	155,957,750	3,925,181	2.52%
International Cash	16,219,823	18,477,316	460,185	2.84%
International Equities	50,507,428	61,479,322	13,517,728	12.18%

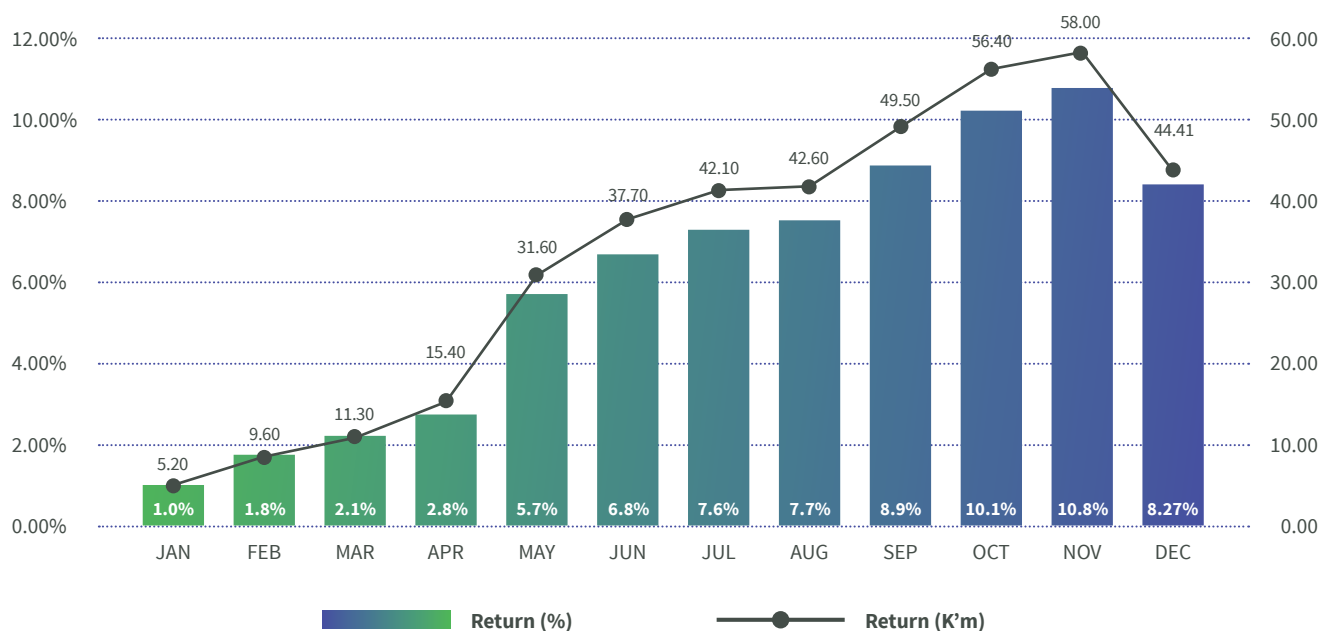
The above table highlights two important factors:

- Most of the returns are generated by the domestic and international listed equities (BSP 28.4%, Kina Securities 67.9% and Vanguard 28.1%)
- The unlisted equities provided much of the drag on the investment portfolio (Paradise Foods – 33.1%, SP Brewery – 9.5%)

State Unfunded Liabilities

We continue to consult and share ideas with the Department of Treasury on the issue of the “unfunded State Liabilities” which continues to rise annually. This is a critical legacy issue that deserves top priority to reach an agreement that offers both parties involved, an amicable solution. These liabilities are only recognized when members reached the age of 55 years, and at this point the liabilities are crystalized and the State is requested for payment to cover these liabilities. The situation as it is, is not acceptable to the Fund. Our preferred position is that the total unfunded state liabilities must be recognized and booked in our Balance Sheet. The situation as it is, is not acceptable to the Fund.

It is intended that early in the new year the Statutory Manager will seek the Numbawan Super Board's concurrence with the view of approaching this issue on a consolidated basis and assess various options that can be pursued, which offers the State a window of opportunity to resolve this critical matter ones and for all. The Statutory Manager is determined to achieve this, during his term of engagement with CTSL.



Return	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
PGK million	39.10	11.30	26.40	11.90	(5.19)	44.41
(%)	7.30	2.10	4.70	2.10	(0.63)	5.31

(Note: inclusive of exchange rate effect)

Toea Homes Project

This initiative is commendable from a social perspective however, we need to be cautious in the manner we manage and fund this type of project in future. The Fund must not be cross subsidising this project given that not all members will want to participate in it. Their preference may be different compared to the majority who may wish to participate in this initiative. This project must be able to operate on “stand-alone” basis and pass the commercial viability test.

During the year, the Statutory Manager assembled a Special Projects Team to manage the selling of the first completed 30 homes and embarked on an aggressive sales and marketing campaign to liquidate the remainder of those developed lots totalling 128 allotments. We have already commenced work on securing individual titles on these 128 allotments and we anticipate that this process can be completed and new leases issued on or by the end of May 2020.

The first home was sold in November of this year to a member of the Fund, a low set 3-bedroom home and concerted efforts are now being made to sell the balance of the inventories.

This project commenced in 2017 and it has taken this long to finally reached a completion stage of the first 30 homes. This is not a record to be proud of. The Statutory Manager has completed his assessment of the key components of process flow that needs to be fixed with a heightened sense of urgency to improve the planning and implementation of the project, to ensure a faster and smoother transition from development of the land, to construction of the homes, to selling those completed homes to our members. The current process flow is dis-jointed, inefficient and warrants a total re-mapping and improvement of the process flow and those external parties such as Lands Department, NCDC, Building Board, Water and Power Boards, needs to step up and deliver their services efficiently.

The deal structure with the Banks together with their internal processes from approval to settlement, dictates the pace of liquidation. This is another key area that needs to be improved significantly with the view of shortening the whole process and improving the speed of conversion of real estate package into cash. This initiative is envisaged to provide us the “spring-board” into a space where we can be proud of ourselves in what we will achieve when it comes to providing affordable housing scheme to our members.

THL will no longer be involved in financing the construction of homes. This will be by the members themselves via a pre-arranged financing package with Banks. This is a smarter approach which allows THL to concentrate in the land development component and do not tied up its limited financial resources in the construction of homes.

Taurama Commercial Precinct

CTSL invested directly in the development of this site which covers an area of 12,000 square meters. This investment was to generate adequate return on investment to compensate for any losses sustained from the Toea Homes Project. This is not an acceptable arrangement. THL and the Taurama Commercial precinct must be commercially viable on a stand-alone basis. And this will be the new approach adopted effective immediately.

An aggressive sales and marketing plan were put in train by the Statutory Manager in the last quarter of the year to test and to target potential tenants on the site. This campaign attracted few large supermarket operators and two oil companies. But we were not able to bed-down the deal in 2019 and discussions are on-going and it is highly likely that these companies will commit their interest formally early in the new year 2020.

Commercial Properties

The performance of this division in 2019 was extremely poor and the Statutory Manager will dedicate a significant time and effort early in the new year to review the product mix and re-configure the portfolio to ensure balance, review leasing arrangements, put in train attractive Terms & Conditions to attract potential tenants to fill vacancies and divest those properties not earning adequate returns.


Our assessment of the current property market is that supply exceeds demand particularly in the commercial and residential (apartments) segments which put increase pressure on rental rates and relaxation of terms and conditions of leasing aimed at attracting potential tenants. This has a direct impact on yield.

The Statutory Manager early in his assignment identified property division requires a lot of nursing, to enable it to pivot itself in the right direction and to uplift its performance to a level equivalent or bench-marked to international best practice. This division offers an opportunity in the new year to uplift overall performance of the investment portfolio by fixing this pain-spot sooner rather than later.

Member Services

Since assuming office in late July, 2019, the Statutory Manager decided early to embarked on a major Awareness Program thereafter, accompanied by the Manager Member Services targeted specifically for Pension Fund members. The Statutory Manager was able to attend 5 out of 9 of these structured programs to see firsthand and to understand the issues and the needs of those members. His first impression in attending these forums were not favourable.

There were clear signs of the lack of interaction and engagement between the Trustee who managed the Fund and Fund members in the past. This has caused a lot of dis-trust between the parties leading to hostile reactions on major issues of concern to Pension members, which in their opinion have not been addressed amicably in the past. These issues are common in all centres visited.

A soldier in full combat gear, including a helmet with goggles and camouflage paint on their face, stands in a forest. They are holding an assault rifle. The background shows a large tree trunk and dense foliage. A decorative green dotted line curves across the upper right portion of the image.

2020 is an important year
for us, it will be a year for
consolidation... and to
prepare ourselves for
a total transformation.

The Manager Member Services who accompanied the Statutory Manager has been requested to list all the issues raised in this Awareness Programs and addressed them as a matter of priority and communicate with those representatives who are leaders in those locations where these issues were raised.

Since returning from these awareness Programs, the Statutory Manager and the Manager Member Services decided jointly that a Monthly Newsletter should be produced to address issues of concern raised by members and this should also provide us the avenue to announce important activities that we participate in.

Based on the fore-going, our first Monthly Newsletter was launched in the last quarter of the year to a resounding success.

The Statutory Manager based on his experience from attending these Awareness Programs in 2019, announced his initiative to step up our engagement program in 2020 with the view to improve relationship with all members and more importantly engage with our members more closely and on a frequent basis.

Relationships with Key Stakeholders

Concerted efforts were made to build and to improve our working relationship with the Department of Treasury. As a result of this initiative we were able to increase the level of funding released by the State during the year, to cover the unfunded components for both the pension and accumulation schemes which has improved the cash flow situation of the fund this year.

The Statutory Manager within the first 100 days was able to build a good working relationship with the PNG Defence Force Chief and Commander Major General Gilbert Toropo, MEB, OBE. This close working relationship has derived major benefits to the Fund and opened an important window of opportunity in accessing land owned by the Defence Force in the National City District, Port Moresby. This gives the Fund a point of difference, if properly utilized for the purpose of providing affordable homes to its members and others. In addition, it can also provide a solid and robust platform for sustainable growth in future. Proper planning and execution would be required to ensure that the pricing model both for land development and construction of affordable homes can be achieved within the range of expectation of our members.

Our relationship with the regulator, BPNG continue to grow from strength to strength. Our progress on a month to month basis is closely monitored by BPNG to ensure that we are pivoting on track and in alignment with our targeted priorities and pathway.

In the last 6 months of 2019, we have stepped up our visibility and communication with our members. This initiative has established a good working relationship with our members and we will continue to evaluate other channels of communication to enhance our relationship with our members.

Staff

Staff represents the number one asset of the Comrade Trustee Services Limited, the quality of which is reflected in the leadership and the management of the Fund. The Statutory Manager in his attempt to learn and understand quickly the heart-beat of the organisation, he conducted as an organisational review early in his engagement. This review was aimed at improving the decision-making process, eliminate areas where duplication exist, and “right size” the organization manning level. In addition, this review provides a genuine pathway for the Statutory Manager to assess and understand the leadership quality, attitude, the culture and ethos of the organization.

The outcome of the review process was implemented resulting in staff redundancies in areas where duplication of roles was identified and in areas where there were no clear segregation of duties and responsibilities.

Fund Governance, Risk and Compliance

The intervention by the BPNG as regulator around the end of July 2019 is well documented. Despite their early warning of cash flow deteriorating position, the Board did not respond in the manner the Bank wanted, hence the action taken by the Bank to intervened and sidelined the Trustee Board and appointed a Statutory Manager Mr. Sitiveni Weleilakeba to correct the pathway and pivot the organisation’s energy into activities that will add value in future.

Fund Outlook

One of the key roles of the Statutory Manager when he was appointed by BPNG was to recruit a Chief Executive Officer (CEO) for CTSL. The position was advertised in September and a short list was prepared comprising of those candidates who met the selection criteria. An Internal candidate was encouraged to apply for the position as well. The Statutory Manager together with Executive Committee (ExCom) conducted the interviews and a candidate was appointed based on strict assessment criteria, the announcement will be made in the new year 2020.

Our focus in the new year 2020, is to have the new CEO on board quickly and delegate to him full accountabilities and the operational duties and responsibilities as soon as possible. This will free up and unlock the Statutory Managers time to enable him focus on Key pain-spots, rehabilitating Toea Homes Project and high-level strategic issues.

There are numerous legacy issues if not resolved early will impede future progress and it is in our best interest to address these issues with a heightened sense of urgency.

Our relationship with key stakeholders will continued to be strengthen particularly with Treasury Department in the new year and beyond.

Concerted efforts will be put in train to focus on resolving this long outstanding issue of the “unfunded state liabilities”. The new CEO and I will share the efforts to bring this matter to closure during our watch.

