



DEFENCE FORCE RETIREMENT BENEFIT FUND



ANNUAL REPORT 2013

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Vision & Mission Statement

The vision of the company is:-

“To achieve excellence in meeting the needs of members through efficient management of the Fund.”

And the mission is to:-

“To continuously deliver services to meet the identified needs of our members and to prudently manage the Fund to ensure its value is enhanced.”

Corporate Values

The achievement of our mission statement requires all Directors and employees of CTSL and our core service providers to adhere to our corporate values. These values require CTSL to operate in accordance with the highest professional and ethical standards in all our relationships with members, suppliers, and the community in which we operate.

The values provide a platform for the company to nurture and promote a corporate climate which encourages innovation and diligence among staff and rewards them through:-

- Being responsible and accountable for our actions
- Operating with honesty and integrity
- Always putting the interest of our members first
- Being transparent in our dealings with all parties
- Training and developing our employees and providing them with the necessary resources to perform to their full potential and rewarding them fairly
- Aiming continually to improve our service and efficiency levels
- Treating each other with respect and consideration and encouraging team work and cooperation
- Pursuing an employment policy that is based on merit and does not discriminate on the basis of gender, race, religion or ethnic persuasion

Built on our corporate values of:-

- Honesty, integrity and mutual respect
 - Our pursuit of excellence
 - Transparency
 - Accountability





Chairman's Statement

Dear Members

The period ending 31st December 2013 has again seen your Fund deliver a strong performance resulting in double digit returns. The year's growth reflects the long term investment strategy embarked by the CTSL Board which targets both domestic and international growth opportunities, which at the same time preserving the ongoing pension payments.

At the reporting date the Fund has achieved a net asset value of K440.5 million up from K399.9 million the previous year and returned an after tax net surplus of K39.8m compared to K37.1m in 2012. This is a significant achievement given the volatility of international markets, movement of the exchange rate and domestically with the winding up of the construction of the PNG LNG.

As a result, I am pleased to announce that for 2013 we have declared an interest crediting rate of 10%. In last year's annual report I warned members that the current double digit returns should not be expected for future returns given the uncertainty in some of the major global markets and domestically with the construction of the LNG PNG now completed we are expecting slower domestic growth with most of the focus now on Government spending. My position and sentiments remain the same and I would again remind members of this

Operational Summary:

Over the past decade PNG has achieved a strong economic growth, supported by high commodity prices, large mineral investment inflows, sound macroeconomic policies and a healthy banking sector. Following the commencement of the LNG construction in 2010, the average annual growth has increased to 9% however economic activity in this sector slowed in 2013 as a result of the winding down of the construction phase of the LNG project. This slowing domestically is expected into 2014.

As a Board we have continued our commitment to the core corporate responsibilities of management and the governance processes associated with the day to day obligations of the Fund in terms of investments and member services.

Investments

Your fund generated a net surplus of K39.8 million from a net revenue of K56.5 million representing a fund growth of just over 10%. Total assets of the fund grew from K399.9 million in 2012 to K440.5 million at the end of 2013. The record increase in value resulted from gains in listed equities and off shore assets and dividend gains.

Our investment strategy used to achieve this return is through a balanced portfolio of both growth and income assets, with a target allocation of 80% domestic and 20% international. We continue to manage our exposure in Bank South Pacific Limited which accounts for 27% of the total assets of the Fund down from 30% in 2012. CTSL maintains its sell position and continues to do so as opportunities become available on the market.

Membership

The membership of the fund continued to increase in both contributors and pensioners. The contributors increased with enlistment of 144 servicemen and women for the year bringing the total number of contributors to 2936. While pensioners increased to 1836 from 1815 an increase of 21 new pensioners.

There were 50 benefit payments made to members during the year of which 29 of them were refunds totalling K236,750 and 11 of them being commutation of pension totalling K505,442.

At year end a total of K9,354,107 was paid out in pensions inclusive of the Government share. This is an average fortnightly of K366,119. All pensions increased by a further 5% for 2012 through the annual indexation.

Moving Forward

In last year's report we highlighted the fact that we would be undertaking a number of reviews internally and externally with respect to the Funds strategy and benefits provided by the fund.

The review of the fund has been concluded and the recommendations have been through the Minister, Secretary and the Commander of the Defence Force through the Defence Council. for the recommendations to become law its needs to be adopted by Parliament as sponsored by the Minister. CTSL continues to work with the office of the Minister and the Defence Council to ensure that these recommendations are implemented.

The Board approved to be paid in 2014 an interim pension indexation of 5% which will be paid in the first fortnight, and in addition the Board also adopted the actuaries recommendation of a one pension increase to be paid in commencing in April 2014.

Let me assure all members that the Board continues to monitor the Fund's exposure in the various classes and sectional allocations to ensure that we remain within the approved limits and we remain alert to the guidelines provided in the risk management strategy.

We will continue to strive to maintain this steady growth pattern in 2014 which is in line with the determination that the Trustee will continue to endeavour to ensure the sound custody, investment and preservation of the funds entrusted to our care with the aim of assuring members financial security at retirement.

A stylized blue ink signature of Chris Alu.

Chris Alu
Chairman





CEO's Report

Dear Members

It gives me great pleasure to present to the members of Defence Force Retirement Benefit Fund the results of the Fund. 2013 marks yet another year of double digit growth for the Fund, the Board of Comrade Trustee Services Limited (CTSL) has continued to support the business through some challenging times and remains committed to the ongoing growth and preservation of our members retirement savings.

The results of the fund are summarised as follows:

	2013	2012
Net Asset Value	440,504,514	399,955,705
Net Surplus (after tax)	39,783,219	37,111,363
Total Benefits paid	9,113,404	10,644,283
Rate of Return	10.13%	10.31%
MER	2.02	2.08%
Interest Crediting Rate	10%	10%
CPI Indexation rate	5%	4%
Total Active Membership	2,936	2,792
Total Pensioners	1,836	1,815
Total Members contribution received	3,490,477	3,246,804

Operational Summary

DFRBF generated a net profit/surplus of K39.8million during the 2013 financial year. This is an increase of 2.7% compared to the prior year result, which recorded K37.1million profit/surplus. This promising result has been boosted by an 8.69% increase in investment revenue of K52.16million in 2013, compared to K47.990million in 2012. Supported by the stable local economy, the performance of most investee companies in which the Fund holds shares were good resulting in dividend payments during the year. Dividend income increased by 37.68% to K22.88million compared to K16.61million in 2012.

The Fund recorded a strong asset growth of 10.14%, compared to 10.11% growth in 2012. Management Expense Ratio (MER) has decreased by 0.02% to 2.06% from 2.08% in 2012. This is a result of the strict management of the trustee's operational expenses.

The Fund's active contributing members of the PNGDF during 2013 were 2,936, an increase by 144 members from 2012, which had 2,792 members. Total pensioners during the period in discussion were 1,836, while it was 1,815 in 2012.

Member Service Summary

Efforts to enhance benefits and services for members continued this year in line with the 2010-2015 Corporate strategy. Among the critical areas of focus was the ongoing Fund Review which amounted to a Board submission to Defence Council (DC) and the Defence Minister. The submission comprised recommendations from the Board to amend parts of the DFRB Act that would allow employer contributions to be paid to members regardless of service length and allow choice of selection between a pension and one off payout inclusive of employer contributions upon discharge. Numerous follow ups with DC and the Minister ensured to keep member concerns high on the agenda by year end.

Other aspects of benefit improvements included a pension review in line with increasing cost of goods and services. Management received the approval from the Board to act on Actuarial advice to conduct a one off incremental exercise for all pensioners by first quarter of 2014.

The strategy to enhance member communication saw the approval and scoping of an online enquiry service also known as a member portal which would enable members to view personal data, balances and request changes. Roll out is expected by mid 2014.

Core processes supporting timely benefit payments to members have been managed well without much disruption this year. The trend this year is complimentary to the Boards aim to have an average turnaround time of three days for member service by 2015.

In conclusion, I am satisfied with most aspects of member Service operations and progress towards achieving its strategic goals this year. Despite the ongoing delays with the Fund Review, I remain optimistic and hopeful that we will receive the necessary stakeholder support to table the suggested improvements before parliament for approval by 2014.



Governance, Risk and Compliance Summary

In 2013 Comrade Trustee Services Limited as a trustee to DFRBF through the Board stepped up a notch on its already well established foundation of good corporate governance and its prudential management of the Fund by incorporating and working towards being fully compliant with the regulatory requirements of Bank of Papua New Guinea's Prudential Standards 7/2012.

Comrade Trustee Services Limited continues to maintain a high level of resilience in the areas of Risk and Compliance, regularly monitored and stays abreast with regulatory changes in the Superannuation industry in Papua New Guinea. The Fund has categorised risk into five categories strategic, human resources, information technology, finance & investment and legal & compliance monitored and the Fund remains vigilant in its approach to new possible risk areas. The Fund has been and will remain to be in compliance with the regulator and fully compliance with its statutory obligations.

The day to day management of the Defence Force Retirement Fund operations continues to be challenging as we continue to implement new refinements to the administration program to improve performance and continue to control costs.

Management is conscious of the tight economic conditions in which the fund currently operates as the uncertainty within the global market place provides major challenges to ensure that member's funds are protected and continue to grow to ensure that the aims and objectives of the Fund are maintained.

Members will be well aware that the recovery from the Global Financial Crisis which occurred over five years ago continues to have major impacts on the economies of the majority of northern hemisphere economies with a an effect which adversely impacts on local and regional economies.

Your fund has benefitted from the investment in new technology which has enabled management to keep a tight control on administrative costs, despite the fact that your Fund has invested significantly into property investment which has added to the assets under management.

Our management strategy is to continue to maintain the tight control on operations to ensure the Fund remains in a sound state to be in a position to benefit from the economic revival circle when the global economy returns to growth.

Unfortunately there remains a high degree of uncertainty in the global marketplace as the leading economies battle the problems of lower demand and consequently reduced expansion to meet the needs of the future.

However this report reflects the fact that that fund is in a sound petition with strong assets and a steady income stream with adequate cash reserves to meet the ongoing goals of the fund on behalf of members.

The fund's financial advisors continue to achieve returns comparable to market conditions and the challenges which continue to affect global and local currency and equities.

Members services have continued to work well during the year and we welcome the opportunity help Fund members with their needs were possible.

We remain very conscious of the security that we provide to Fund members and welcome the new members who have joined the Fund over the year.

We look forward to further prosperity during the upcoming year and are well prepared to maintain strong discipline and control over the management of members funds and their benefits.

Richard Sinamoi
Chief Executive Officer

■ K I N A F U N D S M A N A G E M E N T L I M I T E D

31 March 2014

Comrade Trustee Services Limited
PO Box 497, Port Moresby
National Capital District

Attention: Chairman

Dear Mr Alu,



COMRADE TRUSTEE SERVICES LIMITED TRUSTEE FOR DEFENCE FORCE RETIREMENT BENEFIT FUND ANNUAL INVESTMENT REPORT 2013

Optimism in developed global markets through 2013 reflected positive economic indicators in Europe and the US where structural reforms and the winding down of the quantitative easing program continued in the latter half of the year. Developed markets traded in excess of pre-GFC levels, fuelling concerns of a "correction", however evidence continues to show further pick-up in Europe and a measured contraction in the Chinese economy.

Through the year the Papua New Guinea (PNG) economy continued its strong economic growth in the lead up to PNG LNG gas production, albeit at a slower pace than prior years, reaching 5.1% growth in the year.

