

2021

Annual Report



Comrade Trustee
Services Limited

Defence Force Retirement Benefits Fund



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Statutory Manager's Statement

Dear Members,

As the appointed Statutory Manager for Comrade Trustee Services Limited (CTSL), on behalf of the Executive Management Team of the Fund, I am pleased to provide this report on the financial performance of the Fund in 2021.

The operating environment for 2021 remained difficult as countries continued to deal with the public health impacts of COVID19 and the consequential negative flow on impacts to their economies. The PNG economy was not isolated from these effects as we too experienced moderate to weak business conditions rolling on from the past year and right through 2021.

Amidst these challenges CTSL continued to provide a good level of service to our Members through our small but committed work force led by our Chief Executive Officer, Mr. Charlie Gilichibi and his Executive Management Team.

We are pleased to provide the 2021 annual financial statements for CTSL as audited by KPMG. The results as presented in the statements reflect a more conservative valuation methodology that has been applied to our land and property assets as well as across the overall investment portfolio. Our auditors' KPMG have provided an unqualified audit opinion for CTSL financial accounts for 2021.

The Statutory Manager, CEO and management as a priority will continue to focus on putting in place measures aimed at further quarantining member funds from the direct risk and exposure to major investments such as Toea Homes Limited.

THE HIGHLIGHTS FOR 2021

A number of key initiatives were implemented in 2021 targeted at improving the service levels to our members and also to further diversify our investment portfolio:

- The implementation of the new Strategic Asset Allocation strategy has commenced.
- Increased investments into higher yielding GIS to increase the allocation of cash yielding assets of the portfolio.
- Commenced diversification program aimed at divesting low yielding assets
- Commenced the drive to update member data covering 9 barrack and unit sites
- Established a branch office in Lae to cater for enquiries from Momase based members.
- Completed the "one off" payment of surplus to pensioner fund members .

FINANCIAL RESULTS

For the year ending 2021 the fund recorded a net surplus after income tax and before other comprehensive income of K10,746,300 compared to K24,654,300 in 2020. The net assets for the organization as of 31 December 2021 were K615m a decrease of K3,803,743 in 2021 when compared to year end 2020 reported at K618m. The management expense ratio recorded for 2021 was 2.45% (2020:1.88).

Mindful of the challenging economic conditions experienced in 2021, CTSL is pleased to announce the approval of interest crediting rate of 2% for members of the Fund.

INVESTMENT UPDATE

The focus of the investment team in 2021 was largely on progressing the site development work at the Toea Homes precinct, with the strategy of completing preparation of allotments and commencing the sale of inventory to generate cash flow to support ongoing capital needs..

This work will continue on in to 2022 and will be further accelerated as discussions with the PNGDF are concluded and the appropriate operating and commercial model is settled.

As part of the diversification of CTSL's investment portfolio further investments were made in Government Inscribed Stock as well as an investment in to a hybrid debt instrument with indicated above market returns.

FUTURE PROSPECTS

As we look forward to the coming year, we expect the impacts of COVID19 should normalise, however the economic conditions for Papua New Guinea are likely to remain subdued. The impact of the National General Elections may cause some disruption to the general business environment but this should stabilise in the second half of 2022 as the new parliament is convened.

The Fund will continue to focus on strengthening its operating systems, in particular transitioning a number of critical functions from manual processes to a more integrated systems based processes. This should deliver improved efficiencies across our operations from oversight of finances, management of HR and more effective roll out of members services.

CONCLUSION

I take this opportunity to extend my sincere thank you to our members, for their commitment and continued support to the Fund. The protection of our member funds is our primary focus, and in my role as Statutory Manager I remain very committed to assisting and supporting, Mr. Charlie Gilichibi our CEO, the Executive Management Team and the CTSL workforce to uphold that responsibility.



Peter Aitsi
Statutory Manager

CEO's Statement



Charlie Gilichibi
Chief Executive Officer

Dear Members,

2021 was an anomalous year for Comrade Trustee Services Ltd (CTSL) as the trustee of your Fund from contextual, financial and operational perspectives. I acknowledge our members and stakeholders for your confidence in the strength of the systems and character of individuals within Comrade Trustees to ride out the bumps and ensure the health and resiliency of your fund is protected.