We have developed a roadmap which will be implemented in 2020 focused on improving and stepping up our engagement with all our members. It is our aspiration to take our services to members not the reverse as currently the case. We are constantly looking for ways to offer our services to our members in the most cost-efficient manner.

To enhance our efforts and engagement with our member and to improve our back-office operations CTSI would be investing in an innovative and customized member data base system. This system will be accustomed to the requirements of the Fund and the members, members will be able to access their information in real time, remotely access services online and quick turnaround time with member exit processes.

The Statutory Manager has conducted an internal review of the Toea Homes Projects. The key recommendations of this review will be implemented in the new year. Our baseline interest is to be inclusive and spread the benefits of this project to as many members as possible. We have tested our eligibility criteria and affordability to our members means a package of land and a 2-bedroom home of around K250,000.

In conclusion, a lot has been done in the last 6 months to salvage the Fund to its rightful position, short terms issues have been amicably resolved but we are not out of the woods yet. Year 2020 is an important year for us, it will be a year for consolidation, rehabilitate, re-program ourselves and to prepare ourselves for a total transformation.

We have pivoted ourselves in the right direction in the last 6 months and it is our shared aspiration to build on this in the new year and to make a difference with hard working staff and authentic leadership. Yes, we can!

	2019	2018
Net Asset Value	598,638,402	571,855,627
Net Surplus (after tax)	31,473,652	23,857,942
Rate of Return	8.50%	8.50%
MER	2.27%	2.27%
Interest Crediting Rate	5.16%	5.16%
CPI Rate	3.70%	4.50%
TOTAL ACTIVE MEMBERSHIP	4,080	4,080
TOTAL PENSIONERS	1,675	1,675
TOTAL MEMBERS	27,041,496	25,614,687
CONTRIBUTION RECEIVED		
TOTAL BENEFITS PAID	31,732,373	28,600,416

Value as at 31-Dec

Investment Portfolio	Allocation	Target Allocation
Asset Classification	%	%
Cash	7%	10%
Fixed	6%	22%
Equities	49%	30%
Properties	30%	15%
DOMESTIC TOTAL	92%	77%
Cash	3%	1%
Fixed	0%	0%
Equities	5%	22%
INTERNATIONAL TOTAL	8%	23%
TOTAL PORTFOLIO VALUE	100%	100%

Value as at 31-Dec







Statutory Manager's Profile

Sitiveni Weleilakeba

is a Fijian national appointed by the Bank of Papua New Guinea (BPNG) as regulator of the superannuation industry to the position of Statutory Manager of Comrade Trustee Services Limited (CTSL) on 29 July 2019.

Mr Weleilakeba is a highly experienced professional with more than 30 years of experience in senior executive leadership and management roles in a wide variety of industries, ranging from banking and finance, investment, retail and wholesale, supply chain management, manufacturing, property management and development. He has unique and broad experience in providing leadership in successfully implementing transformational changes in large corporate institutions.

In Fiji, Mr Weleilakeba is well known in the corporate and business sectors, with extensive business relationships and networks. He spent more than 25 years of his career leading and managing Fijian Holdings Limited (FHL), a listed conglomerate in the South Pacific Stock Exchange. FHL was established in 1984 by the Great Council of Chiefs as the vehicle for indigenous Fijians to enter into commerce and industry. FHL's success and its contribution to the indigenous Fijian Community is well documented. Mr Weleilakeba played a pivotal role as Group Managing Director in the rapid rise behind FHL as a leading and successful conglomerate in Fiji.

Mr Weleilakeba also worked in the superannuation industry in PNG for five years at the National Superannuation Fund (NASFUND). He was appointed by the NASFUND Board in consultation with BPNG, and given a clear mandate to introduce major changes at Board and management level. This included strengthening corporate governance, capacity building at all levels of the organisation, institutionalising business processes and, importantly, embedding a performance culture within the fabric of the organisation. This engagement gave Mr Weleilakeba a deep knowledge and understanding of how the superannuation industry works in PNG.



His experience at Board level as a Director and Chairman is well recognised in Fiji as well as in PNG. In his position as Group Managing Director of FHL Group he was required to be Director and Chairman of major subsidiaries. Outside FHL Group, Mr Weleilakeba was appointed to many major Boards in Fiji. He was one of the founding Directors of the Fiji Capital Market Development Authority, an appointment made by the Central Bank of Fiji. He is a former Director of Air Pacific Limited, Goodman Fielder (Fiji) Limited, Marsh (Fiji) Limited, Forster Group, Former Chairman of Airports Fiji Limited, Fiji Visitors Bureau and Housing Authority of Fiji. He was a member of a policy think-tank directly advising Prime Minister Laisenia Qarase during his tenure as PM of Fiji.

Mr Weleilakeba is well trained. He attended the University of the South Pacific and graduated with a Bachelor of Agriculture in 1980. He attended the University of Canterbury, New Zealand where he graduated with a post-graduate degree in Agricultural Science. He attended University of Philadelphia, Wharton Business School, USA in Capital Raising for Housing Financing, Australian Institute of Company Directors where he gained membership in 1994 and attended a senior executive program at Harvard Business School – The Advanced Management Program 170 and graduated in May 2006.

Mr Weleilakeba is an Alumina member of the Harvard Business School.



CTSL

Executive Team

CTSL Executive Team (left to right):

BACK ROW (STANDING)

Beama Wape – Manager Risk & Compliance,
Freddy Manihoru – Manager Member Services,
Matthew Kamaka – Manager Finance,
Mark Kanawi – Manager Investments

FRONT ROW (SEATED)

Charlie Gilichibi – Chief Executive Officer,
Darusilla Musi – Manager Human Resources,
Sitiveni Welelakeba – Statutory Manager





12 March 2020

LICENCED INVESTMENT MANAGER ANNUAL STATEMENT FOR COMRADE TRUSTEE SERVICES LIMITED

Frontier Equities Limited (FEL) is privileged and honoured to serve Comrade Trustee Services Limited (CTSL) and its members as its Licensed Investment Manager (LIM). Our unwavering commitment is to provide best-in-class investment and portfolio analysis and advice in alignment with CTSL's mission, vision, and investment goals. FEL, a proudly multi-generational, PNG-owned and operated investment company has assembled an industry-leading team of professionals, both domestically and offshore, whose sole purpose is to serve CTSL member interests. Our goal is to maximize long-term returns, mitigate potential risks and work in partnership with the Bank of Papua New Guinea to produce optimal investment outcomes for you, the members.

Whilst we always strive to be forward-looking in our approach, it is important that we look back on what happened in markets to help us understand how and why future movements may occur. Global markets in 2019 were littered with numerous flash-points that threatened to curtail economic growth: geopolitical tensions, an ongoing trade war between the US and China, and general cynicism that the ten-year equity bull run would come to an end - all of these factors contributed to a general feeling of unease. However, the global economy proved to be quite resilient, with some stock markets around the world reaching all-time highs. CTSL, with its growing allocation to international stocks, benefited greatly from this, in particular through its investment in Vanguard (+20% return). The international equities asset class beat its benchmark, the MSCI Global Equity benchmark by +3.50% for the year. ASX listed shares also performed exceptionally well, led by Australian telecommunications company Telstra. By leveraging both internal and external global networks, FEL and CTSL have begun uncovering suitably qualified offshore investments that will improve risk-adjusted return expectations and evolve the Fund into a globally diversified portfolio.

Looking closer to home, PNG economic progress was positive in 2019 with GDP growth of approximately 4.8%. This reversed the negative to low trend witnessed in 2016, 2017 and 2018, as gains in the resources sector provided an economic uplift. A recent change in government has us cautiously optimistic about domestic market prospects in 2020 as uncertainties remain; a lack of political stability, lowering consumer confidence, protracted negotiations on new domestic resource projects in both the mining and petroleum sectors, and an illiquid foreign exchange market all continue to be ever-present issues. On the positive side, the new government is showing a willingness to evaluate economic and State-Owned Enterprise reform, which could potentially reduce 'the cost of doing business' in PNG (e.g. power, telecommunication). The State is also undertaking a push to diversify the national economic base away from the resource sector, presenting new potential domestic opportunities in other strategic sectors as part of the new 5 year strategic investment plan. Accepting, learning and understanding these risks and opportunities will set the foundation for future prudent and risk-aware portfolio management. Our first priority for 2020 is to concentrate on CTSL's existing PNG investments by ensuring they are operating in an optimized and efficient manner, meeting our increasingly high expectations. We will also be targeting continuous improvement of domestic property asset management to drive cost efficiency, combined with targeted capital reinvestments to improve asset returns. BSP performed well for the year, providing the CTSL portfolio with positive income and capital gains. In partnership with CTSL, we will opportunistically seek investments that fit within the CTSL investment strategy and strategic asset allocation. Taking the global and domestic economic tailwinds into account, the portfolio performed well in 2019 with an 8.3% gross investment return in 2019, benefiting from overall positive conditions.

This does not mean that CTSL and FEL can be complacent - we have been busy and will continue to be busy. In the first two months of 2020 alone, we have conducted preliminary reviews on all 27 unique investments in the portfolio, analysed 5 investment policies, conducted 2 strategy workshops, identified 4 new investment opportunities and begun to formulate a new 5-year strategic plan that we believe will help position CTSL as a market leader. The best interests of the members will always be at the forefront of our advice and we thank the Trustee, management, and staff of CTSL for the opportunity to serve you.

Yours sincerely,

Rabbie Namaliu Jnr
General Manager
Frontier Equities Limited

Adam Kramer
Director
Frontier Equities Limited

Fund Administrator's Statement

KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED

2019 YEAR IN REVIEW

Defence Force Retirement Benefit Fund is a unique fund, in that, it is the only hybrid fund in Papua New Guinea with its Accumulation and Defined Schemes. It also maintains a class of retired servicemen and women who receive a fortnightly pension benefits under the Defined Benefit scheme.

In 2019 the fund has seen significant management changes, however, despite these changes Fund Administration remains strong and committed in serving Comrade Trustee Services Limited (CTSL) and the members of the fund.

For the third consecutive year, Kina continues to maintain well above industry standard results with a 99% performance rating although we experienced higher work request, that is, a 5% increase in the volume of work request that has come through. This high performance is attributed to our close collaboration with CTSL and experienced and skilled employees. Updated systems and streamlining of processes has also ensured optimisation in customer service with same day turnaround achieved at the fund administration level.

In terms of other services, the member online portal continues to be made available to members of the fund and we encourage all members to get in touch with the CTSL to get registered if they have not already done so. The portal gives access to real time information about member's superannuation so members can make informed decisions about their retirement savings.

Kina has partnered with Comrade Trustee Services Limited for over 18 years and we will continue to do so for the benefit of fund and more importantly the members.

FUND MEMBERSHIP

The total membership base at the end of December 2019 was 4,171 members. This consists of 212 members for Defined Benefit fund and 3,959 for Accumulation fund. Across both funds, it is noted that 34% of the total membership base are members who have served more than 20 years in the force, while the rest are under 20 years of service. This indicates that the bulk of the fund membership have the opportunity to make additional voluntary contributions towards their retirement savings.

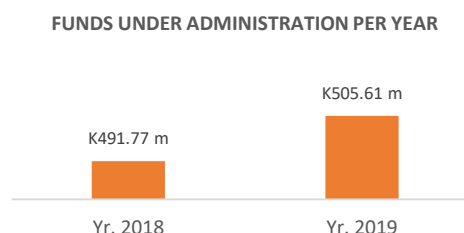
Fund	2018	2019
Accumulation	3,851	3,959
Defined Benefit	229	212
Total	4,080	4,171



FUNDS UNDER ADMINISTRATION

Total funds under administration was K505.6 million, an increase of K13.8 million from 2018.

Fund	2018	2019
Accumulation	487,731,287.22	501,385,813.77
Defined Benefit	4,048,122.87	4,224,302.63
Total	491,779,410.09	505,610,116.40



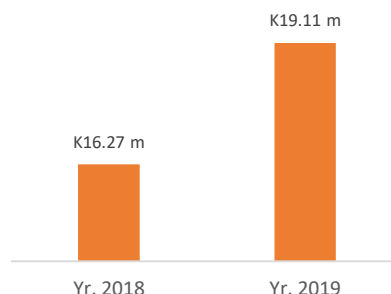
CONTRIBUTIONS

A total of K19.1 million was received as contribution this year for both Defined Benefit fund and Accumulation fund. It is pleasing to note a significant increase in member voluntary contribution within the Accumulation fund of K912,181.84 compared to K297,160.32 in 2018. This portrays a strong indication that members are now aware of the importance of saving for a better future when they retire.