Against this backdrop, the Fund achieved an investment gain of K52.2 million through the year which represents a return of 12.8% [excluding Trustee expenses]. This contributed to the fund value reaching K425.3 million for the year.

The positive performance in 2013 was attributed by the dividend received, revaluation gains from unlisted equities, property and the positive effects of accommodative foreign exchange movement. Generally, all investment classes exceeded their respective benchmarks which were reflective of better global market conditions, the quality of investments and the prudent management of the Fund by the Trustee.

Major investment highlights for the year included the commencement of the construction of the new Head Office in Hohola, the purchase of Ela Makana property for further development and the continuation of the Fund's strategy to reduce its large exposure in Bank of South Pacific Limited, the Fund has managed to reduce its concentration to 27.1% of total portfolio.

The year in review saw the Trustee and Kina Funds Management Limited (KFM) develop and adopt a revised Investment Policy Statement. This sought to realign the Fund's portfolio with its investment strategy, current market conditions and relevant Prudential Standards.

We would like to thank the Trustee, the Management and Staff of CTSL in 2013. Year 2014 brings another exciting year for the Fund and we look forward to working together towards achieving the Fund's goals and objectives for the benefits of its members.

Yours Sincerely,

Kina Funds Management Limited

Dominic Beange, CFA
General Manager



KINA INVESTMENT & SUPERANNUATION SERVICES LIMITED



Kina Investment & Superannuation Services Limited (KISS) is pleased to provide to the Board of Comrade Trustee Services Limited (CTSL) the administration report for the year 2013.

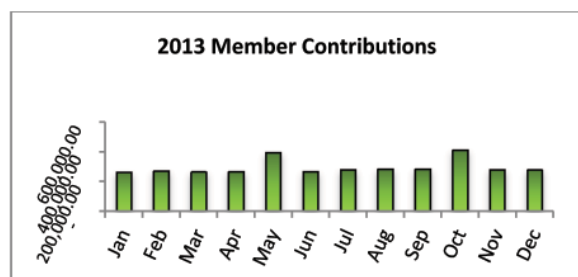
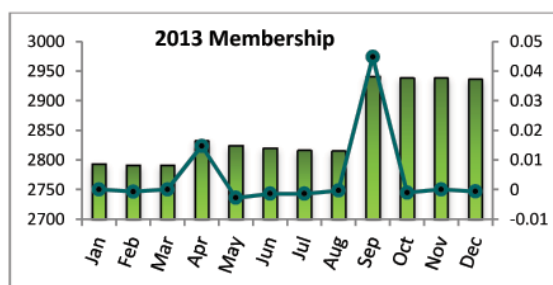
YEAR IN REVIEW

2013 saw a significant change in the level of service available to members due to the sharing of our workflow system across both the Administration and Trustee teams. This rollout enabled CTSL to provide enhanced information and real-time updates to members at their front counters, as well as the ability to provide greater quality assurance over processing.

Another change during the year was the successful transition of housing advance processing from CSTL to KISS. This has enabled the administrator to offset housing advance payments against member accounts as and when approved by the trustee thus ensuring member accounts are always up to date.

MEMBERSHIP

Fund membership increased by 5% during 2013. This was triggered by 176 new officers joining the force. 42 officers joined in April, 128 officers in September and 6 officers in December respectively. 19 member exits occurred during the year while 11 members commuted their benefits to a pension. As the fund administrator, we are focused to maintaining the strong relationship with the Trustee to ensure members receive the best possible service.



CONTRIBUTIONS

We are pleased to announce that all contributions remitted on behalf of the members for the year 2013 were allocated to the members' accounts. Total contribution received was K3.54 million which indicates a 10% increase compared to K3.20 million in 2012. The graph illustrates an increase in contributions value for the months of May and October as there were 3 fortnights that fell during those months. Inclusion of 172 new members also triggered the increase in contributions value.

BENEFIT PAYMENTS

A total of K625,974.00 in benefit payments were made for 28 exiting members in 2013 with 11 of these members commuting their funds to a fortnightly pension.

PENSIONERS

The number of active pensioners increased from 1815 in December 2012 to 1836 at the end of 2013 year. More than K9.27 million was paid out as pension throughout the year with each pensioner receiving an average fortnightly pension rate of K194.00.

2014 FORECAST

Our main focus in 2014 is providing the best possible customer service to Comrade Trustee Services Limited and their members. We have a talented and committed team with the systems and processes to provide the best possible service to CTSL and their members and we therefore look forward to an exciting and productive year ahead.

Yours sincerely

ADAM FENECH
General Manager
Kina Investment & Superannuation Services Limited

Board of Trustees



Chris Alu – Chairman – Independent Director

Appointed to the Board of DFRBF (predecessor to Comrade Trustee Services Limited) as Chairman in June 2000 and served in that position until 31st December 2002, when the Board ceased to exist by operation of the Superannuation Act 2000. He was subsequently appointed to the Board upon the formation of CTSL as licensed corporate trustee to the Fund on 19th December 2002.

Mr Alu was re-elected as the Chairman of the Board.

Mr Alu has 25 years of extensive private and public sector experience and brings with him invaluable accounting experience to the Board.

Mr Alu graduated with a degree in accounting from the PNG University of Technology in 1981 and holds a Certificate in Commercial Audits from the Darling Downs Institute of Advanced Education, Queensland, Australia.

He resigned as Chairman of Unitech Development & Consultancy Limited – the business arm of the University of Technology and as a member of Council of the University of Technology in 2010. He is also President of Christian Leaders Training College of Papua New Guinea and President of the Fellowship of Companies for Christ International, PNG Chapter. He is also involved with many charity groups and considers this as his contribution towards the less fortunate in society.

Mr Alu is a member of the PNG Institute of Directors and was appointed pursuant to Clause 10 of the Company Constitution as an independent director.



Colonel David L.Y. Takendu, OBE, BE (Civil), psc (Aust), psc (Indon), jssc (Aust) (Rtd.)

Appointed to the Board of DFRBF (predecessor to Comrade Trustee Services Limited) as Deputy Chairman in June 2000 and served in that position until 31st December 2002, when the Board ceased to exist by operation of the Superannuation Act 2000. He was subsequently appointed to the Board upon the formation of CTSL as the licensed corporate trustee to the Fund on 19th December 2002.

Col. Takendu joined the Australian Army, Papua New Guinea Command, in 1968 as an officer cadet and worked his way up to the rank of Colonel. He held the position of Chief of Staff at the time of retirement in December 2002. He represents pensioners on the Fund Board.

He previously served on the Post and Telecommunications Board from 1990 to 1993 and more recently served as Chairman of Banora Trading Limited.

Colonel Takendu graduated from the PNG University of Technology in 1978 with a degree in Civil Engineering. During the course of his employment with the Defence Force he has also attended military staff colleges in Australia, New Zealand, Indonesia and United States notably, the Australian Staff College, Queenscliffe, Victoria, in 1981; the Indonesian Military Staff College, Bandung, between 1986 and 1987; the JFK School of Government, Harvard University, Boston, Mass, USA in International Conflict Resolution Strategies, 2001 and Defence Resources Management Institute, at the US Naval Post Graduate School, Monterrey, California, USA in 1991.

He speaks Bahasa Indonesia fluently.

He is a member of the PNG Institute of Directors.



Captain Alois Ur Tom, OBE, DMS (Navy)

Appointed to the Board on 19th December 2002, Captain Ur Tom represents members of the Fund on the Board.

Captain Ur Tom was appointed Chief of Staff in July 2002 and has occupied that position in the Defence Force to the present time. His primary role is to provide logistical and management support to the Commander of the PNG Defence Force.

Captain Tom is the Chairman of Defence Housing and Director of Toea Homes Limited.

Captain Ur Tom has had considerable hands on experience in all facets of naval duties including attachments in the United States and Australia navies.

Captain Ur Tom is a graduate of the University of PNG with a Bachelor of Commerce (Accounting) Degree, a graduate Diploma in Strategic Studies and a visiting Fellow to the Royal Australian Navy's Maritime Studies Program at the Joint Services Staff College in Canberra. He also holds a graduate Certificate in Business Administration and a Masters Degree from Deakin University in Melbourne and is a member of the PNG Institute of Directors.



Kisakiu Posman | Independent Director

Appointed to the Board on 4th June 2004 he was nominated by the PNG Law Society pursuant to Clause 10 of the Company Constitution.

Mr Posman graduated from the University of PNG in 1983 with a Bachelor of Law and also graduated with a Master of Law degree from the University of Ottawa, Canada in 1986.

Mr Posman has had a varied employment history, having commenced employment with Bougainville Copper Limited in 1974, then to teaching law at the University of PNG between 1983 and 1989 then to private practice. His stint in private practice started with Warner Shand Lawyers, then with Mallesons Stephen Jaques at it's Sydney office for two years, then with Carter Newell Lawyers in Port Moresby for a further three years.

In 1993, he left Carter Newell Lawyers to start the law firm Fiocco Posman Kua Lawyers in partnership with Messrs Rio Fiocco and Kerenga Kua. The firm has undergone significant changes since then having merged with Tharwell Aisi Lawyers and is now one of the largest national legal firms. Mr Posman is the managing partner of the firm.

In addition to his legal background, Mr Posman has had some prior commercial experience having served on the boards of the Investment Corporation of PNG and Air Niugini and is also a member of Council of the Legal Training Institute, and a council member of the PNG Law Society.

Mr Posman is a member of the PNG Law Society and the PNG Institute of Directors.



Captain (Navy) Max Sundie Aleale OBE, DMS

Captain Aleale was appointed to the Board on 29 September 2006 and represents the Contributing Members of the Fund.

Captain Aleale has served in various capacities throughout the PNGDF at tactical and operational level including Command of seagoing vessels and a major shore establishment. At the strategic level he served as Director and Chief of Operations of the PNGDF and therefore brings to the Board extensive hands on work experience in all aspects of military operations, planning, training, administration and management.

He is a graduate of the Joint Services College Lae, the Royal Australian Navy Staff College Sydney, Asia Pacific Centre for Security Studies, Hawaii USA and holds a Graduate Diploma in Strategic Studies from the Australian Defence Strategic Studies Centre Canberra.

As Director of CTSL, he has attended various Director courses and conferences to broaden his perspective on the superannuation industry and add value on the Board.

Captain Aleale is a member of the PNG Institute of Directors.



Michael Varapik | Independent Director

An accountant by profession, Mr Michael Varapik was appointed to the Board of CTSL in November 2011 as an Independent Director. Mr Varapik is 60 years old and has extensive management, financial, operations and marketing experience spanning over 35 years in both the private and public sectors.

Mr Varapik holds a Bachelor of Technology in Accountancy from Unitech, Lae in 1982, a Bachelor of Business from Deakin University Warrnambool, Australia in 1992 and a Master of Business Administration from the International Management Centers, Oxford Brookes College, Oxford, UK in 1999.

Mr Varapik was a Director of Origin Energy (PNG) Ltd since 2004 and retired in February 2014 after 10 years. He is also a Professional Member of the PNG Institute of Directors.

Mr Varapik has held senior management positions in the following organisations: Air Niugini as Accounting Manager, Motor Vehicle Insurance Trust as Deputy General Manager, Copra Marketing Board of PNG as CEO, PNG Coconut Commodities Ltd as General Manager, Lower OK Tedi Investment Company Ltd as General Manager, Lihir Mining Area Landowners Association Inc as General Manager and The Alliance Management Group as National Content & Community Affairs Manager, a position he currently holds.