For the purpose of transparent disclosure, the challenges arising for 2021 are summarized below:

1. Over a number of years the control deficiencies identified by the previous and current external auditors were not addressed sufficiently. This resulted in an accumulation of critical issues that needed addressing once and for all or they would keep affecting the Fund's future progress.
2. When CTSL transitioned from MYOB accounting system to Attache in 2019, there was inadequacy of planning, staffing and skills capacity to handle the transition. It took a one hundred percent turnover of staff within the finance department, including the former Finance Manager, for issues identified to bubble up to the surface and be addressed.
3. Less than adequate project management and sales effort around Toea Homes Ltd.
4. Given the circumstances under which the former Statutory Manager's contract was terminated by the Bank of PNG, it required extra scrutiny from the regulator and external auditors around CTSL's operational and financial matters.

Fund performance for 2021:

- Crediting rate of 2% compared to 5% in 2020.
- Gross profit of K25.9m, compared to K36m in 2020.
- Net Profit After Tax (NPAT) of K10.7m compared to K25m in 2020.
- Net Assets of K615m compared to K618m in 2020. The downward adjustment was a result of corrections taken on asset values.
- The State is up to date with its obligations for 2021. Three years' worth of State unfunded liability for exited members was brought up to the current financial year.

We acknowledge the leadership provided by the new Statutory Manager, Peter Aitsi. He was appointed by the regulator, Bank of PNG in January 2022 to ensure normalcy and business continuity for the trustee company and oversight of the Fund. Finally but not the least, I'd like to thank our management and staff for their level of commitment and dedication. Everyone did a wonderful job and continues to do so in the best interest of our members and stakeholders.

Executive Team



Charlie Gilichibi
Chief Executive Officer

Mr Charlie Gilichibi commenced employment with Comrade Trustee Services Limited as the Chief Executive Officer on the 27th of January 2020. He has over 20 years' wealth of experience in the Superannuation Industry previously holding executive roles at both NASFUND and Nambawan Super. Mr. Gilichibi has a Master's in Business Administration from University of Papua New Guinea, Bachelor Degree in IT from Canberra University, a Diploma in Economics from International Training Institute, a Diploma in Advanced Finance from Wharton business school (University of Pennsylvania) and INSEAD's Advanced Management Program, Singapore. Mr. Gilichibi is a professional member of the Australian Institute of Company Directors (AICD) and PNG Institute of Directors (PNGID).



Seno Wekina
Manager Legal and Company Secretary

Mr Seno Wekina is the Manager Legal and Company Secretary who commenced employment with Comrade Trustee Services Limited on the 17th of August 2020. Mr Wekina has over 25 years wealth of experience practicing Law with a Bachelor Degree in Law from University of Papua New Guinea and is a member of the PNG Institute of Directors.



Mark Kanawi
Manager Investments

Mr Mark Kanawi commenced employment with Comrade Trustee Services Limited on the 10 April 2017 as an Investments Analyst and has worked in various capacities Within the Investment division over the last 5 years. Mr Kanawi has over 8 years's experience in the Wealth Management and Supperannuation Industry. He has a Bachelor of Business Management from the University of Papua New Guinea and is a member of the PNG Institute of Directors.



Mathew Kamaka
Manager Finance

Mr Matthew Kamaka joined Comrade Trustee Services Limited as Manager Finance on the 13th of April 2015. Mr Kamaka holds a Bachelor in Commerce from the University of Papua New Guinea and has over 14 years of experience. Mr Kamaka is also a member of the PNG Institute of Directors and CPAPNG.



Darusilla Musi
Manager Human Resource & Administration

Ms Darusilla Musi is the Manager Human Resource & Administration and has over 13 years wealth of experience in Human Resource and a Bachelor in Business & Management from the University of Papua New Guinea and is also a member of PNG Human Resource Institute and PNG Institute of Directors. Ms. Musi commenced employment with Comrade Trustee Services Limited on the 12th of June 2018.



Freddy Manihoru
Manager – Member Services

Mr Freddy Manihoru commenced employment with Comrade Trustee Services Limited as Manager Member Services on the 01st of April 2019 and has over 10 years experience in the Superannuation Industry. Mr Manihoru has a Bachelor Degree in Business Management from Divine Word University and is a member of the PNG Institute of Directors.