Accumulation fund

Description	2018 (PGK)	2019 (PGK)
Member Contributions	6,479,845.35	8,010,175.81
Employer Contributions	9,033,779.29	9,888,029.02
Member Voluntary	297,160.32	912,181.84
Employer Voluntary	-	-
Member Salary Sacrifice	-	-
Housing Advance Repayment	99,270.00	124,309.00
Transfers from other ASF	363,093.70	185,296.19
State Share	-	-
Unallocated Contributions	-	-
Total	16,273,148.66	19,119,991.86

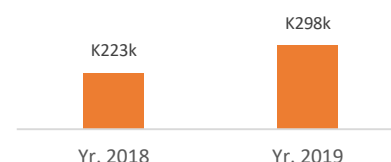
TOTAL CONTRIBUTIONS PER YEAR



Defined Benefit fund

Description	2018 (PGK)	2019 (PGK)
Member Contributions	196,391.27	255,675.26
Employer Contributions	680.00	410.00
Housing Advance Repayment	26,106.79	34,718.25
Member Voluntary	-	7,454.88
Unallocated Contributions	-	-
Total	223,178.06	298,258.39

TOTAL CONTRIBUTIONS PER YEAR



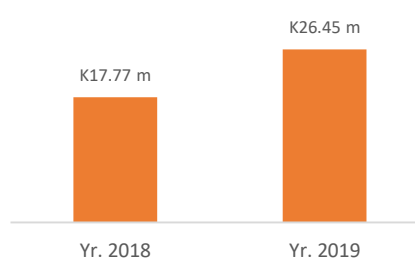
BENEFIT PAYMENTS

Total benefits paid in 2019 for both the Defined Benefit fund and Accumulation fund was K26.4 million representing a 48% increase from K18.2 million in 2018. Majority of the exits were for Normal Retirement benefits worth over K12.7 million. The fund continued to facilitate the batches of Unfunded State Share payments in the year paying out K10,379,882.62 million to 55 eligible members.

Accumulation fund

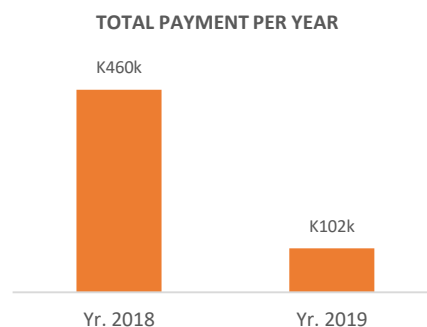
Description	2018 (PGK)	2019 (PGK)
Normal Retirement	8,903,205.40	12,785,025.43
State Share Payment	6,741,339.00	10,379,882.62
Medical Retirement	-	-
Death	1,502,104.73	1,802,274.92
Transfer Out (to other ASF)	-	-
Unemployment Benefits	38,597.04	49,122.24
Housing Advance Payments	269,155.90	539,048.48
Income Tax on UB Payments	866.28	4,720.97
Benefit Taxed on Full Payments	323,839.19	897,174.78
Total	17,779,107.54	26,457,249.44

TOTAL PAYMENT PER YEAR



Defined Benefit fund:

Description	2018 (PGK)	2019 (PGK)
Refund/Commutation	164,777.71	43,788.82
Normal	64,441.20	54,435.11
Medical	-	-
Death	4,064.00	-
Transfer Out (to other ASF)	-	-
Housing Advance Payments	219,379.92	-
Benefit taxed on Commutation	2,001.35	531.85
Benefit taxed on Full Payments	5,297.40	3,361.42
Total	459,961.58	102,117.20

**PENSION**

A total of K13.6 million in pension benefits were paid out in 2019 which is an increase of 5% compared to K12.9 million in 2018 - that is an average of K1.13 million paid every month.

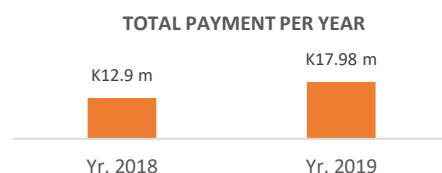
Total number of pension members as at 31 December 2019 was 1,703 comprising of 1,443 active pensioners and 260 suspended pension members. This includes 510 widow pension and 14 child pension members.

We processed a one-off pension payment to the value of K4.39 million, paid to 1,536 pensioners during the month of August 2019. This resulted in the increased on the overall pension payment in 2019 compared to 2018 financial year.

Description	2018	2019
Normal*	1,509	1,443
Suspended*	166	260
Widow	497	510
Child	13	14
Age>65	961	1,044
Eligible for SMA	861	865
Total - from*	1,675	1,703



Pension Payment	2018 (PGK)	2019 (PGK)
Regular	12,925,182.50	13,605,813.00
One-Off Distribution	-	4,374,219.09
Total Payment	12,925,182.50	17,980,032.09

**LOOKING AHEAD**

Our focus is always centred on providing the best possible customer service. Kina is undergoing key infrastructure upgrades, and the main focus will be to use digital technology that will transform the way we service our clients and their members, not only in the superannuation industry but also harnessing synergies through our banking technology.

Together it's possible!

Sharon Punau

Head of Operations (Wealth)

Kina Investment and Superannuation Services Ltd (Licensed Fund Administrator)

'A wholly owned subsidiary of Kina Securities Limited'

2019 Highlights at a glance

FUND SIZE

K598.63m (+4.7%)

Net Assets at 31-Dec-19

NET SURPLUS

K31.47m (+32.3%)

Net Surplus at 31-Dec-19

MEMBERSHIP

4,080 Members across both schemes

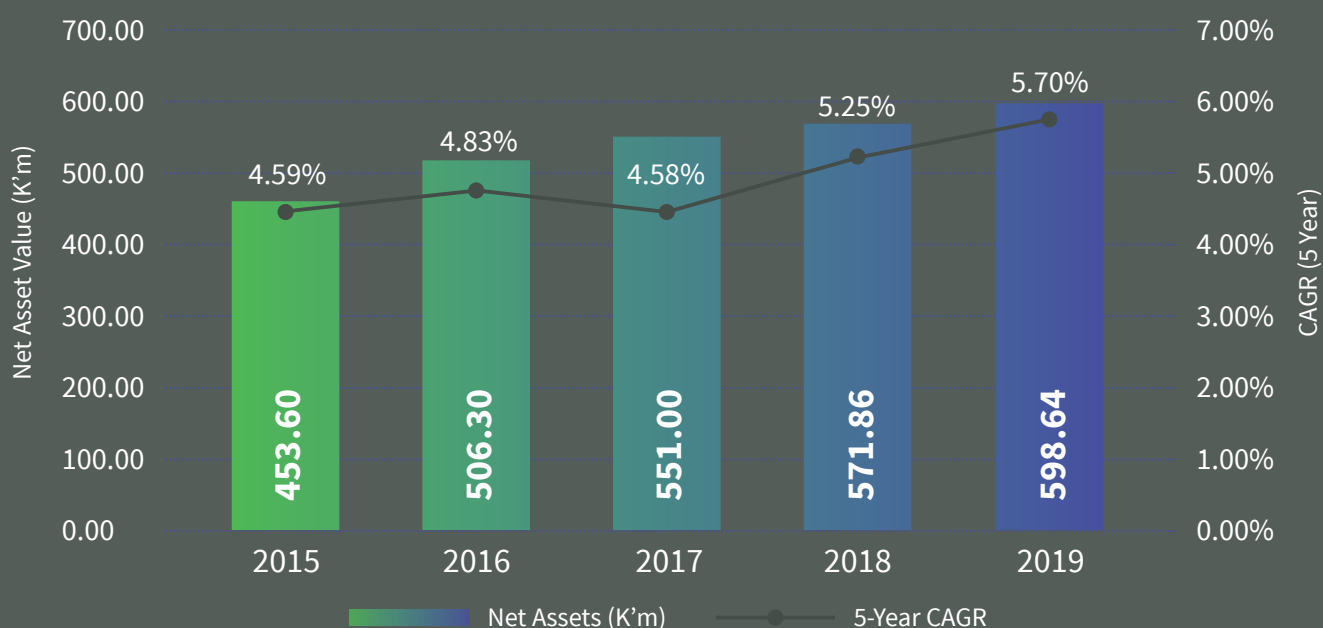
CREDITING RATE

6.5% (+27.4%) For the year 2019

FIVE YEAR PERFORMANCE SUMMARY

Year	2015	2016	2017	2018	2019
Net Assets (K'm)	506.3	506.3	551.0	571.86	598.64
Net Asset Growth (K'm)	52.70	52.70	44.65	20.86	26.78
5 Year CAGR	4.83%	4.83%	4.58%	5.25%	5.70%

5-YEAR NET ASSET GROWTH



Investment Portfolio

Investment Portfolio	2019	2018	Allocation	Neutral Allocation*
Asset Classification	K	K	%	%
Domestic				
Cash	41,120,903	31,823,223	7.1%	3.0%
Fixed	33,283,359	34,857,341	5.7%	22.0%
Equities	284,079,698	276,701,091	48.8%	33.0%
Properties	176,082,934	175,311,898	30.3%	22.0%
DOMESTIC TOTAL	534,566,894	518,693,553	91.9%	80.0%
International				
Cash	18,477,316	16,305,308	3.2%	1.0%
Fixed	0	0	0.0%	2.0%
Equities	28,563,272	23,260,173	4.9%	17.0%
INTERNATIONAL TOTAL	47,040,588	39,565,481	8.1%	20.0%
TOTAL PORTFOLIO VALUE	581,607,482	558,259,034	100.0%	100.0%

Value as at 31-Dec

MAJOR INVESTMENTS**

Investments	Asset Class	Exposure
Bank South Pacific	Listed Equities	25.23%
Taurama Commercial	Properties	8.25%
Defens Haus	Properties	8.67%
SP Brewery Limited	Unlisted Equities	4.57%
Government Inscribed Stock	Fixed Income	5.72%

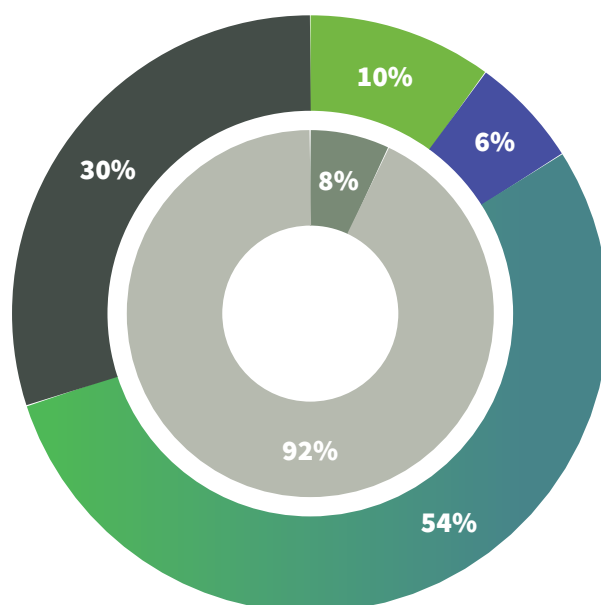
*The Strategic Asset Allocation is subject to change upon review and acceptance of the revised Investment Strategy.

**The Trustee has provided an Exposure Exit Plan and Request for Exemption to the Bank of Papua New Guinea for assets exceeding the single asset exposure limit as required by the Prudential Standards.