Moses Koiri | Independent Director

Appointed to the Board on 20th April 2012 as an Independent Director. Mr. Moses Koiri has over 15 years of senior management in both the private and public sectors.

Currently he is a partner in the Commercial Advisory section of Fairfax Legal. He has a good understanding of corporate business culture and corporate governance and business ethics.

Mr. Koiri graduated from the University of PNG in 1979 with a Bachelors degree in Law and also graduated with a Master of Law degree from the University of Monash, Australia in 1983. Mr. Koiri has served in management capacities commencing as a Lecturer at University of PNG, then with the Bougainville Copper Mine and Private Legal firms and then became a politician in the Autonomous Region of Bougainville.

Mr Koiri is a member of the Australian Institute of Directors and a member of the PNG Institute of Directors.

The Fund

The Fund is an established authorised Superannuation Fund (ASF) pursuant to Section 8 of the SGP Act with a current active contributor base of 2,936 and 1,836 pensioners as at 31st December 2013.

The primary objective of the Defence Force Retirement Benefits Fund (DFRBF) is to provide retirement benefits to members and their dependants upon discharge from the Defence Force or in the event of medical discharge and or death. In addition to this, the 'Superannuation General Provisions Act 2000' (SGP Act) allows access to retirement savings before retirement for purposes related to housing.

The Fund operates as a Pension Fund. The eligibility for pension benefits is usually attained after 20 years of continuous service with the Defence Force. The amount of pension is determined through a formula prescribed within Defence force Retirement Benefits Act, Chapter 76 (DFRB Act) which takes into account a member's level of salary, years of service for pension and age at retirement. In the event a contributor or pensioner becomes deceased, 5/8's (62.5%) of the pension due to the member is paid to the widow plus an additional K22.50 for each child dependent below the age of 18 years.

In order for the Fund to meet its ongoing pension liabilities sustainably, it requires three vital aspects including fortnightly contributions from members at 6% of gross salary, adequate returns from investments and a guarantee from the State to pay 60% of pension benefits when they fall due.

Because of the uncertainties in relation to the extent of liabilities carried by the Fund and State, an actuarial evaluation is required to be undertaken periodically (every two years), the purpose of the actuarial evaluation is to determine among other things, the financial viability of the Fund and its ability to meet and sustain future pension payments to members. The next actuarial evaluation will be undertaken for the period ending on 31st December 2014 in early 2015 and details of which will be reported to members in the subsequent financial year.

Licensed Corporate Trustee

Comrade Trustee Services Limited (CTSL) has been approved by the Bank of Papua New Guinea (BPNG) as the licensed corporate trustee for the Fund. As the licensed trustee, it has ultimate legal responsibility for the prudent management of the Fund, and subject to the requirements of the Superannuation Act and the governing rules of the Fund has the power, authority and the discretion generally to do all such acts as it considers necessary or expedient for the sound administration, maintenance, investment and preservation of the Fund.

The trustee company is administered under the direction of a Board of Directors comprising seven Directors, three (3) of whom are drawn from the members of the Fund and four independent Directors who collectively plan, oversee, and set corporate goals and determine the strategic direction of the Fund.



Corporate Governance

The Board is committed to upholding and implementing the principles of good corporate governance. This is considered critical as recent experiences have shown that the lack of good corporate governance has contributed directly to corporate frauds and, in worst-case scenarios, corporate failures leading to a serious erosion of confidence in those entrusted with the responsibility of managing companies – the directors. The enhanced accountability, transparency and integrity flowing from improved corporate governance creates value for shareholders and other stakeholders, reduces costs, increases competitiveness and restores confidence.

The Board is responsible for the corporate governance of the Fund, including its corporate planning, establishing goals for management and monitoring achievement of these goals.

This statement sets out the principle corporate governance practices and disclosures that were in operation during the year.

The Trustee

Comrade Trustee Services Limited (CTSL) is the successor in law to the DFRBF Board and has been approved by the Bank of Papua New Guinea (BPNG) as the licensed trustee for the Fund. As a licensed trustee, it has ultimate legal responsibility for the prudent management of the Fund, and subject to the requirements of the Superannuation Act and the governing rules of the Fund has the power, authority and the discretion generally to do all such acts as it considers necessary or expedient for the sound administration, maintenance, investment and preservation of the Fund.

Shareholder Information

There are five shareholders who each hold one ordinary share “in trust” on behalf of the members of the Fund. These shares attach no beneficial rights to the shareholder, except to ensure compliance with the Companies Act 1997 and the Superannuation Act and are transferable, in the case of the Commander of the Defence Force to his successor and in the case of the other shareholders when they cease to be

Directors of the company to their successors. Shareholders of the company as at the year-end are as follows:-

The rights attached to these shares are set out in the constitution of the company and in certain circumstances, are regulated by the Companies Act 1997 and the Superannuation Act 2000. There is only one class of shares and all shares have equal rights.

Each shareholder is entitled to receive notice of, and to attend and vote at general meetings of the company and to receive all notices, accounts and other documents required to be sent to shareholders under the company’s constitution, the Companies Act and the Superannuation Act.

The Board

Comrade Trustee Services Limited is managed under the direction of the Board of Directors. The Board has the ultimate legal responsibility for the prudent management of the Fund, and subject to the requirements of the Superannuation Act 2000

and the governing rules of the Fund has the power, authority and discretion generally to do all such acts as it considers necessary or expedient for the sound management, maintenance, investment and preservation of the Fund.

The Board comprises seven Directors, three of whom represent members of the Fund and four independent Directors. Strict appointments criteria, including a “fit and proper” test ensures that persons appointed to the Board are legally eligible and possess skills, knowledge, experience or expertise in the management of commercial entities and whose inclusion on the board will add value and enhance corporate governance. Board appointments are subject to Bank of Papua New Guinea approval. Directors hold office for a term of three years, at the expiry of which they are eligible to nominate for re-election subject, however, to any restrictions contained in the company constitution and Central Bank approval. No Directors retired during the year.

All Board and Committee meetings are convened in Port Moresby and therefore members of the Board must be residents of the National Capital District.

Name of Shareholder	Class of Shares	No of Shares	Value (K)	Special Notes
Brigadier General Francis Agwi	Ordinary	1	K1.00	Share held in trust for members
Chris Alu	Ordinary	1	K1.00	Share held in trust for members
Col D. Takendu, OBE (Rtd)	Ordinary	1	K1.00	Share held in trust for members
Capt Max Aleale, DMS	Ordinary	1	K1.00	Share held in trust for members
Capt Tom Ur, OBE	Ordinary	1	K1.00	Share held in trust for members
Total		5	K5.00	

Corporate Governance

The names of members of the Board at the date of this report, including their remuneration, status on the Board and information relating to their attendance at meetings for the 12 months to 31st December 2013 are as follows:-

Name of Director	Fee Received*	Board Status	Date of Appointment/Resignation	Board	Attendance of Meetings Audit Committee	Attendance of Meetings Appointments Committee
Chris Alu (Chairman)	56,422	Current	19/12/02	3/6	-	-
Col D. Takendu, OBE (Rtd)	45,137	Current	19/12/02	6/6	-	1/1
Capt (N) Max Aleale, DMS	45,137	Current	29/09/07	2/6	-	-
Capt (N) Alois Ur Tom, OBE	45,137	Current	1/02/2002	4/6	1/1	-
Kisakiu Posman	45,137	Current	6/04/2004	2/6	-	1/1
Michael Varapik	45,137	Current	11/11/2011	3/6	1/1	1/1
Moses Koiri	45,137	Current	20/04/2012	6/6	1/1	1/1

* Fees shown above are before tax.

The Board complied with its approved calendar of meetings planned for the year.

All meeting papers are circulated seven days in advance to all Directors. This enables adequate time to read and understand the matters requiring Board action, thus ensuring informed decisions are made for the ultimate benefit of the Fund.

Audit & Compliance Committee

The Committee had full membership but held one meeting during the year. The role of the Committee includes review of the Fund's financial statements, review of audit reports, review of the company's accounting policies, review of internal control systems and procedures including risk assessment and management strategies, review of the actuarial report, tenders, annual budgets, investment policy and guidelines and related matters. Members of the Audit Committee at the date of this report are:-

Name of the Committee	Committee Status
Capt (N) Alois Ur Tom, OBE	Chairman
Michael Varapik	Member
Kisakiu Posman	Member
Moses Koiri	Member

Committee had full membership in the year

Appointments & Remuneration Committee

The Committee had full membership but held one meeting during the year. The role of the Committee includes succession planning, review and recommendation of candidates for Board vacancies, review of Board fees and remuneration, appointment of executive management, review of salary and remuneration including terms of employment of senior management and related matters. Members of the Appointments & Remuneration Committee at the date of this report are:-

Name of the Committee	Committee Status
Colonel David L. Y. Takendu, OBE (Rtd)	Chairman
Kisakiu Posman	Member
Captain (N) Max Aleale DMS	Member
Michael Varapik	Member
Moses Koiri	Member

Committee had full membership in the year



External Board Positions and Disclosures

Pursuant to Section 164(1)(c) of the Companies Act 1997, Directors and Officers of Comrade Trustee Services Limited record the following relevant interest.

NAME	NATURE OF INTEREST	INTEREST
Chris Alu	Shareholder/Director Shareholder/Chairman Member Chairman	Ebony Marketing Limited Comrade Trustee Services Limited PNG Institute of Directors Toea Homes Limited
Col. David Takendu, OBE (Rtd)	Shareholder/Director Chairman Related Party/Pensioner Member	Comrade Trustee Services Limited Appointments & Remuneration Committee DFRBF PNG Institute of Directors
Captain Alois Ur Tom, OBE, DMS (Navy)	Shareholder/Director Chairman Employee Chairman Related Party/Contributor Member Member Director	Comrade Trustee Services Limited Audit & Compliance Committee PNG Defence Force Hunter Limited DFRBF PNG Institute of Directors Change Management Committee Toea Homes Limited
Kisakiu Posman	Partner/Employee Director Member Member Member Member	Posman Kua Aisi Lawyers Comrade Trustee Services Limited PNG Institute of Directors PNG Law Society Appointments & Remuneration Committee Audit & Compliance Committee
Captain Max Aleale, OBE, DMS (Navy)	Related Party/Contributor Employee Shareholder/Director Shareholder Shareholder Member Member Member	DFRBF PNG Defence Force Comrade Trustee Services Limited Credit Corporation Kina Assets Management Limited Appointments & Remuneration Committee PNG Institute of Directors Change Management Committee
Michael Varapik	Employee Director Member Member Member Chairman Director	The Alliance Group Comrade Trustee Services Limited PNG Institute of Directors Audit & Compliance Committee Appointments & Remuneration Committee Change Management Committee Toea Homes Limited

Corporate Governance

External Board Positions and Disclosures continued....

NAME	NATURE OF INTEREST	INTEREST
Moses Koiri	Director Director Director Member Member Member Member Partner/Employee Director Member Member Shareholder Shareholder Director	Comrade Trustee Services Limited Orekana Enterprise Limited Kurada No. 24 Limited PNG Institute of Directors Bougainville Copper Foundation Limited Audit & Compliance Committee Appointments & Remuneration Committee Albatross Law Albatross Law Services Limited PNG Law Society Inc Change Management Committee Kina Asset Management Oil Search Limited Toyota Tsusho (PNG) Limited
Richard Sinamoi	Employee Secretary/Public Officer Related Party Member Member Director Director Shareholder Director	Comrade Trustee Services Limited Comrade Trustee Services Limited Nambawan Super Limited PNG Institute of Directors Association of Superannuation PNG Paradise Foods Limited PNG Microfinance Limited Credit Corporation Toea Homes Limited
Danny Herepe	Employee Member Member Member Member	Comrade Trustee Services Limited Certified Practicing Accountants PNG PNG Institute of Directors Institute of Internal Auditors – PNG Chapter Transparency International (PNG) Inc.
Chris Sariman	Employee Member	Comrade Trustee Services Limited PNG Institute of Directors

Employees of the company appointed to the Boards of subsidiary companies in which CTSL has controlling interest are not paid any fees.