Key Achievements 2021

- Transfer of 112 hectares of State land at Igam, Lae to Toea Homes Ltd.
- Won the legal challenge against purported land owners for Taurama Portion 675
- Initiated earth works and engineering of phase 2A and 2B of Taurama residential developments
- Automation of pension payroll. Prior to 2021, it was done on excel spreadsheets.
- Opened a second branch with state-of-the-art facilities in Lae to service the Northern Region members, which include three military units in Igam, one in Moem (Wewak), and one in Lombrum (Manus). This is also in anticipation of opening up the fund for wider membership in the future.
- K7 million in one off pension payment was made in two tranches in quarter one and quarter four of 2021. This was the balance from the K12 million approved by the previous Board before the appointment of a Statutory Manager, of which K5 million was made in 2020.
- Covered all military units around the country engaging with members on the importance of saving and planning well for retirement.

Operations Report

MEMBER EDUCATION AND AWARENESS

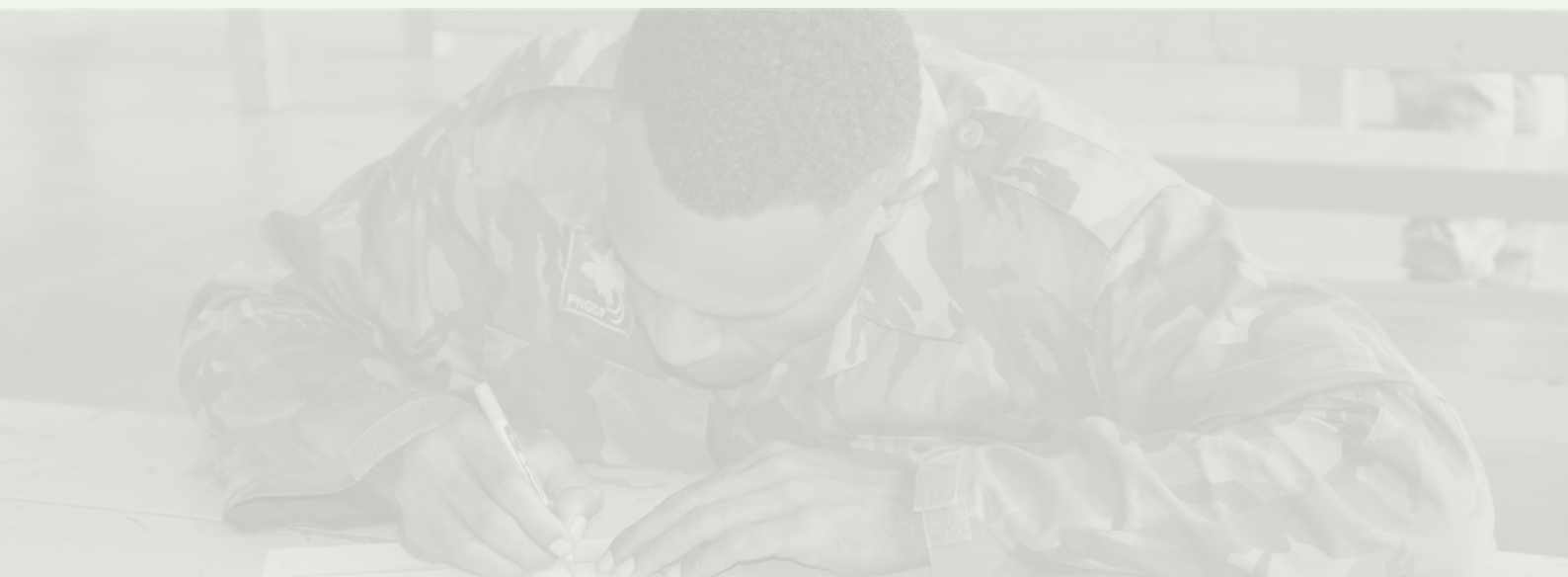
- Presentations done covering all nine military units of the PNG Defence Force. (see table below).