Cash	59,598,219
Fixed	33,283,359
Equities	312,642,970
Properties	176,082,934
	581,607,482
International	47,040,588
Domestic	534,566,894

PORTFOLIO AT A GLANCE

■ Cash
 ■ Equities
 ■ International
■ Fixed
 ■ Properties*
 ■ Domestic



EQUITY TRANSACTIONS

Name of Entity	Transaction Type	Classification	Settlement Date	Number of Shares	Amount (Kina)
Westpac Bank (PNG) Limited	Share Sale	Equity	31-Jan-19	2,000	528,675

EQUITIES PORTFOLIO

		2019	2018	Movement
Domestic	GICS Sectors	K	K	K

Listed

Bank South Pacific	Financials	146,732,293	127,799,094	18,933,199
City Pharmacy	Consumer Staples	2,087,306	1,674,999	412,307
Oil Search	Energy	18,063,226	17,680,329	382,897
Kina Asset Management Ltd	Financials	5,154,726	5,154,726	-0
Credit Corporation	Financials	3,331,733	2,811,150	520,583
Newcrest Mining Ltd	Materials	2,201,067	1,572,115	628,952
Kina Securities Ltd	Financials	12,651,755	7,994,809	4,656,946
TOTAL DOMESTIC LISTEDS		190,222,106	164,687,222	25,534,884
BPT(PNG) Ltd	Consumer Discretionary	6,348,064	7,920,734	-1,572,670
Westpac Bank Ltd (WPC)	Financials	0	417,900	-417,900
Paradise Foods Ltd	Consumer Staples	21,840,326	32,651,563	-10,811,237
Post Courier	Consumer Discretionary	1,386,250	1,204,374	181,876
South Pacific Brewery	Consumer Discretionary	26,582,396	32,118,742	-5,536,346
Toea Homes Limited	Real Estate	37,700,556	37,700,556	0
TOTAL DOMESTIC UNLISTED		93,857,592	112,013,869	-18,156,277
TOTAL DOMESTIC EQUITY PORTFOLIO		284,079,698	276,701,091	7,378,607

International	GICS Sectors	K	K	K
---------------	--------------	---	---	---

Listed

Telstra	Telecommunications	1,717,196	1,370,192	347,004
TOTAL INTERNATIONAL LISTEDS		1,717,196	1,370,192	347,004

Unlisted

Vanguard International Shares Indexed Fund	Financials	26,846,076	21,889,981	4,956,095
TOTAL INTERNATIONAL UNLISTED		26,846,076	21,889,981	4,956,095
TOTAL INTERNATIONAL EQUITY PORTFOLIO		28,563,272	23,260,173	5,303,099
TOTAL EQUITY PORTFOLIO		312,642,970	299,961,264	12,681,706

Value as at 31-Dec

PROPERTY PORTFOLIO

		2019	2018	Movement
Properties	Type	K	K	K
Defens Haus	Commercial	50,454,000	50,454,000	0
Comrade Haus	Commercial	18,090,000	18,090,000	0
Stop N Shop	Commercial	8,560,000	8,560,000	0
Latitude 9	Residential	12,056,000	12,056,000	0
Ela Makana 2	Residential	12,718,750	12,590,000	128,750
Ela Makana 1	Land Bank	6,098,000	6,050,000	48,000
Taurama Commercial	Land Bank	47,981,000	47,891,000	90,000
Taurama Commercial WIP		20,125,184	19,620,898	504,286
TOTAL PROPERTIES		176,082,934	175,311,898	771,036
	Per Audited FS 2019	176,082,934.00	175,311,898.00	

Value as at 31-Dec

CASH & FIXED PORTFOLIO

	2019	2018	Movement
	K	K	K
Cash			
Cash on hand	2,000	2,000	0
Cash in Banks	41,459,267	16,716,326	24,742,941
Term Deposits with maturities less than 90 days	18,136,952	31,410,205	-13,273,253
TOTAL CASH	59,598,219	48,128,531	11,469,688
Fixed Interest			
Inscribed Stock	33,283,359	34,857,341	-1,573,982
TOTAL FIXED INTEREST	33,283,359	34,857,341	-1,573,982
TOTAL CASH & FIXED	92,881,578	82,985,872	9,895,706

Balance as at 31-Dec

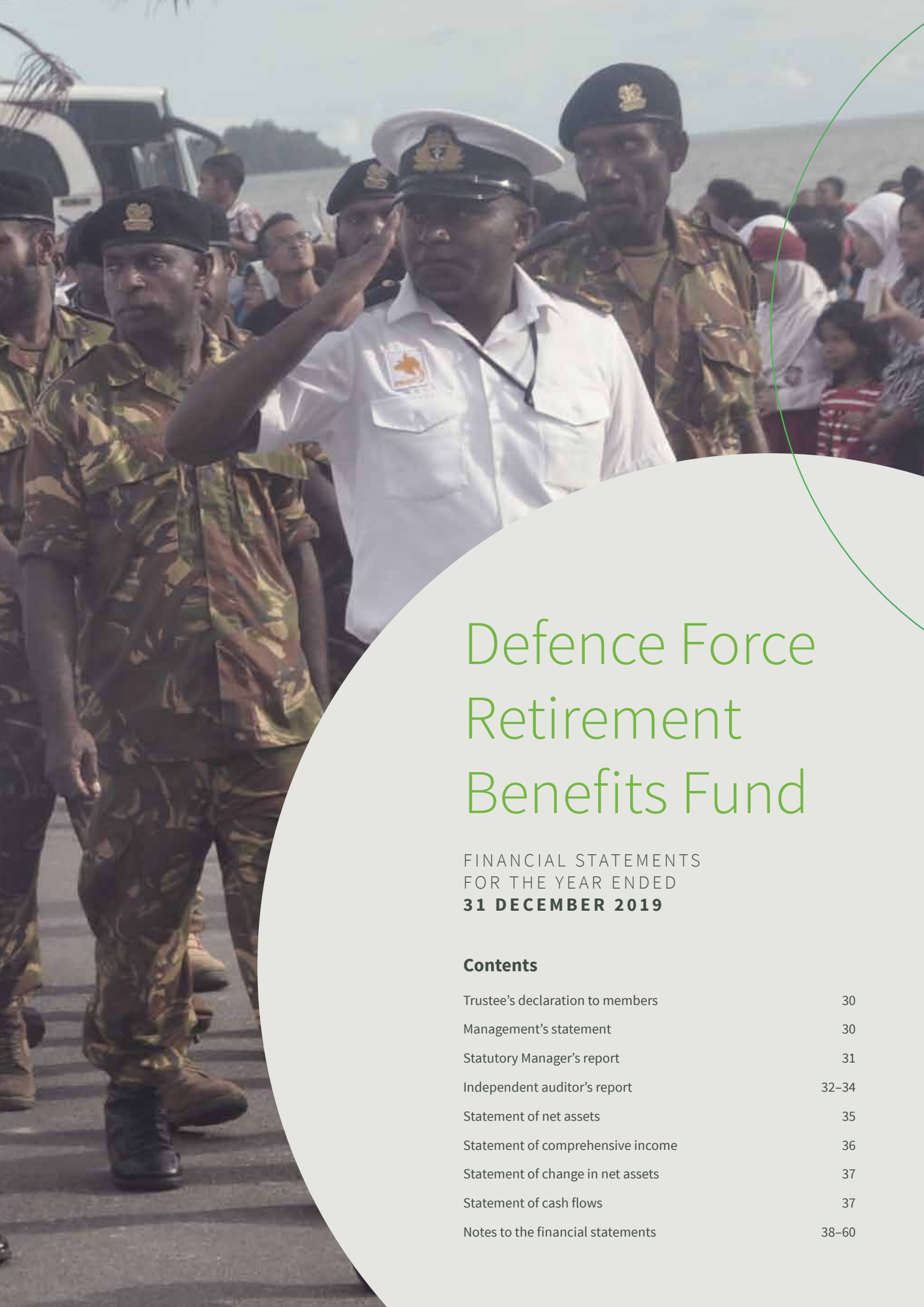
COMPARITIVE STATISTICS

		2013	2014	2015	2016	2017	2018	2019
Net Fund Assets								
Net assets	K(m)	440.50	442.9	453.6	506.3	551.0	571.86	598.64
Net asset growth	%	10.00	0.54	2.43	11.62	8.82	3.79	4.68
Reserve	K(m)	0.77	1.39	0.00	6.30	4.57	3.30	3.30
Net Surplus								
Net surplus after tax	K(m)	39.70	5.75	41.93	55.01	52.25	23.86	31.47
Expenses								
Benefits	K(m)	9.10	20.10	17.05	20.70	31.80	28.60	31.73
Trustee administration	K(m)	6.30	7.79	3.97	10.67	9.71	10.27	12.13
Fund administration	K(m)	0.52	0.57	0.64	0.82	0.76	1.32	0.55
Investment management	K(m)	1.78	1.91	1.98	1.98	2.30	1.39	1.52
Management expense ratio	%	2.02	2.32	2.32	2.89	2.49	2.44	2.44
Income								
Investment income	K(m)	20.10	20.17	53.87	72.69	64.20	37.57	43.75
Contributions								
State share	K(m)	4.80	7.18	7.95	8.66	17.05	17.82	19.26
Members	K(m)	3.40	4.10	4.85	5.91	7.12	7.79	7.81

RESULT SUMMARY 2019

	Consolidated	Defined Benefits	Defined Accumulation
Summary of results under each schemes	K	K	K
Income Summary			
Income	43,753,401	25,357,169	18,396,232
Contribution Income	27,041,496	8,536,860	18,504,636
TOTAL	70,794,897	33,894,029	36,900,868
Expenditure Summary			
Trustee, Fund Investment and Administration and Tax Expenses	12,279,749	7,186,109	5,093,640
Benefits Paid	31,732,373	18,280,893	13,451,480
TOTAL EXPENDITURES	44,012,122	25,467,002	18,545,120
CHANGE IN NET ASSETS	26,782,775	8,427,027	18,355,748





Defence Force Retirement Benefits Fund

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

Contents

Trustee's declaration to members	30
Management's statement	30
Statutory Manager's report	31
Independent auditor's report	32–34
Statement of net assets	35
Statement of comprehensive income	36
Statement of change in net assets	37
Statement of cash flows	37
Notes to the financial statements	38–60

TRUSTEE'S DECLARATION TO MEMBERS

For the year ended 31 December 2019

In my opinion, as Trustee of the Defence Force Retirement Benefit Fund (the "Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Net Assets, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the financial statements, including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2019 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, I am of the opinion that:

- a) the results of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal nature or character. All significant transactions during the year have been appropriately identified and disclosed in the financial statements.
- b) no circumstances have arisen which would: (i) adversely impact the Fund's ability to meet its financial obligations and commitments as and when they become due and/or (ii) render any amount in the financial statements misleading;
- c) there are no contingent liabilities that could materially affect the ability of the Fund to meet its obligations as and when they become due; and
- d) The Trustee has satisfied itself that:
 - i. key financial and operational risks have been identified and mitigating processes set in place;
 - ii. systems to control and monitor those risks have been established including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes;
 - iii. established risk management systems are operating effectively and are adequate to address the risks they are designed to control; and
 - iv. there are no apparent conflicts of interest with respect to the Fund's engagement of independent external auditors which may compromise their performance.



Sitiveni Weleilakeba

Statutory Manager

Dated at Port Moresby this 3rd day of April 2020.

MANAGEMENT'S STATEMENT

For the year ended 31 December 2019

In our opinion, as management of the Trustee of the Defence Force Retirement Benefit Fund ("the Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Net Assets, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the financial statements including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2019 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, we are of the opinion that:

- a) the results of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal character. All significant transactions during the year have been appropriately identified and disclosed in the financial statements.
- b) no circumstances have arisen which would: (i) adversely impact the Fund's ability to meet its payment obligations and commitments as and when they become due and/or (ii) render any amount in the financial statements misleading;
- c) there are no contingent liabilities that could materially affect the ability of the Fund to meet its obligations as and when they become due; and
- d) Management has satisfied itself that:
 - i. key financial and operational risks have been identified and mitigating processes set in place;
 - ii. systems to control and monitor those risks have been established including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes;
 - iii. established risk management systems are operating effectively and are adequate to address the risks they are designed to control; and
 - iv. there are no apparent conflicts of interest with respect to the Fund's engagement of independent external auditor which may compromise their performance.

For and on behalf of the Management of Comrade Trustee Services Limited.



Charlie Gilichibi

Chief Executive Officer



Matthew Kamaka

Manager Corporate Services

Dated at Port Moresby this 3rd day of April 2020.

STATUTORY MANAGER'S REPORT

For the year ended 31 December 2019

I take the pleasure in submitting this report and the annual financial statements of the Fund for the financial year ended 31 December 2019 in compliance with the provisions of the Companies Act 1997 and the Superannuation (General Provisions) Act 2000.

The Fund has been under Statutory Management since the end of July 2019 upon my appointment, as the Statutory Manager, in accordance with section 59 of the Superannuation General Provision Act of 2000.

The Bank of Papua New Guinea, being the regulator of the Fund, relieved the former Board of its legal and fiduciary duties. This decision was arrived at after undergoing its own due diligence in relation to the Fund's liquidity status and the operations of the Toea Homes Project.

There have been a number of key milestones achieved by the Fund since then including putting together a "Rehabilitation Plan" resulting in the completion of the first 30 houses and the removal of the restrictions on land titles which is a key factor that will enable the Fund to recover money spent on the project.

Board of Directors

A new board of directors will be appointed in due course through the normal independent process based on qualification and experience.

Trustee Secretary

No company secretary existed at the time of reporting in the absence of a board.

Review of operations

The Fund reported a net surplus after income tax and before other comprehensive income of K31,473,652 (2018: K23,857,942) and change in net assets for the year of K26,782,775 (2018: K20,872,213).

Changes in state of affairs

There have been no changes to the state of affairs of the Fund.

Change in accounting policies

The Fund initially applied IFRS 16 from 1 January 2019, however, this does not have a material effect on the Fund's financial statements.

Entries in the interest register

There were no entries in the interest register made for the year.

Directors' remuneration

Remuneration paid to directors up till end of July 2019 has been disclosed in Note 21.3 to the financial statements.

Donations

No donations were made during the current year (2018: Nil).

Independent audit report

The financial statements have been audited by KPMG and should be read in conjunction with the Independent Auditor's report on pages 33–34. Fees paid for external audit services are disclosed in Note 20.2 to the financial statements.