Independent Professional Advice

With the approval of the Chairman, a Director is entitled to seek independent professional legal and accounting advice at the expense of the Fund, regarding any aspect of that Director's duties and/or issues of concern about the Fund's operations.

Code of Conduct and Ethical Standards

The Board has adopted several codes relating to the conduct of Directors, management and staff including the management of conflicts of interest and confidentiality. CTSL recognises and acknowledges the requirement for Directors and employees to observe and uphold the highest standards of behaviour and ethical standards in the performance of their duties.

Fund Administration

The fund administration function is outsourced to Kina Investment & Superannuation Services Limited (KISSL) in compliance with the Superannuation Act 2000. The current engagement of KISSL is for a term of three (3) years which will expire on 30th June 2015. At least three (3) months prior to the expiry of the contract, the Board will invite tenders to determine a successor. The contract was renewed on the 31st July 2012, after the six months extension lapsed on the 30th June 2012.

Investment Management

The Investment Management function is outsourced to Kina Funds Management Limited (KFML) in compliance with the Superannuation Act 2000. The current engagement of KFML is for a term of three (3) years which will expire on 30th June 2015. At least three (3) months prior to the expiry of the contract, the Board will invite tenders to determine a successor. The contract was renewed on the 31st July 2012, after the six months extension lapsed on the 30th June 2012.

The investment manager is required to manage the Fund's investment portfolio in accordance with the investment policy approved by the trustee from time to time and subject to prudential standards issued by the Bank of Papua New Guinea and the Superannuation Act.

Employee Remuneration

Please refer to Notes 10.1 and 23.1 and 23.2 of the Notes to the Financial Statements for details.

Regulatory Supervision by Bank of Papua New Guinea

As part of the Bank of Papua New Guinea's regulatory supervision of the superannuation industry, the Bank undertakes, from time to time, an independent review of the operations of the Fund in addition to the independent financial audit undertaken by an auditor. The review by the BPNG is aimed at ensuring adherence to world best practice in corporate governance standards and compliance by the Trustee with the provisions of the Superannuation Act and Prudential Standards in the management of the Fund.

The last prudential review of the Fund was undertaken in April 2009.

Independent Auditor

The current independent auditor is Deloitte Touche Tohmatsu and Board confirms compliance with Clause 9(a)(ii) of the Prudential Standard Number 5/2008 in the engagement of the auditor. Fees paid to the auditor are summarised as follows:

Auditor	2008 K	2009 K	2010 K	2011 K	2012 K	2013 K
Deloitte Touche Tohmatsu	133,737	150,500	126,000	134,000	138,600	125,000
Partner In-charge	Z. Theron	Z. Theron	Z. Theron	P. Barber	P. Barber	Z. Theron

The auditor's appointment is for 12 months at the expiry of which a further engagement is determined by closed tender. To ensure independence and avoid conflicts of interest the auditor is prohibited from undertaking the valuation of Fund assets and liabilities.

Management Expense Ratio

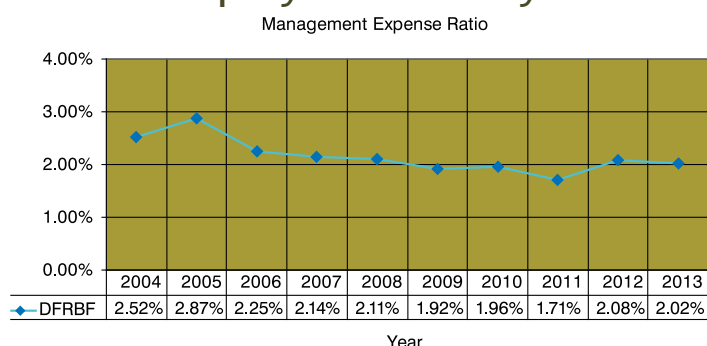
Management expense ratio (MER) is an underlying key financial performance indicator used to measure the performance of the Fund relative to industry standards and also to assist identifying adverse deviation and take corrective action.

The MER is determined by taking the sum of all expenses of the Fund as prescribed in Prudential Standard 3/2006 (excluding depreciation, direct investment expenses and pension and related benefit expenses) divided by the average net asset value of the Fund expressed as a percentage. The net asset values are based on audited accounts and after allowing for net changes in market values, depreciation and taxation.

Consequently the MER for the Fund for the last ten years are as follows;

Decrease in MER for 2013 resulted from changes in the increased professional fees paid relating to the construction of Comrade Haus and compliance related matters.

Staff Employment Policy



CTSL is an equal opportunity employer and does not discriminate on the basis of sex, race, colour, religion or sexual orientation. Employment is merit based. There were 27 staff employed by the company during the year (2012 : 27)

Corporate Governance

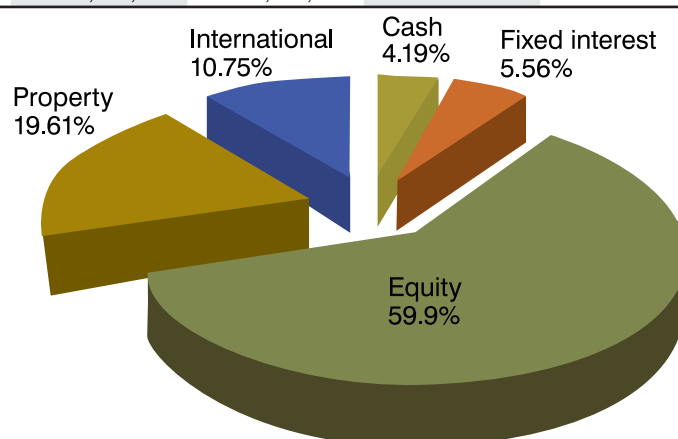
Investment transactions (excluding cash and treasury notes)

Name of Entity	Transaction Type	Classification	Settlement Date	Number of Shares	Amount (Kina)
Bank South Pacific	Share Sale	Equity	Various	(224,090)	(1,810,184)
Brambles Limited	Share Purchase	Equity	Various	22,000	415,951
Brambles Limited	Share Sale	Equity	2/10/2013	(22,000)	(479,362)
Coca Cola Limited	Share Purchase	Equity	Various	6,000	190,716
Coca Cola Limited	Share Sale	Equity	2/09/2013	(6,000)	(177,177)
CSL Limited	Share Purchase	Equity	Various	6,000	780,086
Rio Tinto Limited	Share Purchase	Equity	Various	5,200	736,885
Rio Tinto Limited	Share Sale	Equity	2/09/2013	(5,200)	(785,569)
Woolworths Limited	Share Purchase	Equity	Various	16,000	1,223,221
Woolworths Limited	Share Sale	Equity	2/09/2013	(16,000)	(1,343,093)
Telstra Limited	Share Sale	Equity	27/02/2013	(200,000)	(1,964,955)
Oil Search Limited	Share Sale	Equity	Various	(127,121)	(2,302,815)
Bank of Queensland Limited	Share Sale	Equity	13/05/2013	(50,000)	(1,046,766)
Newcrest Mining Limited	Share Sale	Equity	13/06/2013	(10,000)	(251,643)
Vanguard Limited	Share Purchase	Equity	Various	2,657,733	8,052,185
Section 35, Lot 41 Hohola	Capital Expenses	Property	Various	NA	17,239,561
Ela Makana Property	Property Purchase	Property	24/01/2013	NA	10,516,792
Canberra House, ACT 36 Gadali					
Crescent Ngunnawal, ACT 2913 Aust	Property Sale	Property	5/08/2013	NA	1,154,184

Investment Performance Highlights

The composition of the investment portfolio and asset allocation as at 31st December 2013 relative to the prior year is summarised as follows:

Asset Classification	Portfolio Value (Kina)		Percentage Holdings		Neutral Allocation %	Sector Range %
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	Low – High
Cash	17,987,794	27,634,598	4.19%	6.74%	5%	0-10%
Fixed interest	23,843,141	35,607,351	5.56%	8.69%	15%	10-30%
Equity	256,984,112	250,780,507	59.90%	61.20%	50%	40-60%
Property	84,121,837	61,091,471	19.61%	14.91%	10%	5-20%
International	46,112,884	34,641,065	10.75%	8.45%	20%	10-30%
TOTAL	429,049,768	409,754,992	100.00%	100.00%	100%	100%



The total gross value of investment portfolio of the Fund as at 31st December 2013 stands at K429,049,768.



Equity Portfolio – PNG

Company Name	Total Market Value	
	2013 K	2012 K
Listed		
Bank South Pacific	115,361,178	118,321,941
City Pharmacy	299,251	236,652
Oil Search	19,677,206	18,355,172
Kina Asset Management Ltd	8,118,000	6,642,000
Credit Corporation	7,455,832	6,561,132
New Britain Palm Oil	5,924,220	6,714,116
Highlands Pacific	385,119	914,191
Marengo Mining Ltd	91,165	762,712
Sub - total	157,311,971	158,507,916
Unlisted		
BPT(PNG) Ltd	4,475,671	4,212,222
Westpac Bank Ltd (WPC)	580,200	473,000
Arnott's Biscuit	33,772,500	34,650,000
Post Courier	641,002	762,992
South Pacific Brewery	30,175,071	22,910,387
Hunter	30,029,580	29,263,990
Sub - total	99,674,024	92,272,591
TOTAL	256,985,995	250,780,507

Cash Portfolio

Bank Name	International	PNG	31-Dec-13
	K	K	K
Cash on hand			
Petty Cash	-	700	700
Sub-total	-	700	700
Interest Bearing Deposits (<90 days)			
ANZ Investment Account		10,500	10,500
Bank of Queensland	8,014,204	-	8,014,204
Credit Suisse	4,896,942	-	4,896,942
Westpac Bank		3,711,144	3,711,144
Credit Corp PNG Ltd	-	4,562,706	4,562,706
Kina Finance Limited	-	4,155,699	4,155,699
First Investment Finance Limited	-	1,797,400	1,797,400
BSP - Main Account		165,955	165,955
BSP - Beneift Account		183,073	183,073
BSP - Management Account		203,322	203,322
BSP - Housing Account		404,105	404,105
Sub-total	12,911,146	15,193,903	28,105,049
On call			
Bank of Queensland	179,706	-	179,706
Credit Suisse	4,896,942	-	4,896,942
Sub - total	5,076,648	-	5,076,648
TOTAL CASH	17,987,794	15,194,603	33,182,398