No. of Units	PNGDF Unit	Unit Location	Date
1	FSB	Murray Barracks	12.04.2021
2	1RPIR	Taurama Barracks	13.04.2021
3	ATW	8mile PNGDF Air Wing	14.04.2021
4	Basilisk	Lancron Navel Base Pom	14.04.2021
5	GRTD PNGDF-	Goldie Barracks	15.04.2021
6	HQ	Murray Barracks	16.04.2021
7	Igam	Lae	19.04.2021
8	2RPIR	Moem Barracks Wewak	21.04.2021
9	Tarangau	Lombrum Navel Base Manus	27.04.2021

- Constant and ongoing communication with members via our WhatsApp group.
- Member enquiries through our service counters in Port Moresby and Lae
- Electronic omni-channel through emails, calls, Facebook and LinkedIn all consolidated through an innovative solution, FreshDesk.
- CTSL initiated a major pensioner data reconciliation and update exercise which will roll into 2022.

ENGAGEMENTS WITH THE STATE

- CTSL acknowledges the State for the timely contributions for accumulation members.
- Improved the level of understanding between the State, through the Department of Treasury Officials on managing the crystallised and non crystallised Unfunded State Share. All outstanding crystallised Unfunded State Liability for 2020 and 2021 has been cleared.
- Through the collaborative efforts with the Treasury Department, secured a separate Budget Line for the Defence Force Retirement Fund (DFRBF) in the 2022 National Budget. Prior to that, all Unfunded State Liabilities were lumped up together for all public servants and defence force personnel.





Investment Management Statement 2021

Dear CTSL Members,

In 2021 Papua New Guinea continued to deal with the persistent effects of the Covid-19 pandemic. This included high rates of vaccine hesitancy with less than 2% of the population vaccinated. The impacts on investment performance were mainly driven by uncertainty in the market as the world continued to navigate a path to normality. PNG's GDP grew modestly by 1.7% after (IMF) a decline in 2020. Inflation for the year ended at around 4.5%.

For international markets it was positive news despite a volatile year as the world remained sensitive to Covid-19 and emerging variants. The world equity markets re-bounded particularly strong in the US after the largest economic shock in a century. For emerging markets there was a decline of -2.5% for the MSCI Emerging Markets Index in 2021 compared to the MSCI World Index which was up 21.8%. Like PNG, other emerging and frontier nations struggled to deal with the pandemic, with limited health infrastructure and access to medicine the driving forces. Governments across the world remained amenable in their monetary stance to stimulate growth. Commodity prices saw a recovery, with oil the leader, whilst gold prices came back from the record high prices in 2020.

In 2021 CTSL's cash and cash equivalents at the end of the year rose from K66.59 million in 2020 to K71.47 million in 2021. The focus with the CTSL investment portfolio for the year remained as stabilising and re-balancing the fund with a view to continue to maximise returns for members. This meant continuing to apply closer scrutiny across each asset class and divesting of non-performing assets whilst identifying new investment opportunities. CTSL exited identified non-performing assets and assets that did not fit the risk profile as part of the exercise. The portfolio is in a better position now to provide members with future risk-adjusted returns.

The Asset Allocation across the four major asset classes remained mostly the same with a decrease in domestic equities targets (27% 2021 from 30% in 2020) and a slight increase in Domestic Fixed Income investment (22% in 2021 from 20% in 2020) primarily targeted at smoothing out the liquidity profile of the fund.

The drivers of growth were organic via improvements to valuations across key equity assets including Fixed Interest and International Equities. Movements in the local currency were also a contributor to the funds' performance this year. The property portfolio continued to underperform, and returns remain subdued. CTSL commenced capital reinvestment program in Defens Haus this year as a core property asset to strengthen future revenue capacity. The cash yield of the fund is still mainly driven by dividends from BSP and Kina Bank with support from the Government Inscribed Stocks.

Looking into the future CTSL and FEL remain positive about domestic market growth opportunities. Major resource projects in the mining sector including the restart of the Porgera Mine and hopeful commencement of the Wafi-Golpu Project will be major contributors in the short term. The Papua LNG and P'nyang LNG projects in the petroleum sector have the potential to provide at least 8 years of construction activity which will be transformational for Papua New Guinea's GDP over the medium term if they come to fruition. Select global investment opportunities will continue to provide the fund with diversification benefits also and supplement this domestic growth.