Subsequent events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Fund's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Fund cannot reasonably estimate the impact these events will have on the Fund's financial position, results of operations or cash flows in the future.

There has not been any other matter or circumstance other than that referred to in the financial statements, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years that would require an adjustment or disclosure in the financial statements.

Signed on behalf of the Bank of Papua New Guinea, having been given the responsibility and control over the Fund under the provisions of the Superannuation General Provision Act 2000.



Sitiveni Welelakeba

Statutory Manager

Dated at Port Moresby this 3rd of April 2020



Independent Auditor's Report

To the members of the Defence Forces Retirement Benefit Fund

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of Defence Forces Retirement Benefit Fund (the "Fund").

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Companies Act 1997*, including:

- giving a true and fair view of the Fund's net assets as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Report comprises:

- statement of net assets as at 31 December 2019;
- statement of comprehensive income, statement of changes in net assets, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the *International Standards on Auditing*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Fund in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have remained independent as required by the Code throughout the period of our audit and to the date of this Auditor's Report.



Other Information

Other Information is financial and non-financial information in Defence Forces Retirement Benefit Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with the *International Financial Reporting Standards* and the *Companies Act 1997*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report 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 *International Standards on Auditing* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

As part of the audit in accordance with *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 report, 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 controls.



Auditor's responsibilities for the audit of the Financial Report (continued)

- 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 management.
- Conclude on the appropriateness of Those Charged with Governance (TCWG)'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 auditors' report to the related disclosures in the financial report 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 auditors' 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 report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

The *Companies Act 1997* requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2019:

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



Suzaan Theron
Partner

Registered under the Accountants Act 1996

Port Moresby
03 April 2020

STATEMENT OF NET ASSETS

For the year ended 31 December 2019

	Note	2019	2018
		K	K
Assets			
Cash and cash equivalents	7	59,598,219	48,128,531
Receivables from State	8	13,958,306	18,485,738
Financial assets:			
At fair value through profit or loss	9.1	312,642,969	299,961,264
At amortised cost	9.2	33,283,359	34,857,341
Investment properties	10	176,082,934	175,311,898
Property and equipment		2,420,253	2,703,078
Other assets	11	3,412,446	8,582,111
Related party receivables	21.1	3,060,534	815,232
Current tax assets	12.4	2,344,830	1,713,220
Deferred tax assets	12.3(a)	949,264	124,743
Total assets		607,753,114	590,683,156
Liabilities			
Employee provisions		496,783	447,695
Deferred tax liabilities	12.3(b)	1,029,765	2,118,995
Other liabilities	13	7,588,164	16,260,839
Total liabilities		9,114,712	18,827,529
Net assets available to pay benefits	14	598,638,402	571,855,627

Full notes to the financial statements are provided beginning page 38.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Note	K	K
Revenue			
<i>Investment revenue</i>			
Interest income	15	5,260,190	5,283,846
Dividends		23,342,933	23,175,650
Property income net of property expenses	16	4,119,209	4,960,475
Change in fair value on investment properties	10	(1,428,416)	(4,058,000)
Change in fair value of financial assets	9.3	11,525,624	6,702,669
Gain on sale of financial assets	17	112,100	1,850,313
Net investment revenue		42,931,640	37,914,953
Other net income/(expense)		821,761	(342,674)
Total revenue		43,753,401	37,572,279
Administrative and management expenses			
Trustee administration and management expenses	19	12,131,000	10,273,747
Fund administration and investment fees	20	2,062,499	2,709,226
Total administrative and management expenses		14,193,499	12,982,973
Net profit before income tax		29,559,902	24,589,306
Income tax expense	12.1	(1,913,750)	731,364
Net profit after income tax		31,473,652	23,857,942
Other comprehensive income		-	-
Total comprehensive income		31,473,652	23,857,942

Full notes to the financial statements are provided beginning page 38.

STATEMENT OF CHANGE IN NET ASSETS

For the year ended 31 December 2019

		2019	2018
	Note	K	K
Net profit for the year available to pay benefits		31,473,652	23,857,942
Contributions from members and state	18.2	27,041,496	25,614,687
Benefits paid to members	18.1	(31,732,373)	(28,600,416)
Change in net assets for the year		26,782,775	20,872,213
Net Assets available to pay benefits at the beginning of the year		571,855,627	550,983,414
Net assets available to pay benefits at the end of the year		598,638,402	571,855,627

Full notes to the financial statements are provided beginning page 38.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		2019	2018
	Note	K	K
Cash flows from operating activities			
Interest received		5,260,190	5,283,846
Dividends received		23,342,933	23,175,650
Property income received		6,809,895	7,274,846
Contributions received from members & state		13,041,496	17,625,314
Cash receipt from the state share of benefits		14,000,000	4,000,000
Benefits paid to members		(31,732,373)	(31,824,937)
Cash payment to employees and suppliers		(15,819,082)	(15,099,116)
<i>Net cash flows from operating activities</i>		14,903,059	10,435,603
Cash flows from investing activities			
Proceeds from maturity of treasury bills		-	333,000
Purchase of property and equipment		(683,783)	(428,537)
Proceeds from sale of property and equipment		-	55,000
Purchase of investment properties		-	-
Proceeds from sale of investment properties		-	4,423,279
Investment in Toea Homes Limited		(2,245,302)	(5,458,123)
Investment in Taurama Commercial		(504,286)	(3,620,866)
Purchase of listed shares		-	(5,328,520)
Proceeds from sale of listed shares		-	24,152,507
<i>Net cash flows (used in) investing activities</i>		(3,433,371)	14,127,740
<i>Net (decrease) increase in cash and cash equivalents</i>		11,469,688	24,563,343
Cash and cash equivalents at the beginning of the year		48,128,531	23,565,188
Cash and cash equivalents at the end of the year	7	59,598,219	48,128,531

Full notes to the financial statements are provided beginning page 38.

Notes to the financial statements

For the year ended 31st December 2019

1. DESCRIPTION OF THE FUND

Defence Force Retirement Benefits Fund (the “Fund” or “DFRBF”) was established and recognized as a Superannuation Fund on 1 January 2003 pursuant to Section 8 of the Superannuation (General Provisions) Act 2000 and governed under the Defence Force Retirement Benefits Fund Act, Chapter 79 (DFRBF Act) with the repeal of Section 17 of the DFRB Act (provision through which the Fund was initially established on 31 December 2002). DFRBF was a Defined Benefit Fund until November 2015, when Parliament passed a bill allowing members to choose between the existing Defined Benefit and the newly established Defined Contribution (Accumulation) Fund. This has effectively changed the Fund from being a Defined Benefit Fund to be a hybrid Fund with both Defined Benefits and Defined Contribution (Accumulation) Schemes as at 1 January 2016.

The Trustee at balance sheet date is Comrade Trustee Services Limited (“CTSL” or “Trustee”). CTSL is licensed by the Bank of Papua New Guinea as the corporate Trustee for the DFRBF. As the licensed corporate Trustee it has ultimate legal responsibility for the prudent management and preservation of the Fund subject to the requirements of the Superannuation Act and governing rules of the Fund.

The Fund is operated for the purpose of providing benefits to members of the DFRBF who are also members of the PNG Defence Force on retirement and or to their families in the event of death and for related purposes. The objective of the Trustee is to ensure that the benefit entitlements of members and their declared beneficiaries are fully funded by the time they become payable.

Total membership for the Fund as at 31 December 2019 was:

	ACCUMULATION BENEFIT MEMBERS	DEFINED BENEFIT MEMBERS	TOTAL
Contributors	3,959	212	4,171
Pensioners	-	1,702	1,702

Both fund administration and investment management functions were outsourced to and performed by Kina Investment & Superannuation Services Limited (KISS) and Kina Funds Management Limited (KFM) up till October 2019 respectively and Frontier Equities for the remaining two months of the financial year, in compliance with the Superannuation Act 2000. The engagement of KISS and KFM were for a term of 1 year respectively. KISS engagement was further extended while KFM was not extended and Frontier Equities was appointed as the new Licenced Investment Manager.

The principal place of business of the Fund is:

Comrade Trustee Services Limited

Level 1, Comrade Haus, Comrade Place
Off Frangipani Street, Hohola
Port Moresby, National Capital District
Papua New Guinea

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements of Defence Force Retirement Benefits Fund (the “Fund”) have been prepared in accordance with the Superannuation (General Provisions) Act 2000, International Financial Reporting Standards (“IFRS”), the Companies Act 1997 and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

2.2 Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

The principal accounting policies are set out below.

2.3 Summary of significant accounting policies

(a) Revenue recognition

The Fund’s income items are recognised on an accrual basis and are presented in the Statement of Comprehensive Income.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a periodic basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Fund and the amount of income can be reliably measured).

For listed equity, this is usually the ex-dividend date. For unlisted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

Property rental income

Rental income from operating leases are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(b) Taxes

The Fund is exempted from paying income taxes on Capital gains and dividends. However, interest income received by the Fund is subject to interest withholding tax while rental income is fully taxable.

Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date in the countries where the Fund operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant accounting policy (continued)

(c) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the basis of straight line to write-off the cost of such assets to their residual values over their estimated useful lives as follows:

Furniture and fittings	15%
Motor vehicles	30%
Office equipment	20%
Renovations	10%
Software	33%

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

Profits or losses on disposal (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Repairs and maintenance costs are charged to the profit and loss and other comprehensive income statement when the expenditure is incurred.

(d) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Land and buildings, classified as investment property, are valued at 31 December 2019. In determining the fair value for financial reporting purposes, reference is made to the valuations performed by registered valuers ("the valuers") whose valuation reports indicate several methods that have been considered as a part of the valuation process and include methods such as capitalisation method, summation method and discounted cash flow method.

The valuations reports provided by the valuers are performed independently and the valuation methodology used takes into consideration the applicability of each methodology respectively with the type of assets being valued which are reflective of prevailing economic and market conditions to ensure that the values adopted are fair and appropriate for financial reporting purposes.

The registered valuers:

REGISTERED VALUER	PROPERTIES
LJ Hooker	Defens Haus, Stop & Shop, Latitude 9, Ela Makana 1 & 2, Taurama and Comrade Haus

(e) Financial assets

i. Recognition and initial measurement

The Fund's financial assets are initially recognised at Fair Value Through Profit and Loss (FVTPL) on acquisition. Other Financial Assets not recognised as FVTPL are recorded at cost. The classification depends on the purpose for which the investments are acquired. Management of the Trustee of the Fund determines the classification of its investments at initial recognition.

ii. Classification and subsequent measurement

With the introduction of IFRS 9 effective January 2018, financial assets are classified under the following three categories:

- financial assets at fair value through profit or loss (FVTPL);
- financial assets at fair value through other comprehensive income (FVOCI) and;
- amortized cost financial assets.

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

Financial assets at fair value through profit or loss include financial assets held for trading and those assets managed for which their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

The Fund after the introduction of IFRS 9 has maintained classifying its listed and unlisted equities under Financial Assets at Fair Value through Profit and Loss. These two-asset class basically met the "Other" business model test where they were not held for contractual cash flow or sale. The main purpose is for capital growth and dividends.

(2) Amortized cost

Financial assets held to maturity are non-derivative with fixed or determinable receipts and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity. This includes government inscribed stocks (GIS).

A financial asset is measured at amortized cost if the business model requires holding assets to collect contractual cash flows and the term of contract will give rise on specified dates to cash flows that are Solely Payment of Principal & Interest (SPPI) and that it is not designated as at FVTPL.

The Funds' investment in GIS are classified as Amortized Cost as it is held to collect contractual cash flow. Upon settlement on specific dates in the future, the cashflow is "Solely Payment of Principal and Interest".

(3) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund was to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(4) Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. The Fund carries no Financial Liabilities as the Bank regulations do not allow for it.

iii. Fair value measurement

Changes in fair market value of Financial Assets and Investment properties are recognised as income and are determined as the difference between the fair market value at year end or consideration received (if sold during the year) and the fair market value as at the prior year end or cost (if the investment was acquired during the period).

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Unlisted shares were independently valued as at 31 December 2019 as adopted by the Statutory Manager/ Board. This valuation was performed by Pertusio Capital Partners Limited as an independent professional valuer. The methodology used in the analysis was a combination of future maintainable earnings, dividend yields and discounted cash flows of assets, respectively as appropriate to the shares with the exception of Toea Homes Ltd, which is at net asset.

iv. Amortized cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference.

v. Impairment of financial assets

POLICY APPLICABLE BEFORE 1 JANUARY 2018

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'Credit loss expense'. Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the 'Credit loss expense'. Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant accounting policy (continued)

(e) Financial Assets (continued)

v. Impairment of financial assets (continued)

POLICY APPLICABLE FROM 1 JANUARY 2018

Subsequent to the introduction of IFRS 9, the Fund recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECL, except cash and cash equivalents which are measured as 12 month ECL as credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Bank does not allow the Fund to issue loans to members and also does not allow interest bearing deposits with Financial Institutions that are not on the Bank's approved list. This mitigates the risk of possible impairments for the assets held at amortised cost. In addition, the Fund has K33m out of its total assets of K608m sitting as investments with the Bank through purchasing of the Government Inscribed Stocks. These have a high credit risk rating which further reduces the possible risk of impairments of these assets.