Corporate Governance

Fixed Interest Portfolio

Description	Serial No	Maturity Date	Coupon Rate	Face Value	
				31/12/2013	31/12/2012
Government Inscribed Stock	S15112016 (G26)	15/11/2016	9%	4,120,410	4,162,267
	S15112021 (G27)	15/11/2021	12%	3,243,145	3,274,003
	S15112021 (G25)	15/11/2021	12%	1,005,122	1,005,772
	S15112016 (G28)	15/11/2016	9%	1,004,149	1,005,591
	S15112023 (G37)	15/11/2023	12%	2,154,898	2,170,577
	S15112023 (G38)	15/11/2023	12%	1,052,075	1,057,346
	S15112018(G39)	15/11/2018	9%	335,127	335,563
	S15022017 (G41)	15/11/2017	9%	2,102,738	2,135,575
	S15052029(G42)	11/05/2019	11%	1,557,299	-
	S15052029(G43)	11/05/2029	11%	1,045,835	-
	S15022017 (G41)	15/02/2017	9%	2,135,575	2,168,501
Sub - total - GIS				17,620,798	15,146,694
Treasury Bills - Bank of PNG				972,360	9,224,520
Central Bills - Bank of PNG				3,957,894	9,940,894
Members Housing Advance				1,292,089	1,295,243
Sub - total				6,222,343	20,460,657
Total Fixed Interest				23,843,141	35,607,351

Property Portfolio

Property Name	Description	Market Value	
		31-Dec-13 K	31-Dec-12 K
1. Defense Haus, Hunter Ltd	Section 03, Lot 18-20, Hunter St., Port Moresby, NCD	8,491,000	8,136,800
2. Latitude 9 Apartments	Section 42, Lot 01, Ogoa St., Granville, NCD	23,296,000	23,270,025
3. Lawes Road Apartments (50%)	Section 07, Lot 24, Lawes Rd., Granville, NCD	6,076,500	5,688,245
4. Stop & Shop Building	Section 14, Lot 11 & 12, Angau Dr., Boroko, NCD	7,772,276	7,301,962
5. Ela Makana	Section 34, Lot 34, Ela Makana, Granville, NCD	7,313,500	6,924,530
6. Comrade Haus	Section 35, Lot 41, Hohola, Port Moresby, NCD	17,239,561	8,199,925
7. Ela Makana 2 Apartment	Section 34, Lot 30, Ela Makana, Granville, NCD	13,933,000	
Sub- Total		84,121,837	59,521,487
International			
1. Canberra house, ACT, Australia	36 Gadali Crescent, Ngunnawal, ACT, 2913, Aust	-	1,569,984
Sub-total		-	1,569,984
Total Property		84,121,837	61,091,471





International Portfolio

Asset Classification	Market Value	
	2013 K	2012 K
Equity		
Listed		
Bank of Queensland	3,284,637	2,715,124
BHP Billiton Ltd	3,677,141	3,466,536
Telstra 3 <T3>	3,545,301	4,747,936
ANZ Banking	2,176,477	1,632,986
Commonwealth Bank of Australia	3,748,585	2,892,140
Newcast Mining Ltd	526,730	1,887,307
Vanguard International Shares Index Fund	15,131,794	4,192,488
CSL Limited	931,367	
Sub - total	33,022,032	21,534,517
Cash		
Bank of Queensland	8,193,910	7,924,405
Credit Suisse	4,896,942	5,182,143
Sub - total	13,090,852	13,106,548
TOTAL	46,112,884	34,641,065

Valuation methodology

The valuation methodology adopted by the Trustee is as follows:-

- Listed equities – Closing market price as quoted by the relevant stock exchange at balance date
- Unlisted equities – Price as determined by independent professional valuation
- Property – Value as determined by a registered property valuer and undertaken annually
- Government securities – At purchase price/face value



Highlights of 2013

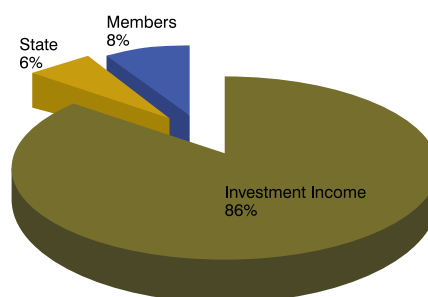


Summary of Key Results

Summary of Key Results	2013	2012
	K	K
Net surplus (after tax)	39,783,219	37,111,363
Total Fund net assets	440,504,514	399,955,705
Total benefits paid	9,113,404	10,644,283
Interest crediting rate	10%	10%
CPI indexation rate	5%	5%
Management Expense Ratio	2.02%	2.08%

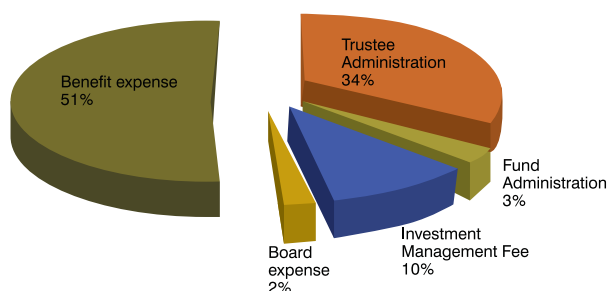
Income Summary

Income Summary	K
Investment Income	52,158,443
Contribution	
. Members	3,490,477
. State	4,875,085
Other Income	
Total	60,524,005



Expenditure Summary

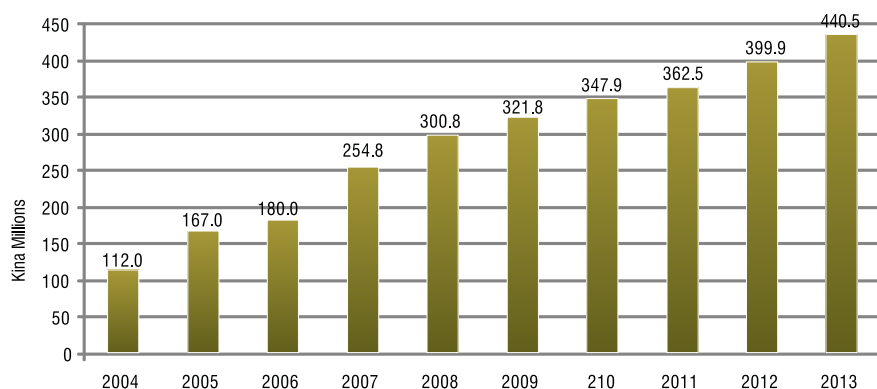
Expenditure	K
Trustee Administration	5,953,207
Fund Administration	518,320
Investment Management Fee	1,776,006
Board expense	401,324
Benefit expense	9,113,404
Total Expenditures	17,762,261





Fund Highlights at a Glance

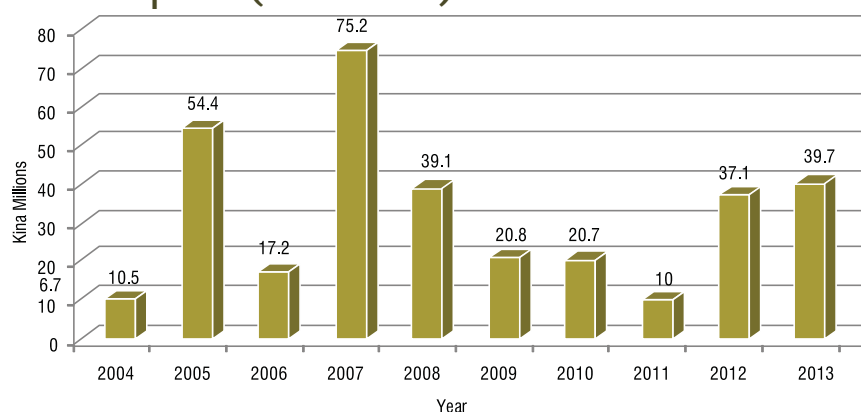
Net Asset Value of Fund



Note: Net assets for 2008 restated.

The above bar graph shows that the fund has grown steadily from K112.0 million in 2004 to K440.5 million as at 31st December 2013. Despite the adverse consequences of the financial crisis which have already had a detrimental impact on Fund operations to date, your trustee will endeavour to ensure the sound custody, investment and preservation of the funds entrusted to its care with the aim of assuring members financial security at retirement.

Net Surplus (After Tax)



The graph illustrates on overall that net surplus after tax has grown during the 10 year period under review.

Comparative Statistical Summary

		2007	2008	2009	2010	2011	2012	2013
NET FUND ASSETS								
Net assets	K(m)	255.0	300.0	321.8	347.9	362.5	399.9	440.5
Net asset growth	%	41.45	17.01	6.93	6.47	4.00	10.31	10.00
Reserve ⁴	K(m)	-	9.821	0.387	5.580	4.519	0.283	0.765
NET SURPLUS								
Net surplus after tax	K(m)	75.2	39.1	20.8	20.7	10.0	37.1	39.7
EXPENSES								
Benefits	K(m)	10.9	10.5	7.4	7.7	9.2	10.6	9.1
Trustee administration	K(m)	4.6	4.0	4.1	4.5	4.0	5.5	6.3
Fund administration	K(m)	0.389	0.371	0.450	0.330	0.291	0.434	0.518
Investment management	K(m)	1.005	1.400	1.400	1.600	1.400	2.000	1.776
Management expense ratio	%	2.14	2.11	1.92	1.96	1.71	2.08	2.02
INCOME								
Investment income	K(m)	86.0	45.2	26.6	28.6	20.1	47.5	20.1
Contributions								
State share	K(m)	6.3	6.7	4.4	4.5	5.1	5.9	4.8
Members	K(m)	1.7	1.9	1.9	2.9	2.7	3.2	3.4

Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

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Trustee Statement

FOR THE YEAR ENDED 31ST DECEMBER 2013

In the opinion of the Trustee for the Defence Force Retirement Benefits Fund ("the Fund") the accompanying Statement of Changes in Net Assets, Statement of Net Assets, Statement of Cash Flows and Notes to the financial statements for the year ended 31 December 2013 and has been properly drawn up and show the true state of affairs of the Fund as at the date. We are of the opinion that:

- a) the result of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal character;
- b) no circumstances have arisen which would render any amount in the 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 Fund has complied with the reporting requirements as prescribed by the Superannuation (General Provisions) Act 2000 and as required by Bank of Papua New Guinea Prudential Standards 3/2008 and 5/2008.

Dated at Port Moresby this 26th day of March 2014.

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

Chris Alu
Chairman of the Board of Trustees

Captain (N) Alois Ur Tom, OBE
Director

Management Statement

FOR THE YEAR ENDED 31ST DECEMBER 2013

In our opinion the accompanying Statement of Changes in Net Assets, Statement of Net Assets, Statement of Cash Flow and Notes to the financial statements for the year ended 31 December 2013 and has been properly drawn up and show the true state of affairs of the Fund as at the date. We are of the opinion that:

- 1) the result of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal character;
- 2) no circumstances have arisen which would render any amount in the statements misleading;
- 3) 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
- 4) the Fund has complied with the reporting requirements as prescribed by the Superannuation (General Provisions) Act 2000 and as required by Bank of PNG Prudential Standards 3/2008 and 5/2008.

Dated at Port Moresby this 26th day of March 2014.

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

Richard Sinamoi
Chief Executive Officer

Danny Herepe
Executive Manager Finance and Administration

Directors' Report

FOR THE YEAR ENDED 31ST DECEMBER 2013

The directors of Comrade Trustee Services Limited submit herewith the annual financial report of the Fund for the financial year ended 31 December 2013. In order to comply with the provisions of the Companies Act 1997 and Superannuation (General Provisions) Act 2000, the directors report as follows:

The names and particulars of the directors and office holders of the Trustee company during or since the end of the financial year are:

Name	Executive/non-executive director
Mr Chris Alu	Non Executive -Chairman of the Board of Trustees
Captain (N) Alois Ur Tom, OBE	Non Executive
Col David Takendu, OBE (Rtd)	Non Executive
Captain (N) Max Aleale, DMS	Non Executive
Mr Kisakiu Posman	Non Executive
Mr Michael Varapik	Non Executive
Mr Moses Koiri	Non Executive

Trustee Secretary

The company secretary is Mr Richard Sinamoi.