As a key part of our role, we will continue to identify investment prospects that align to the investment objectives of CTSL. These investment objectives must be positioned to maximise the opportunities that are presented in the next phase of the country's economic growth. As always, this will be done within the parameters of the Fund's risk appetite and in compliance with the prudential standards.

Once again, we would like to thank CTSL for choosing FEL as the License Investment Manager, and to be a partner in the Fund's journey to future growth.

Adam Kramer
Director

Rabbie Namaliu
General Manager

Fund Administrator's Statement

Kina Investment & Superannuation Services Limited

2021 Year In Review

Kina Investment and Superannuation Services Limited (KISS) remained resilient this year, meeting the expectations of Comrade Trustee Services Limited (CTSL) without interruption. We are delighted to have thrived through these unprecedented times, under the COVID-19 pandemic circumstances, ensuring the continuous delivery of our fund administration services and demonstrating our commitment to CTSL and its members by maintaining service levels above industry standards of 98 percent for the fifth consecutive year.

The unprecedented arrival of the delta variant (Covid-19) in the year 2021 saw business houses reacting to the changes to operate under the "new normal" protocols approved by the relevant authorities.

We are delighted to highlight that we stayed focused and resilient in ensuring that fund administration services were provided without significant disruptions.

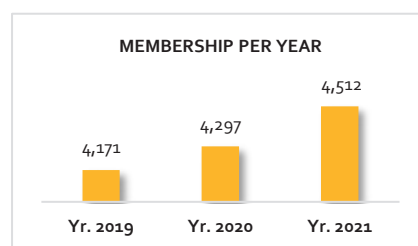
As we continue to deliver important improvements, our fundamental strategy is to partner and collaborate with the trustee to comprehend the needs of the fund and its members in order to achieve the outlined goals. The following improvements serve as a strong indication of how well this strategy is working.

- Upgrading of the core fund administration systems to allow for the successful on boarding of new employers who choose to begin contributing to the fund on behalf of their employees' superannuation and/or employers who are willing to transfer their employees' superannuation savings from other ASFs,
- Development of a housing advance tab in the member online portal. This initiative will allow members to access and view their housing advance eligibility status online at any time and from any location; and
- Updating critical reports to allow for the efficient provision of detailed information about the unfunded state share for eligible members.

Finally, we recognize and thank the executive managers of Comrade Trustee Services Limited for their leadership and support in ensuring a strong partnership between trustee and fund administration stakeholders over the years.

Fund Membership

4,512 people made up the membership base as of the end of December 2021, including 188 participants in the defined benefit scheme and 4,324 participants in the accumulation scheme. In both schemes, members who have served in the force for more than 20 years make up 30% of the total membership base, while those who have served for less than 20 years make up 70%. Regarding the members who meet the 20-year service requirement, there is a decrease of 2% from the prior era (32% in 2020).



Fund	Yr. 2019			Yr. 2020			Yr. 2021		
	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total
Accumulation	3,691	268	3,959	3,900	204	4,104	3,860	464	4,324
Defined Benefit	106	106	212	90	103	193	86	102	188
Total	3,797	374	4,171	3,990	307	4,297	3,946	566	4,512

Funds Under Administration

Total funds under administration was K525.68 million.

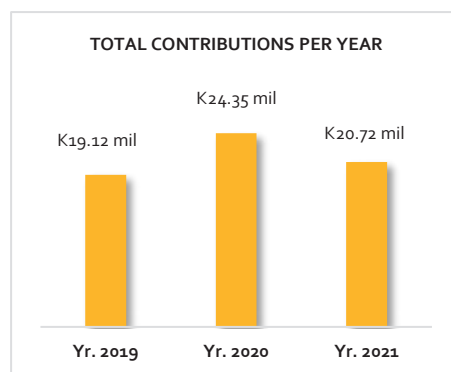
Fund	Yr. 2019			Yr. 2020			Yr. 2021		
	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total
Accumulation	484,854,114	16,531,700	501,385,814	506,285,300	8,724,376	515,009,677	496,410,825.65	24,545,736.97	520,956,562.62
Defined Benefit	2,970,962	1,253,340	4,224,303	3,059,462.00	1,298,767	4,358,229.	3,376,889.98	1,348,159.08	4,725,049.06
Total	487,825,075	17,785,040	505,610,116	509,344,762	10,023,143	519,367,906	499,787,715.63	25,893,896.05	525,681,611.68