(f) Loans and impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans originated by the Fund by providing money directly to the borrower are recognised as loans originated by the Fund and are carried at cost, which is defined as the fair value of cash consideration given to originate those loans as is determinable by references to market prices at origination date.

Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

The Fund does not issue or take loans as per Prudential Standards issued by the regulator, the Bank of Papua New Guinea.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and term deposits.

(h) Foreign currency

Functional presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Kina, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign exchange transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets.

(i) Changes in accounting policies and comparatives

No changes to accounting policies in the current year impacted the Fund. See details IFRS Standards in Note 3.

(j) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, including salary sacrifices, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled wholly within 12 months are measured as the present value of the estimated future cash outflows to be made by the Fund in respect of services provided by employees up to reporting date.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The employees of the Trustee of the Fund do not contribute to the Fund but to a different Superannuation Fund.

(k) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(m) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

2.4 Application of new and revised International Financial Reporting Standards (IFRSs)

Of the mandatory Standards introduced in the last 3 years, the Fund has applied IFRS 9 in January 2018. Most standards introduced have no impacts on the Fund in terms of its application.

Newly effective standards	Effective Dates
IFRS 16 Leases	1-Jan-19
IFRIC 23 Uncertainty over Income Tax Treatments	1-Jan-19
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1-Jan-19
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1-Jan-19
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1-Jan-19
Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	1-Jan-19

a) New Accounting Standards with impact on the Fund introduced in 2019.

New standards introduced with effective dates in 2019 have had no impacts on the operations of the Fund in terms of its applications.

b) Standards to be issued on and after 1 January 2020

The Fund is assessing the potential impact on its financial statements resulting from the application of the following standards:

Standards available for early adoption	Effective Dates
Amendments to References to Conceptual Framework in IFRS Standards	1-Jan-20
Definition of a Business (Amendments to IFRS 3)	1-Jan-20
Definition of Material (Amendments to IAS 1 and IAS 8)	1-Jan-20
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1-Jan-20
IFRS 17 Insurance Contracts ~	1-Jan-21
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Option

3. CONTRIBUTION ARRANGEMENTS

Defined Benefit scheme

Contributions are made to the Fund in accordance with Part IV of the DFRBF Act at 6% of members' gross salaries for member contributions while the employer (State) contribution is 60% of pension benefits or resignation benefits calculated based on a formula provided in the DFRBF Act on retirement of a member.

Accumulation scheme

Contributions are as per the provisions of the Superannuation Act where the employer pays 8.4% and employees 6% every pay period. Additional contribution is up to each contributing members by way of voluntary contributions.

Contribution Receipts

Member contributions

Contributions received from members are recognised on cash basis by way of bank credits from the Finance Department.

State (Employer) Contribution

Defined benefit scheme

Contributions from the state are recognised on an accrual basis, based on 60% of the benefits payments made to pension members on a monthly basis.

Accumulation scheme

Employer contributions of 8.4% of gross salary are recognised when actually received by way of bank credits from the Finance Department.

4. LIABILITY FOR ACCRUED BENEFITS UNDER DEFINED BENEFIT

The liability for accrued benefits for Defined Benefit Scheme Members has been determined on the basis of the present value of the expected future payments that arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to the expected future salary levels and, by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions. The actuary (Haintz Actuarial Pty Ltd) undertook the valuation of accrued benefits for the Defined Benefit scheme as part of an actuarial review as at 31 December 2018. The actuarial investigation used an aggregate costing method, whereby the discounted values of future benefits were compared with the net assets of the Fund, plus the discounted value of contributions paid by the existing members only. No assumptions were made regarding new entrants. Detailed discussion of the review is provided in the

actuarial report.

Significant assumptions applied in the actuarial report are as follows:

	2018	2016
Investment Yield	6%	8%
Salary Increase	6%	8%
Pension Increase	4%	5%
Crediting rate	6%	8%
Pension Commutation	50 %	50%

Accrued benefits were valued as part of a comprehensive review undertaken as at 31 December 2018 as follows:

	2018	2016
	K	K
Liability for accrued benefits	99,063,000	82,529,000
Net value of assets	331,418,000	316,261,000

The vested benefits are calculated as the total benefits payable if every contributor to the Fund left voluntarily at the review date as follows:

	2018	2016
	K	K
Liability for vested benefits	97,945,000	81,861,000
Net value of assets	331,418,000	316,261,000

Net value of assets under Defined Benefit scheme for the purposes of the above disclosure is calculated as net asset value as at balance sheet reporting date for the period of review, the actuarial value of the pensions currently paid is as follows:

	2018	2016
	K	K
Total net assets available to pay benefits	571,856,000	516,615,000
Accumulation Fund	(240,438,000)	(206,279,000)
Actuarial value of pensions currently being paid	-	5,925,000
Net value of assets under Defined Benefit	331,418,000	316,261,000

Although the actuarial report is prepared as at 31 December 2018, in terms of the requirements of Section 24 of the Defence Force Retirement Benefits Act, Chapter 76, the next actuarial investigation of the fund should be carried out no later than 31 December 2021 for the year ending 31st December 2020.

5. LIABILITY FOR ACCRUED BENEFITS UNDER ACCUMULATION SCHEME

Under the Accumulation Scheme, the Fund's liability does not include the State component of the enhancement value and interests at the time of the transfer from the Defined Benefit Scheme to the Accumulation Scheme and annual interest credited to the members annually on those balances.

The Fund is only liable to pay the 6% component of the member's contribution, the Fund's enhancement values and interest earned at the time of transfer in addition to the interest and contributions received after the transfer to the date of exit from the Fund.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including future events that are believed to be reasonable under the circumstances.

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. In determining the fair value for financial reporting purposes, reference is made to the valuations performed by registered valuers ("the valuers") whose valuation reports indicate several methods that have been considered as a part of the valuation process and include methods such as capitalization method, summation method and discounted cash flow method. The valuation reports provided by the valuers are performed independently and the valuation methodology used takes into consideration the applicability of each methodology respectively with the type of assets being valued which are reflective of prevailing economic and market conditions to ensure that the values adopted are fair and appropriate for financial reporting purposes.

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 a different basis for determining fair value.

Valuation of financial assets and liabilities

The Fund carries most of its non-quoted financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, and volatility rates, the amount of changes in fair value would differ if the Fund utilised a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity. (See note 2.3(e)(iii)).

Receivable from the State

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

1. State's share of the Accumulation member exit payments. This component is not reflected in the Fund's accounting records until it is received;
2. State's share of the Defined Benefits member payments including the fortnightly pensions; and
3. Interest accrued on the outstanding payments.

Management continuously assesses the recoverability of these receivables considering the nature of the debt, past history, likelihood of settlement and any relevant information available to management.

These are then communicated at the Board level. In the absence of the Board of Directors, the Statutory Manager considers the State's share of exit payments receivable to be fully recoverable.

As at 31 December 2019, the State owes the Fund K14 million (Refer to Note 9) in respect of the State's share of Defined Benefit members' payments made by the Fund. The Fund has been meeting the Defined Benefit member exit payments and pensions on behalf of the State when a member serving under 20 years retires, and exits the Fund or moves on to the Pension for a member over 20 years. The Fund recognizes this as a receivable only when the Fund invoices the State for these payments. All outstanding payments in respect of these invoices attract penalty interest of 5% plus the Treasury bill rate as at the end of each month.

In the Accumulation Scheme, the State has an unrecognised liability to members of K268 million including interest (but not the Fund) arising from the initial unfunded employer contributions calculated by the actuary and forms part of the transfer values provided to members joining the Accumulation Scheme. This liability will become due for payment by the State as and when members retire from the PNG Defence Force. The Fund is not obliged to pay these liabilities on behalf of the State.

As at 31 December 2019, the State's crystallised liability due for settlement to members who have since resigned and exited the PNG Defence Force stands at K18.2 million out of the K268 million. This amount does not include the interest that would have been earned on these funds.

7. CASH AND CASH EQUIVALENTS

	2019	2018
	K	K
Cash on hand	2,000	2,000
Cash in banks	41,459,267	16,716,326
Term deposits with original maturity less than 90 days	18,136,952	31,410,205
	59,598,219	48,128,531

8. RECEIVABLES FROM STATE

	2019	2018
	K	K
State's share on benefits paid	13,958,306	18,485,738
	13,958,306	18,485,738

9. FINANCIAL ASSETS

9.1 Financial assets at fair value through profit or loss

		2019	2018
	Note	K	K
Listed shares	23.1.1	218,785,377	187,947,395
Unlisted shares	23.1.2	93,857,592	112,013,869
		312,642,969	299,961,264

9.2 At Amortized Cost

		2019	2018
	Note	K	K
Government inscribed stocks	23.2	33,283,359	34,857,341

Government inscribed stocks (GIS) are carried at amortised costs in accordance with IFRS 9 requirements introduced in 2018. These deposits are held to their maturity which varies between 2020 and 2031. Movements in GIS are set out in Note 24.

9.3 Change in value of financial assets

	2019	2018
The amount comprises of:	K	K
Net fair valuation gain for listed financial assets at xx xxfair value through profit or loss	30,837,982	4,740,155
Net fair valuation loss for unlisted financial assets at fair value through profit or loss	(17,738,377)	(222,747)
Net movement for amortised cost assets	(1,573,982)	2,185,261
Change in fair value through profit and loss	11,525,624	6,702,669

10. INVESTMENT PROPERTIES

	2019	2018
	K	K
Balance at beginning of financial year	175,311,898	180,249,032
Additions	2,199,452	(4,500,000)
Net loss from fair value adjustments	(1,428,416)	(4,058,000)
Work in Progress - Taurama Commercial	-	3,620,866
Balance at end of financial year	176,082,934	175,311,898

The fair value of the Fund's investment properties as at 31 December 2019 has been arrived at by considering valuation assessments carried out by LJ Hooker which is an unrelated entity to the Trustee, along with re-computation of valuations using inputs from various other sources.

Investment property with a total carrying amount of K176,082,934 (2018: K175,311,898) was encumbered at 31 December 2019.

Investment Property	Valuation Basis	Value as at 31 December 2019	Value as at 31 December 2018
		K	K
Comrade Haus	Capitalization	18,090,000	18,090,000
Defens Haus	Capitalization	50,454,000	50,454,000
SNS Boroko	Capitalization	8,560,000	8,560,000
Taurama Commercial Land	Direct Comparison	47,981,000	47,891,000
Taurama Commercial WIP	Cost	20,125,184	19,620,898
Ela Makana 1 Residential House	Direct Comparison	6,098,000	6,050,000
Ela Makana 2 Apartment	Direct Comparison	12,718,750	12,590,000
Latitute 9 Apartment	Capitalization	12,056,000	12,056,000
		176,082,934	175,311,898

Fair values were determined using present value cash flows, having regard to current market characteristics for similar properties located in Papua New Guinea. In the current year, the statutory manager assessed that the carrying value of the investment properties are fairly stated.

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:

Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary).

Key unobservable input includes the capitalisation rates of 10.5% - 11% (2018: 10.5% - 11%) and market lease rates.

Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Fund with lease terms of between 1 to 3 years, usually with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Fund, as they relate to property which is located in a location with a constant increase in value over the last 3 years. The Fund did not identify any indications that this situation will change.

Rental income earned from investment properties and costs of property operations recognized are disclosed in note 16.

11. OTHER ASSETS

	2019	2018
	K	K
GST tax receivable*	2,313,955	6,466,503
Debtors – Corporate	184,283	885,623
Accrued interest:		
Term deposits and Government Inscribed Stock (GIS)	599,739	659,423
State share of defined benefits	60,732	369,376
Prepayments	175,004	134,646
Sundry debtors	78,733	66,540
Total	3,412,446	8,582,111
Less: specific allowance for losses	-	-
	3,412,446	8,582,111

*GST Receivable reduced by K 4,152,548 in 2019 from 2018. This was as a result of the tax credits being used to reduce salary and wages tax liability after confirmation by the tax office. This practice, however, as officially announced by the tax office is no longer accepted effective September 2019. See also note 13 under Salary and Wages tax.