Review of operations

The Fund reported a net surplus of K39,783,219 (2012: K37,111,363) after income tax benefit of K1,030,964 (2012:K704,711).

Changes in state of affairs

During the financial year there was no significant change in the principal activities or state of affairs of the Fund other than that referred to in the financial statements or notes thereto.

Change in accounting policies

No changes in accounting policies occurred during the current year.

Entries in the interest register

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

Directors' remuneration

Remuneration paid to directors has been disclosed in note 23.3 to the financial statements.

Remuneration above K100,000 per annum

The number of employees or former employees, not being directors of the Trustee company, whose total remuneration and the value of other benefits received, exceeded K100,000, falls within each relevant K50,000 band are disclosed in note 23.2.

Donations

No donations were made during the current year, (2012 : NIL).

Independent audit report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent audit report on pages 4 and 5. Fees paid for audit services are disclosed in note 10.2 to the financial statements.

Subsequent events

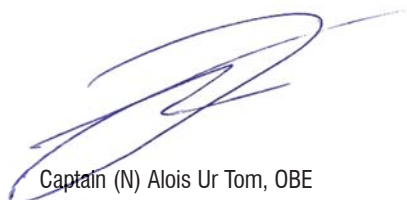
There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the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

Signed in accordance with a resolution of the directors.

On behalf of the Directors



Mr Chris Alu
Chairman of the Board of Trustees



Captain (N) Alois Ur Tom, OBE
Director

Dated at Port Moresby 26th March 2014



INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 31ST DECEMBER 2013



Deloitte Touche Tohmatsu

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Papua New Guinea

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Independent Auditor's Report to the members of Defence Force Retirement Benefit Fund

We have audited the accompanying financial statements of the Defence Force Retirement Benefit Fund, which comprise the statement of changes in net assets as at 31 December 2013, and the statement of net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and true and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Companies Act 1997, and the Superannuation (General Provisions) Act 2000 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation of the financial report that gives a true and fair view, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Defence Force Retirement Benefit Fund as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial report of the Defence Force Retirement Benefit Fund is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Fund. The fund is in compliance with the Superannuation (General Provisions) Act 2000.

During the year ended 31 December 2013 we did not provide any other services to the Defence Force Retirement Benefit Fund.

DELOITTE TOUCHE TOHMATSU

Suzaan Theron

Registered under the Accountants Act 1996
Partner

Port Moresby, 28th day of March, 2014

Statement of Changes in Net Assets

FOR THE YEAR ENDED 31ST DECEMBER 2013

		2013	2012
	Note	K	K
Revenue			
Investment Revenue			
Interest income	6	2,694,051	2,766,385
Dividends		22,875,142	16,614,428
Property income	7	2,695,889	2,411,160
Change in fair value of investment properties	16	4,011,594	1,467,400
Change in fair value of financial assets		19,139,334	24,028,762
Gain on sale on financial assets		742,434	702,033
Net Investment Revenue		52,158,443	47,990,168
Contribution Revenue			
Contributions received from members		3,490,477	3,246,804
State share of contribution	9	4,875,085	5,992,566
Total Contribution Revenue		8,365,562	9,239,370
Other Revenue (expense)	8	(4,009,488)	(672,576)
Total Revenue		56,514,517	56,556,962
Less: Expenses and benefits paid			
Benefits paid	9	9,113,404	10,644,283
Trustee administration expenses	10	6,354,531	5,584,822
Fund investment and administration expenses	11	2,294,327	2,511,783
Total expenses and benefits paid		17,762,262	18,740,888
Change in net assets before income tax		38,752,255	37,816,074
Income tax expense/(benefit)	12	(1,030,964)	704,711
Change in net assets after income tax		39,783,219	37,111,363
Changes in revaluation reserve	15.2	765,590	283,990
Net assets available to pay benefits at beginning of the year		399,955,705	362,560,352
Net assets available to pay benefits at end of the year	21	440,504,514	399,955,705



Statement of Net Assets

FOR THE YEAR ENDED 31ST DECEMBER 2013

Assets			
Cash and cash equivalents	13	33,284,423	46,800,011
Loans to members and others	14	1,239,421	1,295,243
Current income tax receivable/(payable)		1,666,683	-
Deferred income tax assets	12	2,351,222	2,612,826
Financial assets			
Fair value through profit and loss	15.1	259,978,448	243,051,034
Available for sale	15.2	30,029,580	29,263,990
Held to maturity	15.3	17,620,798	15,146,694
Investment properties	16	83,743,023	60,816,622
Property and equipment	17	413,601	526,757
Other assets	18	15,449,858	5,611,873
		445,777,057	405,125,050
Liabilities			
Employee provisions	19	1,350,131	1,265,307
Current income tax			1,187,368
Deferred income tax liabilities	12	1,609,178	412,966
Other liabilities	20	2,313,234	2,303,704
		5,272,543	5,169,345
Net assets available to pay benefits	21	440,504,514	399,955,705

See accompanying notes to the financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER 2013

		2013	2012
	Note	K	K
Cash flows from operating activities			
Interest received		2,693,460	2,748,601
Dividend received		22,875,142	16,614,428
Property income received		986,625	3,427,472
Contributions received from the members		3,490,477	3,246,804
Benefits paid -including state share		(9,113,404)	(10,644,283)
Cash receipt of state share (benefits)		7,592,657	18,612,822
Cash payment to employees & suppliers		(8,080,477)	(7,219,020)
Income taxes paid		(365,272)	(393,229)
Cash flows from operating profits before changes in operating assets & liabilities		20,079,208	26,393,595
Changes in operating assets & liabilities:			
Net increase in loans to members and others		55,822	92,656
Net decrease (increase) in other assets		(8,379,694)	(197,514)
Net increase in other liabilities		185,916	94,533
Net Cash provided by operating activities		11,941,252	26,383,270
Cash flows from investing activities			
Proceeds from maturity of treasury bills		(4,930,254)	(9,224,520)
Purchase of property & equipment		(101,711)	(136,341)
Purchase of investment properties		(18,206,264)	(4,748,454)
Purchase of listed shares		(8,818,599)	(12,608,472)
Proceeds from sale of listed shares		6,599,990	8,876,980
Net Cash used in investing activities		(25,456,838)	(17,840,807)
Net increase(decrease) in cash & cash equivalents		(13,515,588)	8,542,463
Cash and cash equivalents at beginning of year		46,800,011	38,257,548
Cash and cash equivalents at end of year	13	33,284,423	46,800,011

See accompanying notes to the financial statements



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

1. Significant accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with the Superannuation (General Provisions) Act 2000, International Financial Reporting Standards ("IFRS") and the prudential standards issued by the Bank of Papua New Guinea.

1.2 Basis of preparation

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

In accordance with the Board's policy, the Fund's investment should be revalued annually.

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 5.

The principal accounting policies are set out below.

1.3 Revenue recognition

Income is recognised on an accrual basis except for interest income from Member Housing Assistant ("MHA"), which are brought to account when received.

Investment Revenue

1.3.1 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 time 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.

1.3.2 Dividend revenue

Dividend revenue from investments is recognised 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 measured reliably).

1.3.3 Property rental income

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

1.3.4 Movement in fair market value of investments

Changes in fair market value of investments are recognised as income and are determined between 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).

Contribution Revenue

1.3.5 Member contributions

Contributions received from members are recognised upon receipt.

1.3.6 State share of contribution

Contributions from the Papua New Guinea government are recognised upon receipt.

1.4 Taxes

1.4.1 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 amount 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.

1.4.2 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 utilised

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

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.

1.5 Property, plant and equipment

Property, plant 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 vehicle	30%
Office equipment	20%
Renovation	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 statement of changes in net assets when the expenditure is incurred.

1.6 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 2013. The valuations were performed by the following registered valuers:

Registered Valuer	Properties
The Professional Valuer of PNG Ltd	Hunter Ltd, Stop & Shop, Latitude 9, Ela Makana 1 & 2 and Comrade Haus
Savills (Australia)	Lawes Road

The valuation reports indicate that several methods have been considered for the valuation process and includes: capitalisation method, summation method and discounted cash flow method.

1.7 Financial assets

The Fund classifies its financial assets into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) 'available-for-sale' (AFS) and held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices are classified as FVTPL.

Investments are valued as at 31 December 2013 as follows:

- Listed shares are valued at 31 December 2013 at last sale price on that date (applying the bid rate). Foreign currency Off-shore investments are converted using the ANZ Bank exchange rate. The rate used AUD0.4443.
- Unlisted shares are independently valued as at 31 December 2013 as adopted by the Board. This valuation was performed by JAJ & Associates as an independent professional valuer. The methodology used in the analysis was a combination of maintainable earnings, dividend yields and discounted cash flows of assets, as appropriate.
- The net movement on revaluation is reflected in the statement of changes in net assets.

Financial assets at FVTPL are subsequently re-measured at fair value based on quoted bid prices. Gains or losses arising from changes in the fair value of securities classified as FVTPL are recognised in the statement of changes in net assets in the period in which they arise.

AFS financial assets are recognised at fair value based on independent valuation. Gains or losses arising from the change in the fair value are recognised in the investment revaluation reserve.

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold-to-maturity. Were the Fund to sell other than insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using effective interest rate method.

1.7.1 Impairment of financial assets

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 an 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.



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

1. Significant accounting policies (continued)

1.7 Financial assets (continued)

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.

1.8 Loans and impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund provides money, goods or services directly to a debtor with no intention of trading the receivable.

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.

1.9 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, treasury bills and term deposits.

1.10 Foreign currency

1.10.1 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.

1.10.2 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.

1.11 Changes in accounting policies and comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation and accounting policies in the current year. There have been no changes to accounting policies in the current year.

1.12 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, 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

Contributions to defined contribution superannuation plans are expensed when incurred.

1.13 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.

1.14 Goods and services tax

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

- 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
- 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.

1.15 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

2. Description of the Fund

Defence Force Retirement Benefits Fund (the "Fund") was established under the Defence Force Retirement Benefit Fund Act, Chapter 79 (DFRBF Act), however as of 1 January 2003 it is recognised as being established pursuant to Section 8 of the Superannuation (General Provisions) Act 2002 with the repeal of Section 17 of the DFRB Act (provision through which the Fund was initially established) on 31 December 2002.

DFRBF is a defined benefit fund. The Trustee at balance date is Comrade Trustee Services Limited (CTSL). 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 requirement of the Superannuation Act and governing rules of the Fund.

The Fund is operated for the purpose of providing to members of the Defence Force on retirement and 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 other beneficiaries are fully funded by the time they become payable.

Total membership for the Fund as at 31 December 2013 was:

Pensioners	1,836
Current members	2,936
	4,772

Both fund administration and investment management functions are delegated to and performed by Kina Investment & Superannuation Services Limited (KISS) and Kina Funds Management Limited (KFM) in compliance with the Superannuation Act 2000. The engagement of KISS and KFM is for a term of three years. The contract was renewed on the 31st July 2012 for a further term, after the six (6) months extension lapsed on the 30th June 2012.

The principal place of business of the Fund is:

Comrade Trustee Services Limited
Level 6, Defens Haus
Corner Hunter Street & Champion Parade,
Port Moresby, National Capital District
Papua New Guinea

3. Funding arrangements

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 employer contribution is 60% of pension benefits or resignation benefits calculated based on a formula provided in the DFRBF Act.