Contributions

Contributions received and allocated a total of K20.93 million for both the Defined Benefit and Accumulation schemes. There was a drop of K3.6 million (15%) across all contribution components for the Accumulation scheme compared to 2020 figures, except for the funds transfer-in component, which saw an increase (over K3.1 million). This is attributed to a number of employers who opted to join the 'Accumulation' scheme during the year, such as Comrade Trustees Services Ltd, Kenny PNG Ltd, MCS Trading Ltd, and Pacifica Auto Parts.

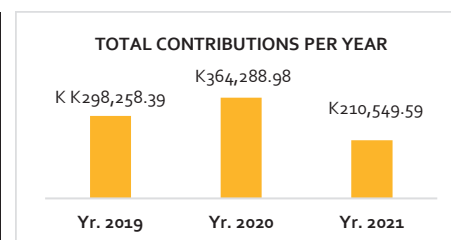
Accumulation fund

Description	2019 (PGK)	2020 (PGK)	2021 (PGK)
Member Contributions	8,010,175.81	8,795,698.29	6,597,022.30
Employer Contributions	9,888,029.02	12,270,549.38	9,225,554.09
Member Voluntary	912,181.84	1,727,999.14	1,573,384.21
Employer Voluntary	-	-	-
Member Salary Sacrifice	-	-	8,847.54
Housing Advance Repayment	124,309.00	186,796.69	176,115.61
Transfers from other ASF	185,296.19	1,369,511.63	3,134,249.20
State Share	-	-	-
Unallocated Contributions	-	-	-
Total	19,119,991.86	24,350,555.13	20,715,172.95



Defined Benefit fund

Description	2019 (PGK)	2020 (PGK)	2021 (PGK)
Member Contributions	255,675.26	110,148.76	176,015.81
Employer Contributions	410.00	211,821.49	-
Housing Advance Repayment	34,718.25	18,860.44	10,356.79
Member Voluntary	7,454.88	23,458.29	24,176.99
Unallocated Contributions	-	-	-
Total	298,258.39	364,288.98	210,549.59

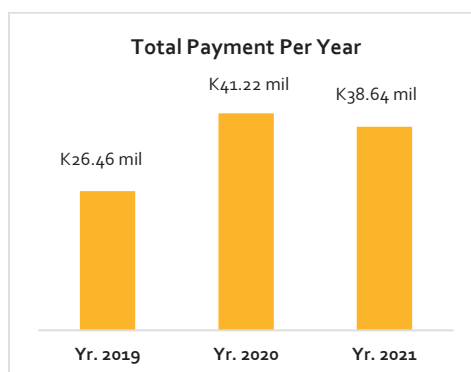


Benefit Payments

Total benefits paid in 2021 for both the Defined Benefit and Accumulation schemes totaled K38.69 million, a 10% drop from the previous year, K41.22 million. Although total withdrawal payments declined, there was a surge in exits made on behalf of members who exited due to retirement age, amounting up to K23.27 million (118 exiting members). During the year, the fund also continued to facilitate Unfunded State Share payments, paying out K8.9 million (to 82 existing members) following receipt of government funding.

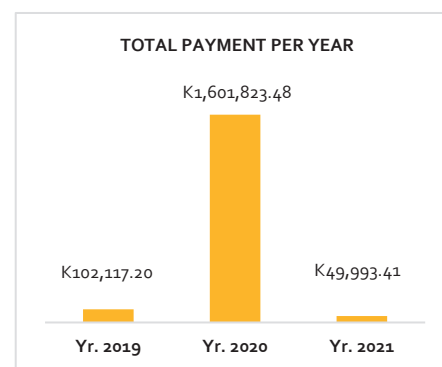
Accumulation fund

Description	Yr. 2019	Yr. 2020	Yr. 2021
Normal Retirement	12,785,025.43	15,096,009.36	23,268,585.63
State Share Payments	10,379,882.62	21,406,956.12	8,895,291.27
Medical Retirement	0.00	0.00	0.00
Death	1,802,274.92	2,143,531.34	3,366,047.00
Transfer Out (to other ASF)	0.00	176,442.51	253,527.95
Unemployment Benefits	49,122.24	16,341.76	21,382.55
Housing Advance Payments	539,048.48	1,494,231.83	2,027,137.36
Tax on Full Benefit Payment	4,720.97	882,339.55	802,728.48
Tax on Partial Benefit Payment	897,174.78	1,586.64	2,724.34
Total	26,457,249.44	41,217,439.11	38,637,424.58