12. INCOME TAXES

12.1 Income tax expense recognised in profit or loss

	2019	2018
Comprising:	K	K
Deferred tax:	(1,021,096)	-
Current year charge to IS		
Deferred tax expense (benefit) relating to origination reversal of temporary differences	-	731,364
Deferred tax:	(892,654)	-
Prior year adjustments		
Income tax expense (benefit)	(1,913,750)	731,364

12.2 The tax expense for the year can be reconciled to the accounting surplus as follows:

		2019	2018
	Note	K	K
Income Tax expense			
Profit/(Loss) before tax*	12.2.1	24,869,025	21,603,577
Income tax expenses calculated at 25%		6,217,256	5,400,894
Tax effect of permanent differences		(1,402,619)	169,003
Dividends rebate		(5,835,733)	(4,838,533)
Under/(over) provision in prior year		(892,654)	-
Income tax expense (benefit)		(1,913,750)	731,364

* Profit before tax is arrived at per reconciliation in table below. This value takes into consideration the movements in the member's benefits payments and receipts, effectively is the "change in net assets" before tax to be consistent with prior year's tax calculations.

12.2.1 Reconciliation of Profit/(Loss) before tax

	2019	2018
	K	K
Profit/(Loss) before tax	29,559,902	24,589,306
Contribution from Members & State	27,041,496	25,614,687
Benefits Paid to members	(31,732,373)	(28,600,416)
	24,869,025	21,603,577

12.3 Deferred tax recognised during the year

(a) Deferred tax assets

2019	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
	K	K	K	K
<i>Temporary difference</i>				
Accruals	33,104	-	73,067	106,171
Employee benefits	91,639	-	8,882	100,521
Tax losses	-	-	742,572	742,572
	124,743	-	824,521	949,264

2018	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Accruals	35,808	-	(2,704)	33,104
Other assets	-	-	-	-
Employee benefits	83,723	-	7,916	91,639
	119,531	-	5,212	124,743

(b) Deferred tax liabilities

2019	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
	K	K	K	K
<i>Temporary difference</i>				
Interest receivable	1,149,854	(892,654)	(92,083)	165,117
Prepaid insurance	10,843	-	22,940	33,783
Rental debtors	221,406	-	(127,434)	93,972
Depreciation	736,893	-	-	736,893
	2,118,996	(892,654)	(196,577)	1,029,765

2018	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Interest receivable	462,135	-	687,719	1,149,854
Prepaid insurance	8,507	-	2,335	10,842
Rental debtors	174,885	-	46,521	221,406
Depreciation	736,893	-	-	736,893
	1,382,420	-	736,575	2,118,995

12.4 Current tax asset

	2019	2018
Note	K	K
Withholding tax	2,900,550	2,268,940
Company income tax provision	(555,720)	(555,720)
	2,344,830	1,713,220

13. OTHER LIABILITIES

	2019	2018
Note	K	K
Members Unclaimed Monies & State AC funding ¹	3,455,862	8,076,911
Creditors	3,245	2,077,982
BPNG Licenced Fees	857,824	40,776
Fund Investment & Administration	255,371	215,912
Tenants Advance Rentals & Security Bonds	1,163,744	1,312,728
Wages & Salary Tax (Staff, Directors and Members) ²	1,405,973	4,319,559
Audit Fees	20,546	43,434
Other Accruals	425,599	173,537
	7,588,164	16,260,839

¹This balance reflects the crystallised balance of AC members due and payable pending further details from AC members. In 2018, it was K7.8m while in 2019 it went down to K1.9m. Also included here are the returned funds and unallocated funds pending confirmation of details for allocation.

²Wages and salary tax reduced from 2018 as a result of the confirmation by the tax office to transfer GST credits to to reduce this liability. This practise has now been officially not applicable as advised by the tax office effective September 2019. See also note 12 on GST.

14. NET ASSETS AVAILABLE TO PAY BENEFITS

14.1 Statement of Members Funds

		2019	2018
Members funds	Note	K	K
(i) Defined Benefit			
Balance at beginning of year		331,417,430	322,433,619
Operating results (Note 14.2)		18,240,473	13,961,856
Net assets Available to pay Defined Benefits		349,657,903	336,395,205
Contributions received	18.2.1	8,536,860	8,257,071
Benefits paid	18.1.1	(18,280,893)	(13,234,846)
Prior year adjustments		-	-
Net assets Available to pay Defined Benefits at the end of the year		339,913,870	331,417,430
(ii) Accumulation Benefit			
Balance at beginning of year		240,438,197	228,549,795
Reclassification after election by Members		-	-
Operating results (Note 14.2)		13,233,179	9,896,356
Net assets Available to pay Accumulation Benefits		253,671,376	238,446,151
Contributions received	18.2.2	18,504,636	17,357,616
Benefits paid	18.1.2	(13,451,480)	(15,365,570)
Net assets Available to pay Accumulation Benefits at the end of the year		258,724,532	240,438,197
Comprising of:			
Members Accounts – opening balance		237,136,056	223,978,799
Movements for the year		5,053,156	1,992,046
Interest allocation		15,035,508	11,165,211
Members Accounts – closing balance		257,224,720	237,136,056
Reserve*		1,499,812	3,302,141
Total Accumulation Members Funds		258,724,532	240,438,197
(iii) Total Members Funds			
Defined Benefits		339,913,870	331,417,430
Accumulation Benefits		258,724,532	240,438,197
Total Members Funds		598,638,402	571,855,627

*The amounts held in the above reserve account are unallocated benefits held as reserves in accordance with the Fund's Reserving Policy and Prudential Standards.

14.2 Apportioning of Net Operating Surplus

The Fund's Actuary provided the accounting apportionment ratio as the basis for allocating costs and revenue from investment operations as well as the administrative costs to determine the net operating surplus under each scheme.

The net assets under each scheme (as a percentage of the total net assets) have been used as the basis for apportioning the operating revenue, expenses and the net profit.

	Total	Accumulation Benefit	Defined Benefit
	K	K	K
Income	43,753,401	18,396,232	25,357,169
Expenses	(14,193,499)	(5,967,694)	(8,225,805)
Tax	1,913,750	804,641	1,109,109
Net operating income from operations	31,473,652	13,233,179	18,240,473
Accounting apportioning ratios	100%	42.05%	57.95%

15. INTEREST INCOME

	2019	2018
Note	K	K
Interest income is earned from the following assets:		
Financial assets at Amortised Cost	3,646,355	3,750,413
Cash and short term funds	1,613,835	1,533,433
	5,260,190	5,283,846

16. PROPERTY INCOME NET OF PROPERTY EXPENSES

	2019	2018
Note	K	K
Rent	8,137,198	8,504,165
Less:	(29,157)	(58,094)
• Agent management expense		
• Other property expenses	(3,988,832)	(3,485,596)
	4,119,209	4,960,475

17. GAIN ON SALE OF FINANCIAL ASSETS

	2019	2018
	K	K
Gain on sale of listed investments	112,100	1,850,313

18. CONTRIBUTIONS RECEIVED AND BENEFITS PAID IN DETAIL

18.1 Benefits Paid

	2019	2018
Notes	K	K
18.1.1 Defined Benefit Scheme		
Pension and back pension	18,202,888	12,631,176
Refunds	54,540	68,641
Gratuities	-	680
Lump sum	44,320	584,147
Housing Advance Benefit Payments	(20,855)	(49,798)
Total Defined Benefits Payment	18,280,893	13,234,846
18.1.2 Defined Accumulation Scheme		
Normal benefits paid	12,629,477	14,790,018
Unemployment benefits paid	55,078	9,186
Other employments benefits paid	-	-
Housing Advance Benefit Payment	766,925	566,366
Total Defined Accumulation Payments	13,451,480	15,365,570
18.1.3 Total Benefits paid		
Defined Benefit Scheme	18,280,893	13,234,846
Defined Accumulation Scheme	13,451,480	15,365,570
Total Benefits Paid	31,732,373	28,600,416

18.2 Contributions from members and state

	2019	2018
Notes	K	K
18.2.1 Defined Benefit Contribution		
State share of contributions towards defined benefits payments	8,242,083	7,989,373
Defined Benefits Scheme Members 6% contribution	294,777	267,698
Housing Repayments	-	-
Total Defined Benefits Contribution	8,536,860	8,257,071
18.2.2 Defined Accumulation Contribution		
State 8.4% Contribution to Accumulation Scheme ... Members	10,984,472	9,835,852
Members 6% Employee Contributions	7,520,164	7,438,353
Housing Repayments	-	83,411
Total Defined Accumulation Contribution	18,504,636	17,357,616
18.2.3 Total Contribution		
Defined Benefit Scheme	8,536,860	8,257,071
Defined Accumulation Scheme	18,504,636	17,357,616
Total Contribution Receipts	27,041,496	25,614,687

19. TRUSTEE ADMINISTRATION AND MANAGEMENT EXPENSES

		2019	2018
	Note	K	K
Staff expenses	19.1	5,204,544	4,110,274
Other administrative expenses	19.2	4,632,545	4,015,513
Operating lease		1,327,303	1,229,319
Depreciation		966,608	893,005
Software cost		-	5,280
Other Trustee expenses		-	20,356
		12,131,000	10,273,747

19.1 Staff expenses

	2019	2018
	K	K
Salaries and wages	4,246,962	3,139,293
Sacrifice – Accommodation	621,791	611,736
Sacrifice – Vehicle	-	14,775
Insurance – medical	32,914	94,033
Training	111,705	149,533
Sacrifice – School fee	94,066	-
Sacrifice – Airfare	46,909	90,127
Other staff expenses	50,197	52,337
	5,204,544	4,110,274

As at 31 December 2019, the Trustee Company had 33 employees (2018: 36).

19.2 Other administrative expenses

	2019	2018
Details of other administrative expenses follow:	K	K
Board of Trustee expenses	648,677	894,723
Insurance	383,007	308,241
Advertising	75,345	171,920
Internet service provider	119,589	116,917
Professional fees:		
Audit services ¹	218,000	207,500
Tax	40,000	11,050
Consulting	488,099	519,519
Legal	117,216	52,480
Other	63,382	38,900
Printing and stationery	103,030	114,816
Telephone	44,864	83,939
License fee ²	1,515,399	159,730
Sundry expenses	815,937	1,335,778
	4,632,545	4,015,513

¹External Audit Service Fee is K132,000 while balance is internal audit services.

²Licence fee directly relates to Bank of PNG annual licence fee renewal. This has increased as a result of the Bank's review of the Funds operations through the engagement of an independent auditor and the appointment of the Statutory Manager.

20. FUND ADMINISTRATION AND INVESTMENT MANAGEMENT FEES

	2019	2018
	K	K
Fund administration fee	545,725	1,323,858
Investment management fee	1,516,774	1,385,368
	2,062,499	2,709,226

21. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The below receivable is unsecured, interest free and does not have a pre-determined payment term.

21.1 Toea Homes Limited

	2019	2018
	K	K
Related party receivable (payables) from (to) THL	3,060,534	815,232

Toea Homes Limited (THL) is a wholly owned subsidiary of CTSL and was formed as a vehicle to manage the CTSL member home ownership scheme. THL is focused on developing a home ownership scheme for members of the Fund. The investment in THL is recorded on a net asset basis and is carried at K37,700,556 (2018: K37,700,556).

On 20 November 2018, pursuant to section 31(1) of the Superannuation (General Provisions) Act 2000, the Bank of Papua New Guinea (the Bank) appointed an independent investigator to investigate and report to the Bank on the aspects of the business of THL. Following receipt of the investigators report, the Bank relieved the former Board of its legal and fiduciary duties and appointed a Statutory Manager under Section 59 of the Superannuation General Provision Act 2000 at the end of July 2019.

21.2 Key management personnel remuneration specified in aggregate in the year 2019

	2019	2018
	K	K
Salary	2,358,657	1,562,460
Non-monetary(i)	588,457	480,886
Superannuation – Employer	232,864	171,641
	3,179,978	2,214,987

(i) This reflected the actual housing and other salary sacrificed allowances paid to suppliers as benefits to employees.

21.3 Board of Directors remuneration during the year

	2019	2018
	K	K
Board remuneration*	576,089	860,565

*2019 board fee payments covered the period January to end of July 2019.

The entire Board of Directors was replaced by the Statutory Manager as per Section 59 of the General Provision Superannuation Act 2000.

21.4 Other related party transactions

In 2015, the Fund acquired 5.25 million shares of Kina Securities Limited (KSL) at Initial Public Offering. KSL provides Investment Management and Fund Administration services to the Fund, through its 100% owned subsidiaries Kina Funds Management Limited and Kina Investment & Superannuation Services, respectively. Related fees paid are disclosed in Note 20.

During the 2019 financial year, the Fund earned interest on term deposits of K516,656 (2018: K 119,573) from Kina Finance Limited, a finance company which has common shareholders with the Fund's investment manager, Kina Funds Management Limited. As at 31 December 2019, term deposits placed with Kina Finance Limited amounted to K18,942,930 (2018: K 15,119,667). The Fund also received dividends amounting to K775,253 (2018: K700,177) and generated unrealised capital gains of K4,656,946 (2018: K1,329,439) from its investment in KSL.