4. Liability for accrued benefits

The liability for accrued benefits for Defined Benefit Division 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 undertook the valuation of accrued benefits for Defined Benefit as part of an actuarial review as at 31 December 2012. The actuarial investigation uses an aggregate costing method, whereby the discounted values of future benefits are compared with the net fund of the assets plus the discounted value of contributions paid by the existing members only and no assumptions are made regarding new entrants. Detailed discussion of the review is provided in the actuarial report dated 9 December 2013.

Significant assumptions used applied in the actuarial report are as follows:

Investment Yield	8%
Salary Increase	8%
Pension Increase	5%
Crediting rate	8%
Pension Commutation	50%

Accrued benefits were valued as part of a comprehensive review undertaken as at 31 December 2012 as follows:

	31 December 2012	31 December 2010
	K	K
Liability for accrued benefits	103,782,000	61,595,000
Net value of assets	335,019,000	289,721,000

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

Liability for vested benefits	96,047,000	61,595,000
Net value of assets	335,019,000	289,721,000

Although the actuarial report is prepared as at 31 December 2012, 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 2016 for the three years ended on 31st December 2015.



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

5. Critical accounting estimates and judgements

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

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

	2013	2012
Note	K	K
a) Allowance for losses		
Other assets	-	(569,921)

6. Interest income

Interest income from:

Cash and short term funds	950,894	1,037,147
Treasury and Central bills	200,217	313,300
Held-to-maturity financial asset	1,542,939	1,415,938
	2,694,051	2,766,385

7. Property income

Rent	3,287,662	3,023,043
Less: Other management expense	(591,773)	(611,883)
	2,695,889	2,411,160

8. Other investment income (expenses)

Gain/(loss) from foreign exchange	(4,065,281)	(137,026)
Doubtful debts	-	(569,921)
Others	55,793	34,371
	(4,009,488)	(672,576)

9. Benefits

Pension and back pension	8,651,526	9,964,884
Refunds	197,449	420,331
Gratuities	5,860	12,940
Lump sum	258,570	246,128
	9,113,404	10,644,283
Less : State share	(4,875,085)	(5,992,566)
Net benefit paid	4,238,320	4,651,717

As discussed in note 3, in accordance with Part IV of the DFRBF Act the employer (the "State") contribution is 60% of pension benefits.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

10. Trustee administration expenses

		2013	2012
	Note	K	K
Staff expenses	10.1	2,269,918	2,972,742
Other administrative expenses	10.2	1,926,992	1,268,273
Depreciation		172,439	180,152
Software cost		4,134	2,286
Operating lease		459,822	456,745
GST expense		1,088,752	691,176
Other		432,475	13,449
		6,354,531	5,584,822
10.1 Staff expenses			
Salaries and wages		1,295,026	1,989,027
Sacrifice - Accommodation		627,102	498,704
Sacrifice – Airfare		38,421	32,533
Sacrifice – School fee		55,350	60,141
Sacrifice – Vehicle		143,630	61,650
Training		52,669	42,085
Entertainment		0	48,000
Other		57,721	240,602
	10	2,269,918	2,972,742

As at 31 December 2013 the Fund had 27 (2012: 27) employees.

10.2 Other administrative expenses

Advertising	189,805	36,591
Board of Trustee expenses	401,324	356,560
Internet service provider	20,339	32,857
License fee	222,050	(225,181)
Printing and stationery	23,072	109,685
Professional fees		
Audit services	125,000	216,142
Tax	10,600	1,450
Medical	190	41,228
Other	158,917	195,730
Consulting	315,300	23,976
Legal	18,653	62,078
Telephone	72,166	71,950
Insurance	73,429	65,643
Business travel	-	-
Sundry expenses	296,147	279,564
	10	1,926,992
		1,268,273

11. Fund investment and administration expenses

Fund administration fee	518,320	433,550
Investment management fee	1,776,006	2,076,854
Benefits payment fee	-	1,379
	2,294,327	2,511,783



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

12. Income taxes

12.1 Income tax recognised in profit or loss

	2013	2012
Note	K	K
Tax expense comprises:		
Current tax expense in respect of the current year	4,927,859	6,278,980
Deferred tax expense relating to the origination and reversal of temporary differences	(3,470,044)	(4,153,678)
Over/(under) provision in prior year	(2,488,779)	(1,420,591)
	(1,030,963)	704,711

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

Profit from continuing operations	39,696,245	37,749,073
Income tax expense calculated at 25%	9,924,061	9,437,268
Tax effect of permanent differences	(4,996,202)	(3,158,288)
Dividends rebate	(3,470,044)	(4,153,679)
(Over)/under provision in prior year	(2,488,779)	(1,420,591)
	(1,030,964)	704,711

12.3 Deferred tax balances

(a) Deferred tax assets

	Opening balance	Recognised in Surplus	Closing balance
	K	K	K
2013			
Temporary difference			
Accruals and allowances	331,275	(21,848)	309,427
Other assets	-	-	-
Employee benefits	316,327	16,483	332,810
Depreciation (differences between tax and accounting value)	1,965,224	(256,239)	1,708,985
	2,612,826	(261,604)	2,351,222
2012			
Temporary difference			
Accruals and allowances	250,189	81,086	331,275
Employee benefits	158,502	157,825	316,327
Depreciation (differences between tax and accounting value)	2,164,416	(199,192)	1,965,224
	2,573,107	39,719	2,612,826

(b) Deferred tax liabilities

2013			
Interest receivable	337,869	8,826	346,695
Prepaid insurance	4,175	16,216	20,391
Other assets	70,921	1,171,171	1,242,092
	412,966	1,196,213	1,609,178
2012			
Rent receivable	2,364	(2,364)	-
Interest receivable	333,424	4,446	337,869
Prepaid insurance	19,651	(15,475)	4,175
Depreciation (differences between tax and accounting value)	-	-	-
Other assets	1,142,927	(1,072,006)	70,921
	1,498,366	(1,085,400)	412,966

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

13. Cash and cash equivalents

	Note	2013 K	2012 K
Cash on hand		700	700
Cash in banks		962,972	965,819
Term deposits – less than 90 days		28,290,161	35,736,376
		29,253,833	36,702,895
Placement with other banks – more than 90 days		4,030,590	10,097,116
		33,284,423	46,800,011

14. Loans to members and others

Members			
Tertiary education scheme		1,917	1,917
Housing advance		1,292,089	1,293,326
		1,294,006	1,295,243
State share benefits		(54,585)	-
		1,239,421	1,295,243

Loans are at fixed rates. The aggregate amount of non-performing loans on which interest was not being accrued amounted to nil (2012: nil) as at 31 December 2013.

15. Financial assets

15.1 Financial assets at FVTPL

Listed shares	25	190,334,004	180,042,432
Unlisted shares	25	69,644,444	63,008,602
		259,978,448	243,051,034

15.2 Available-for-sale financial assets

Balance at beginning of year		29,263,990	28,980,000
Change in fair value of AFS financial asset		765,590	283,990
Balance at end of year		30,029,580	29,263,990

15.3 Held-to-maturity financial assets

Government securities		17,620,798	15,146,694
		17,620,798	15,146,694

Government securities are investment in government inscribed stock carried at amortised cost. These deposits are held to their maturity which varies between 2016 and 2029. Details of the government inscribed stock are set out in Note 26.

16. Investment properties

Balance at beginning of financial year		60,816,622	54,640,890
Purchase of investment property		10,516,792	-
Work In Progress		8,398,015	4,708,332
Net gain from fair value adjustments		4,011,594	1,467,400
Balance at end of financial year		84,743,023	60,816,622

The fair value of the Fund's investment property at 31 December 2013 (31 December 2012) has been arrived at on the basis of a valuation carried out at that date by The Professional Valuers of PNG Limited, independent valuers that are not related to the Trustee.

There is uncertainty in the recognition and recording of the Fund's 50% share of the Lawes Road Apartments in the Fund's financial statements, at K6,076,500 (2012 : K6,076,500) and where title is disputed.

No share of net income from the property has been recognised by the Fund since 2003 due to the absence of information regarding the quantum and uncertainty regarding its realisation.



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

17. Property and equipment

	Motor Vehicle	Furniture and Fitting	Other equipment	Renovation	Software	Total
	K	K	K	K	K	K
Cost						
Balance at 1 January 2013	69,021	526,827	609,995	703,839	182,459	2,092,141
Additions	31,061	1,125	-23,522	-	50,617	59,281
Disposal	-	-	-	-	-	-
Balance at 31 December 2013	100,082	527,952	586,473	703,839	233,076	2,151,422
Accumulated depreciation						
Balance at 1 January 2013	51,766	526,556	413,851	445,369	127,841	1,565,383
Charged during year	25,020	382	59,580	51,100	36,356	172,438
Disposal	-	-	-	-	-	-
Balance at 31 December 2013	76,786	526,938	473,431	496,469	164,197	1,737,821
Net book value at 31 December 2013	23,296	1,014	113,042	207,370	68,879	413,601
Net book value at 31 December 2012	17,255	271	196,144	258,470	54,618	526,757

18. Other assets

	2013	2012
	K	K
Prepayments	218,213	24,403
Debtors – Corporate	6,673,887	5,472,444
Security deposits	11,077	35,326
Accrued interests		
Term deposits	299,061	190,344
Treasury Bills	26,799	113,220
Financial assets		
Held-to-maturity	273,123	234,221
Sundry debtors	8,517,621	111,836
Total	16,019,780	6,181,794
Less: specific allowance for losses	(569,921)	(569,921)
	15,449,859	5,611,873

19. Employee provisions

Balance at beginning of year	1,265,307	634,010
Charged to profit & loss	84,824	631,297
Balance at end of year	1,350,131	1,265,307
Represented by		
Short term provisions	521,540	576,043
Long term provisions	828,591	689,264
	1,350,131	1,265,307

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

20. Other liabilities

	2013	2012
Note	K	K
Creditors	918,939	841,602
Government - retrenchment (i)	498,642	498,642
Unclaimed monies (ii)	17,899	15,185
Accruals	877,751	948,275
	2,313,230	2,303,704

(i) The balance represents the difference between the State share (60%) of the contribution received by the Fund and the payment made to members who were retrenched in 2006.
Pending on further instructions from the State, the Fund will either remit the remaining balance to the State or apply this amount against future member retrenchments.

(ii) The balance represents outstanding unclaimed benefit payments by members that were processed in prior years.

21. Net assets available to pay benefits

Net assets available to pay benefits comprise:

(a) Members funds		
Balance at beginning of year	373,148,855	336,037,492
Surplus for the year	39,783,219	37,111,363
	412,932,074	373,148,855
(b) Investment revaluation reserve		
Balance at beginning of year	26,806,850	26,522,860
Change in fair value of AFS financial asset	765,590	283,990
	27,572,440	26,806,850
Net assets available to pay benefits	440,504,514	399,955,705

22. Notes to the statement of cash flows

For the purposes of the cash flow statement, cash includes cash on hand, on call deposits with banks and placement in banks with less than 90 days maturity. (see note 13)

23. 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.

23.1 Key management personnel remuneration specified in aggregate in the year 2013:

Salary	758,540	775,794
Non-monetary (i)	35,230	35,230
Superannuation;		
- Employee	78,353	54,899
- Employer	109,693	97,093
	981,816	963,016

(i) Non-monetary benefits relates to value of assessable benefits charged for salary tax purposes on housing and motor vehicles provided to key management.