Defined Benefit fund

Description	2019 (PGK)	2020 (PGK)	2021 (PGK)
Refund/Commutation	43,788.82	282,857.68	-
Normal	54,435.11	5,553.53	15,134.03
Medical	-	0.00	-
Death	-	39,862.20	17,631.48
Transfer Out (to other ASF)	-	4,025.74	-
Transfer Out (to DFAC)	-	1,249,182.00	4,923.69
Housing Advance Payments	-	15,689.76	10,500.00
Benefit taxed on Commutation	531.85	4,652.57	1,804.21
Benefit taxed on Full Payments	3,361.42	0.00	-
Total	102,117.20	1,601,823.48	49,993.41



Pension

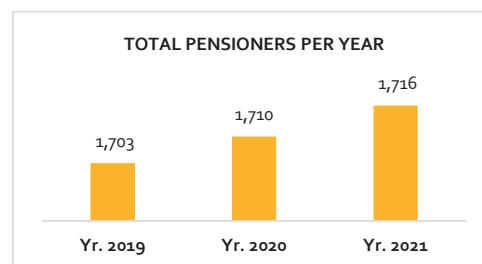
Pension payouts totaled K15.8 million in 2021, a 16 percent increase from K13.63 million in 2020. The rise in the amount of money paid out in 2021 is due to a one-time lump sum pension payment approved by the trustee in March 2021, when over K3 million was paid out to 1,576 pension beneficiaries.

However, regular monthly pension payments have been consistently high over the last three years, averaging more than K1.1 million each month.

At the conclusion of the year, there were 1,716 pension members/beneficiaries and 297 suspended pension members. This includes 527 widows and 16 child pension recipients.

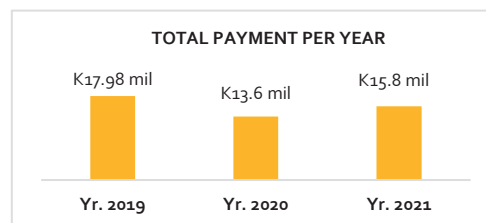
Pension statistics

Description	Yr. 2019	Yr. 2020	Yr. 2021
Normal*	1,443	1,441	1,419
Suspended*	260	269	297
Widow	510	516	527
Child	14	16	16
Age>65	1,044	1,056	1,110
Eligible for SMA	865	851	852
Total - from*	1,703	1,710	1,716



Pension payments

Payments	Yr. 2019	Yr. 2020	Yr. 2021
On-off Pension	4,374,219.09	15,945.46	3,002,570.59
Regular	13,605,813.00	13,610,892.18	12,798,843.37
Total	17,980,032.09	13,626,837.64	15,801,413.96



Looking Ahead

The technological frontier is becoming a much stronger influence in doing business in PNG. We respect our work with Comrade Trustees Services Limited at Kina Investments & Superannuation Services Limited, and we are committed to strengthening our existing connection in 2022 and beyond.

We will continue to work with CTSL to improve its technical capabilities so that its members may successfully access and manage their retirement savings at any time and from any location.



Boge Dikana

Head of Fund Administration

Kina Investment and Superannuation Services Ltd (Licensed Fund Administrator)

'A wholly owned subsidiary of Kina Securities Limited'

Investment Portfolio

	2021	2020	Allocation	Neutral Allocation*
Asset Classification	K	K	%	%
Domestic				
Cash	52,169,250	47,994,584	8.5%	10.0%
Fixed	52,035,949	29,487,377	8.5%	22.0%
Equites	256,915,799	272,080,475	42.1%	30.0%
Properties	165,244,903	172,490,403	27.0%	15.0%
Total Domestic	526,365,901	522,052,839	86.2%	77.0%
International				
Cash	19,298,505	18,592,363	3.2%	1.0%
Fixed	-	-	0.0%	0.0%
Equities	65,298,334	62,647,227	10.7%	22.0%
Total International	84,596,839	81,239,590	13.8%	23.0%
Total Portfolio Value	610,962,740	603,292,429	100.0%	100.0%