22. FINANCIAL RISK MANAGEMENT

The Fund's strategy focuses on two primary objectives: to maximize long term Fund returns and to manage and control business and investment risks. This strategy inherently requires the Fund to pursue a balanced investment strategy which seeks capital growth over the medium to long term with moderate income streams.

All investment undertaken must balance risk against returns. In other words, the investment strategy pursued must determine a mix of growth and defensive assets that best suits the needs of the members.

The Fund can achieve better returns through disciplined application of a good investment process, one that is based on the analysis of investment fundamentals followed by an assessment of relative value.

The Fund is exposed to liquidity risk, interest rate risk, foreign exchange risk, credit risk, government security risk and country risk.

22.1 Liquidity risk

The Fund invests the majority of the assets in investments that are traded in an active market.

The Fund holds securities that are listed on both the Port Moresby Stock Exchange and the Australian Stock Exchange. Those securities that are listed on the Australian Stock Exchange are considered readily realizable while those listed on the Port Moresby Stock Exchange are not as the potential buyers may not be readily available at the point of sale.

The liabilities of the Fund are long term in nature and are well structured in terms of benefits comprising of a mix of a pension commutation and a fortnightly pension payable throughout the life-time of the member. The Fund is not exposed to liquidity risk arising from interest bearing financial liabilities.

22.2 Government security risk

The Fund has a significant exposure to the State through its holding of government inscribed stocks (Note 10.2) and through State contributions towards benefit payments (Note 9).

22.3 Country risk

To the extent that the Fund holds funds in foreign jurisdictions, a variety of risks may arise in addition to foreign exchange risk – such as changes in local economic condition, local regulatory requirements or non-transparent governance arrangements. The Fund's investments in foreign jurisdictions have been primarily in Australia as follows:

	2019	2018
	K	K
Listed securities (FVTPL)	61,479,320	50,507,427
Monetary financial assets (cash and cash equivalents)	18,477,316	16,305,308
Total	79,956,636	66,812,735

22.4 Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash equivalents are invested at short-term market interest rates.

The following table summarizes the Fund's exposures to interest rates risk along with discounted contractual maturity profiles of financial assets and liabilities.

	Weighted average interest rate	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
31-Dec-19		K	K	K	K	K
Assets						
Cash and cash equivalents	1.23%	59,598,219	-	-	-	59,598,219
Amount receivable from State	6.39%	-	13,958,306	-	-	13,958,306
Financial assets:						
FVTPL	-	-	-	-	312,642,969	312,642,969
Amortised Cost	10.61%	-	17,967,432	15,315,928	-	33,283,360
Other assets	-	-	-	-	923,487	923,487
Liabilities						
Employee Provisions	-	-	-	-	-	-
Other liabilities	-	-	-	-	(6,182,191)	(6,182,191)
Liquidity and interest sensitivity gap		59,598,219	31,925,738	15,315,928	307,384,265	414,224,150

	Weighted average interest rate	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
31-Dec-18		K	K	K	K	K
Assets						
Cash and cash equivalents	0.98%	48,128,531	-	-	-	48,128,531
Amount receivable from State	6.40%	-	18,485,378	-	-	18,485,378
Financial assets:						
FVTPL	-	-	-	-	299,961,264	299,961,264
Amortised Cost	10.70%	-	12,650,906	22,206,435	-	34,857,341
Other assets	-	-	-	-	8,582,111	8,582,111
Liabilities						
Employee provisions	-	-	-	-	(447,695)	(447,695)
Other liabilities	-	-	-	-	(16,260,839)	(16,260,839)
Liquidity and interest sensitivity gap		48,128,531	31,136,644	22,206,435	291,834,841	393,306,451

22.5 Foreign currency exchange risk

The Fund holds monetary assets denominated in currencies other than Kina, the functional currency. The Fund is therefore exposed to currency risk, in regards to assets denominated in foreign currency due to changes in exchange rates.

The table below summarizes Fund's exposure to currency risks.

	2019	2018
Currency	K	K
PGK Value of overseas currency denominated in AUD	14,891,494	3,446,836
PGK Value of overseas currency denominated in USD	3,585,822	12,858,472
	18,477,316	16,305,308

Assuming that the impact of currency fluctuation is asymmetric, a 100 basis points shift in currencies in either direction would impact the profit or loss by K184,773 (2018: K163,053)

22.6 Fair values of financial assets and liabilities

(a) Fair value versus carrying values

Financial assets other than held to maturity investments and other assets that are carried at amortised cost comprising of investments at fair value through profit or loss and available for sale investments are measured at fair value and carrying values are disclosed in the statement of net assets.

Management and the Statutory Manager are of the opinion that the fair values of the following financial assets and liabilities approximate their carrying values as these are short dated instruments carried at amortised cost such as cash and cash equivalents, receivable from State and related party and other assets and liabilities. Carrying values of the financial instruments are disclosed in the statement of net assets.

(b) 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, 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.

When measuring the fair value, 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); and
- 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).

The following table 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. There were no transfers between level 1, level 2 and level 3 during the year.

Level 3 investments identified below consist of unlisted shares (Refer note 10.1). The unlisted shares are stated at fair value, which are based on external valuation reports provided by independent experts. The main methodologies in determining the fair value of unlisted equities are based on capitalisation of earnings, capitalisation of dividends, net tangible assets and discounted cash flows.

It is appropriate to consider all of the above methods in arriving at a fair value.

	Level 1	Level 2	Level 3	Total
31-Dec-19	K	K	K	K
At fair value through profit or loss	218,785,378	-	93,857,592	312,642,970
Government inscribed stocks	-	33,283,359	-	33,283,359
Total	218,785,378	33,283,359	93,857,592	345,926,329

31-Dec-18	K	K	K	K
At fair value through profit or loss	187,947,395	-	112,013,870	299,961,265
Government inscribed stocks	-	34,857,341	-	34,857,341
Total	187,947,395	34,857,341	112,013,870	334,818,606

22.7 Credit risk

The Fund is exposed to credit risk primarily through the balances it holds with banks, receivable from State and related party, investments in government inscribed stocks and other financial assets. The maximum exposure to credit risk is limited to the extent of the carrying values of these assets which are disclosed in the statement of net assets. The Fund manages credit risk by dealing with reputed counterparties including financial institutions and the government and closely monitors receivables that are past due and the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

22.8 Equity price risk

The Fund is exposed to equity price risk mainly through its investments in listed shares that are listed in the stock exchanges in PNG and in Australia. The exposure to equity price risk is as follows:

	2019	2018
	K	K
<i>At fair value through profit or loss</i>		
Listed securities in PNG	157,306,057	137,439,969
Listed securities in Australia	61,479,321	50,507,426
Total	218,785,378	187,947,395

Assuming that the impact of equity price volatility is asymmetric, a shift in indices by 1% in either direction would impact the profit or loss by K2,187,854 (2018: K1,879,474).

23. DETAILED LISTING OF FINANCIAL ASSETS HELD BY THE FUND

23.1 Financial assets at fair value through profit or loss

23.1.1 Listed shares

	Market Value 2019	Shareholding as a % of net assets of the Fund	Market Value 2018	Shareholding as a % of net assets of the Fund	Movements
Companies	K		K		K
Bank South Pacific	146,732,293	24.52%	127,799,094	22.35%	18,933,199
City Pharmacy	2,087,306	0.35%	1,674,999	0.29%	412,307
Oil Search Limited	18,063,226	3.02%	17,680,329	3.09%	382,897
Kina Asset Management Ltd	5,154,726	0.86%	5,154,726	0.90%	-
Credit Corporation	3,331,733	0.56%	2,811,150	0.49%	520,583
Telstra Corporation	1,717,196	0.29%	1,370,192	0.24%	347,004
Newcrest Mining Ltd	2,201,067	0.37%	1,572,115	0.27%	628,952
Vanguard International Shares Index Fund	26,846,076	4.49%	21,889,981	3.83%	4,956,095
Kina Securities Ltd	12,651,755	2.11%	7,994,809	1.40%	4,656,946
	218,785,378	36.62%	187,947,395	31.46%	30,837,983

23.1.2 Unlisted shares

	Market Value 2019	Shareholding as a % of net assets of the Fund	Market Value 2018	Shareholding as a % of net assets of the Fund	Movements
Companies	K		K		K
BPT(PNG) Ltd	6,348,064	1.06%	7,920,734	1.39%	(1,572,670)
Westpac Bank Ltd (WPC)	-	0.00%	417,900	0.07%	(417,900)
Paradise Foods Ltd	21,840,326	3.65%	32,651,563	5.71%	(10,811,237)
Post Courier	1,386,250	0.23%	1,204,374	0.21%	181,876
South Pacific Brewery	26,582,396	4.44%	32,118,742	5.62%	(5,536,346)
Toea Homes Limited (Note 21.1)	37,700,556	6.30%	37,700,556	6.59%	-
Total	93,857,592	15.69%	112,013,869	19.59%	(18,156,277)

23.2 Government Inscribed Stock

	2019	2018
	K	K
Beginning balance	34,857,341	33,005,079
Maturity during the year	-	(333,000)
Adjustments through P&L	(1,573,982)	2,185,262
Ending balance	33,283,359	34,857,341

24. AUDIT FEES

The independent external audit firm is KPMG. The audit fees for the audit of the financial statements are disclosed in Note 20.2.

25. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities as at 31 December 2019 (2018: Nil). There was no future expenditure or capital commitments as at 31 December 2019 (2018: Nil).

26. EVENTS AFTER BALANCE SHEET DATE

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Fund's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Fund cannot reasonably estimate the impact these events will have on the Fund's financial position, results of operations or cash flows in the future.

There were no other events that occurred after 31 December 2019, the balance sheet date, other than what has been disclosed in the notes to the financial statements that would require an adjustment or disclosure in the financial statements.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Statutory Manager and authorized for issue on 03 April 2020.

Corporate Directory

Licensed Trustee

Comrade Trustee Services Limited

Level 1, Comrade Haus,
Off Frangipani Street, Hohola
PO Box 497, Port Moresby, NCD 121
Papua New Guinea

Telephone: +675 303 9000

Facsimile: +675 323 9856

Fund Administrator

Kina Superannuation Services Limited

Level 2, Kina Haus
PO Box 1141, Port Moresby, NCD
Papua New Guinea

Management

Sitiveni Weleilakeba

Statutory Manager

Charlie Gilichibi

Chief Executive Officer

Beama Wape

Manager Risk & Compliance

Freddy Manihoru

Manager Member Services

Matthew Kamaka

Manager Finance

Mark Kanawi

Manager Investments

Darusilla Musi

Manager Human Resources

Investment Manager

Frontier Equities Ltd

PO Box 1084
Waterfront, Konedobu, Downtown,
Port Moresby, National Capital District
Papua New Guinea

Telephone: +675 321 3855 / 325 6033

Facsimile: +675 321 1875

Website: www.frontierequities.com.pg

Banker

Bank South Pacific Limited

Port Moresby Branch
PO Box 78
Port Moresby, NCD
Papua New Guinea

Telephone: +675 321 1999

Facsimile: +675 321 1954

Lawyers

Dentons PNG

Level 5, BSP Haus
PO Box 1042
Port Moresby NCD 121
Papua New Guinea

Telephone: +675 308 4600

Website: www.dentons.com

Actuary

Alan Haintz, B.Sc. FFA, FIAA, FAICD

Financial Synergy

Level 46, The Tower
360 Elizabeth Street
Melbourne, Victoria 3000
Australia

Tax Agent

Price Waterhouse Coopers

PwC Haus, Level 6,
Harbour City Konedobu,
National Capital District
Papua New Guinea

Telephone: +675 305 3100

Website: www.pwc.com/pg

Independent External Auditor

KPMG

Level 3, Credit House, Cuthbertson Street
PO Box 507
Port Moresby
Papua New Guinea

Telephone: +675 321 2022

Freecall 180 1007

T +675 7998 790 • **T** +675 303 9000 • **T** +675 323 3651

F +675 323 9856 • **F** +675 323 8489

E info@ctsl.com.pg

STREET ADDRESS

Comrade Trustee Services Limited

Ground Floor Comrade Haus
Comrade Place, off Frangipani Street,
Hohola

**MEMBER AND BENEFICIARY
ENQUIRIES**

Member Services

T +675 7998 7909

E memberservices@ctsl.com.pg

MAILING ADDRESS

PO Box 497
Port Moresby
National Capital District, 121
Papua New Guinea

HOME OWNERSHIP ENQUIRIES

Member Housing Advance Scheme

T +675 7998 7909

E memberservices@ctsl.com.pg

Toea Homes

T +675 7998 7930

E toeahomes@ctsl.com.pg



**Comrade Trustee
Services Limited**
Defence Force Retirement
Benefits Fund