23.2 Above K100,000 per annum

The number of employees or former employees, not being directors of the Trustee company, whose total remuneration and the value of other benefits received, exceeded K100,000 per annum are as follows:

	2013	2012
K300,000 – K400,000	2	2
K401,000 – K500,000	-	-
K501,000 – K550,000	1	1



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

23. Related party transactions *(continued)*

23.3 Board of Directors remuneration aggregate in the year 2013:

Mr Chris Alu	
Captain (N) Alois Ur Tom, OBE	Mr Kisakiu Posman
Col David Takendu, OBE (Rtd)	Mr Michael Varapik
Captain (N) Max Aleale, DMS	Mr Moses Koiri

	2013	2012
	K	K
Stipend	327,248	300,852
	327,248	300,852

24. Financial risk management

The Fund's strategy focuses on two primary objectives: to maximise 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.

24.1 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 realisable while those listed on 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 pension commutation and a fortnightly pension payable through out the life-time of the member.

24.2 Government security risk

The Fund has a significant exposure to the state through its holding of government securities.

24.3 Country risk

To the extent that the Fund holds funds in foreign jurisdiction, a variety of risk 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 jurisdiction has been primarily in Australia to the value of K66,266,376 (2012: K62,615,389). Country risk is assessed on a scale of low-medium-high.

24.4 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 Fund is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

24. Financial risk management (continued)

The table below summarises the Fund's exposures to interest rates risk. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates:

	Weighted average interest rate	Up to 1 Year K	1-5 Years K	Over 5 Years K	Non-interest Bearing K	Total K
31 December 2013						
Assets						
Cash and cash equivalents	1.74%	33,284,423		–	–	33,284,423
Loans to members and others	8.00%	–	1,239,421	–	–	1,239,421
Financial assets						
FVTPL		–	–	–	259,978,448	259,978,448
Available-for-sale		–		–	30,029,580	30,029,580
Held-to-maturity	9.35%	–	–	17,620,798	–	17,620,798
Other assets		–	–	–	15,449,858	15,449,858
Liabilities						
Other liabilities		–	–	–	2,313,234	2,313,234
Current income tax payable		–	–	–	1,666,683	1,666,683
Interest sensitivity gap		33,284,423	1,239,421	17,620,798	309,437,804	361,582,446
31 December 2012						
Assets						
Cash and cash equivalents	2.10%	46,800,011		–	–	46,800,011
Loans to members and others	8.00%	–	1,295,242	–	–	1,295,242
Current income tax receivable						
Financial assets						
FVTPL		–	–	–	243,051,034	243,051,034
Available-for-sale	8.70%	–	–	15,146,694	–	15,146,694
Held-to-maturity		–	–	–	5,611,873	5,611,873
Other assets						
Liabilities						
Other liabilities		–	–	–	2,303,704	2,303,704
Interest sensitivity gap		46,800,011	1,295,242	15,146,694	281,417,969	344,659,916

24.5 Foreign Currency exchange risk

The Fund holds assets denominated in currencies other than Kina, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities, and the dividends earned denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises Fund's exposure to currency risks, concentration of assets and liabilities:

	2013 K	2012 K
Australian currency		
Assets	66,266,376	61,387,255

24.6 Foreign currency sensitivity analysis

The Fund is mainly exposed to the Australian dollar.

The following table details the Fund's sensitivity to a 2% increase and decrease in the Kina against the Australian dollar. 2% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% change in foreign currency rates. The sensitivity analysis includes deposits and investments where the denominations are in Australian dollar. A positive number below indicates an increase in profit and other equity where the Kina strengthens 2% against Australian dollar. For a 2% weakening of the Kina against the Australian dollar, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	2013 K	2012 K
Surplus/(Deficit)	1,299,341	1,073,352



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

24. Financial risk management (continued)

24.7 Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Fund's balance sheet at their fair value. Bid prices are used to estimate fair values of assets, whereas offer prices are applied for liabilities.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
	K	K	K	K
Assets				
Cash from other banks	33,284,423	46,800,011	33,284,423	46,800,011
Loans receivable	1,239,421	1,295,243	1,239,421	1,295,243
Current income tax receivable	1,666,683	-	1,666,683	-
Deferred income tax assets	2,351,222	2,612,826	2,351,222	2,612,826
Financial assets				
FVTPL	259,978,448	243,051,034	259,978,448	243,051,034
Available-for-sale	30,029,580	29,263,990	30,029,580	29,263,990
Held-to-maturity	17,620,798	15,146,694	17,620,798	15,146,694
Investment properties	83,743,023	60,816,622	83,743,023	60,816,622
Property and equipment	413,601	526,757	413,601	526,757
Other assets	15,449,858	5,611,873	15,449,858	5,611,873
	445,777,057	405,125,050	445,777,057	405,125,050
Liabilities				
Current income tax payable	-	1,187,368	-	1,187,368
Deferred income tax liabilities	1,609,178	412,966	1,609,178	412,966
Employee provisions	1,350,131	1,265,307	1,350,131	1,265,307
Other liabilities	2,313,234	2,303,704	2,313,234	2,303,704
	5,272,543	5,169,345	5,272,543	5,169,345
Net	440,504,514	399,955,705	440,504,514	399,955,705

24.7.1 Cash and cash equivalents

Cash and due from other banks includes inter-bank placements and items in the course of collection. The fair values of floating rate placements and overnight deposits equal their carrying amounts.

24.7.2 Loans and advances to customers

Loan and advances are net of allowance for losses.

24.7.3 Investment securities

In 2009, investment securities include financial assets at FVTPL, available-for-sale and held-to-maturity which are now measured at fair value based on a market prices or broker/dealer price quotations.

24.8 Credit risk

The Fund takes exposure on credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any.

The Fund manages this risk by asset allocation over or below the preferred (neutral) position and the investment manager can take an aggressive or conservative position depending on the economic circumstances prevailing at the time. The asset allocation at balance date is as follows:

Assets	2013		2012	
	K	%	K	%
Cash and cash equivalents	33,284,423	7.82%	46,800,011	11.81%
Loans to members and others	1,239,421	0.29%	1,295,243	0.33%
Financial assets				
FVTPL	259,978,448	61.04%	243,051,034	61.33%
Available –for-sale	30,029,580	7.05%	29,263,990	7.38%
Held-to-maturity	17,620,798	4.14%	15,146,694	3.82%
Investment properties	83,743,023	19.66%	60,749,621	15.33%
	425,895,693	100%	396,306,593	100%

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

24. Financial risk management (continued)

24.8 Credit risk (continued)

The assets allocation range defines the high and low extremes within which each assets class may move in response to changing economic conditions. By approving an asset allocation range, the Trustees still maintain ultimate control over investment policy at the micro level while the Investment Manager is given the flexibility needed at operational level to quickly respond to and take advantage of changing economic circumstances without the need to continuously revert back to the Trustees for approval.

The Investment Manager shall evaluate investment proposals to ensure viability and consistency with the approved investment strategy and prudential standards issued by Bank of Papua New Guinea.

24.9 Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the equity price had been higher/lower, the net surplus for the year ended 31 December 2013 would increase/decrease by K3.3 million as a result in the changes in fair market value of listed shares classified as at FVPTL.

25. Detailed Listing of Financial assets held by the Fund

25.1 Listed shares

Companies			31 December 2013		31 December 2012	
	Market Price K	Units	Market Value 31/12/2013 Kina	Shareholding as a % of net assets of the Fund	Market Value 31/12/2012 Kina	Shareholding as a % of net assets of the Fund
Bank South Pacific	7.98	14,456,052	115,361,178	26.12%	118,321,941	29.47%
Bank of Queensland	27.37	125,070	3,284,637	0.74%	2,715,124	0.68%
City Pharmacy	1.96	152,679	299,251	0.07%	236,652	0.06%
Oil Search	18.26	1,077,879	19,677,206	4.46%	18,355,172	4.57%
Kina Asset Management Ltd	1.1	7,380,000	8,118,000	1.84%	6,642,000	1.65%
Credit Corporation	2.5	2,982,333	7,455,832	1.69%	6,561,132	1.63%
New Britain Palm Oil	15	394,948	5,924,220	1.34%	6,714,116	1.67%
BHP Billiton Ltd	85.51	30,000	3,677,141	0.83%	3,466,536	0.86%
Highlands Pacific	0.14	2,804,737	385,119	0.09%	914,191	0.23%
Telstra 3 <T3>	11.82	300,000	3,545,301	0.80%	2,810,778	0.70%
ANZ Banking	72.55	30,000	2,176,477	0.49%	1,632,986	0.41%
Telstra Corporation	-	-	-	-	1,937,158	0.48%
Commonwealth Bank of Australia	175.13	21,405	3,748,585	0.85%	2,892,140	0.72%
Marengo Mining Ltd	0.03	2,700,00	91,165	0.02%	762,712	0.19%
Newcastle Mining Ltd	17.56	30,000	526,730	0.12%	1,887,307	0.47%
Vanguard International Shares Index Fund	3.42	4,427,809	15,131,794	3.43%	4,192,488	1.04%
CSL Limited	155.23	6,000	931,367	0.21%	-	-
			190,334,003		180,042,432	



Notes to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER 2013

25. Detailed Listing of Financial assets held by the Fund (continued)

25.2 Unlisted shares

Companies	31 December 2013				31 December 2012	
	Market Price K	Units	Market Value 31/12/2013 Kina	Shareholding as a % of net assets of the Fund	Market Value 31/12/2012 Kina	Shareholding as a % of net assets of the Fund
BPT(PNG) Ltd	45.36	98,670	4,475,671	1.01%	4,212,222	1.05%
Westpac Bank Ltd (WPC)	290.1	2,000	580,200	0.13%	473,000	0.12%
Arnott's Biscuit	150.1	225,000	33,772,500	7.65%	34,650,000	8.63%
Post Courier	5.78	110,900	641,002	0.15%	762,992	0.19%
South Pacific Brewery	53.25	566,668	30,175,071	6.83%	22,910,387	5.71%
Financial assets at FVTPL			69,644,444		63,008,602	
Hunter	428,994	70	30,029,580	6.80%	29,263,990	7.29%
AFS financial assets			30,029,580		29,263,990	

26. List of Investment Securities held – to – maturity (Government Inscribed Stock)

Serial Number	Settlement Date	Maturity Date	Coupon Rate	Face Value 31/12/2013 K	Face Value 31/12/2012 K
S15112016(G26)	17/11/2006	15/11/2016	9.00%	4,120,410	4,162,267
S15112021(G27)	17/11/2006	15/11/2021	12.00%	3,243,145	3,274,003
S15112021(G25)	15/12/2006	15/11/2021	12.00%	1,005,122	1,005,772
S15112016(G28)	12/01/2007	15/11/2016	9.00%	1,004,149	1,005,591
S15112023 (G37)	11/04/2008	15/11/2023	12.00%	2,154,898	2,170,577
S15112023 (G38)	16/05/2008	15/11/2023	12.00%	1,052,075	1,057,346
S15112018 (G39)	16/05/2008	15/11/2018	9.00%	335,127	335,563
S15112017 (G41)	23/09/2011	15/02/2017	9.00%	2,102,738	2,135,574
S15052029(G42)	23/08/2013	15/05/2019	11.00%	1,557,299	-
S15052029(G43)	18/10/2013	15/05/2029	11.00%	1,045,835	-
TOTAL INSCRIBED STOCK				17,620,798	15,146,694

27. Audit Fees

The auditor is Deloitte Touche Tohmatsu. The audit fees paid for the audit of the financial statements are disclosed in note 10.2.

28. Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, 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.

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