Major Investments

Investments	Asset Class	Exposure
Bank South Pacific	Listed Equities	25.0%
Taurama Commercial	Properties	11.0%
Toea Homes Ltd	Unlisted Equities	10.1%
Government Inscribed Stock	Fixed Income	8.5%
Defens Haus	Properties	7.7%

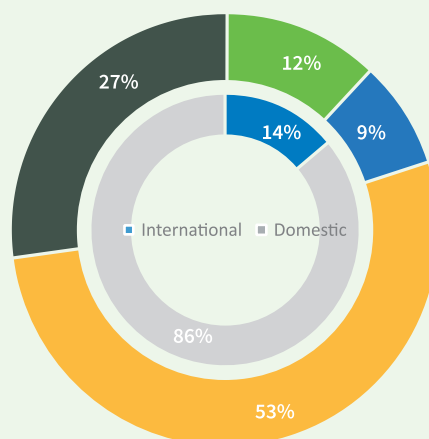
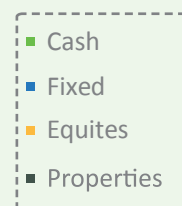
* The Strategic Asset Allocation is subject to change upon review and acceptance of the revised Investment Strategy

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

EQUITIES PORTFOLIO

		2021	2020
	GICS Sectors	K	K
Bank South Pacific	Financials	152,586,637	149,472,624
City Pharmacy	Consumer Staples	2,448,075	1,288,461
Kina Asset Management Ltd	Financials	5,154,726	4,883,424
Credit Corporation	Financials	3,715,361	3,539,966
Total Domestic Listed		163,904,799	159,184,475
BPT(PNG) Ltd	Consumer Discretionary	9,492,000	8,900,000
Paradise Foods Ltd	Consumer Staples	0	20,241,000
Post Courier	Consumer Discretionary	2,339,000	762,000
South Pacific Brewery	Consumer Discretionary	19,437,000	28,492,000
Toea Homes Limited	Real Estate	61,743,000	54,501,000
Total Domestic Unlisted		93,011,000	112,896,000
Total Domestic Equity Portfolio		256,915,799	272,080,475

PORTFOLIO AT A GLANCE



International			
Santos Ltd	Energy	10,523,594	10,472,793
Newcrest Mining Ltd	Materials	1,900,129	2,125,309
Kina Securities Ltd	Financials	17,589,613	19,665,279
Total International Listed		30,013,336	32,263,381
Vanguard International Shares Indexed Fund	Financials	35,284,998	30,383,846
Total International Unlisted		35,284,998	30,383,846
Total International Equity Portfolio		65,298,334	62,647,227
Total Equity Portfolio		322,214,133	334,727,702

PROPERTIES

		2021	2020
1.00 Properties	Type	K	K
Defens Haus	Commercial	47,222,885	49,503,000
Comrade Haus	Commercial	18,362,261	19,500,000
Stop N Shop	Retail	8,600,000	8,600,000
Latitude 9	Residential	9,000,000	9,000,000
Ela Makana 2	Residential	11,000,000	10,000,000
Ela Makana 1	Land Bank	6,000,000	6,500,000
Taurama Commercial	Land Bank	65,059,757	69,387,403
Total Properties		165,244,903	172,490,403

CASH & FIXED INTEREST

	2021	2020
	K	K
Cash on hand	2,000	2,000
Cash in Banks	40,592,414	44,148,640
Term Deposits with maturities less than 90 days	30,873,341	22,436,307
Total Cash	71,467,755	66,586,947
Inscribed Stock	41,605,949	29,487,377
HBS Convertible Note	10,430,000	-
Total Fixed Interest	52,035,949	29,487,377
Total Cash & Fixed Interest	123,503,704	96,074,324

Value Statement

VISION STATEMENT

To create wealth and improve the well-being of members through the prudent management of investments of the fund.

MISSION STATEMENT

To continuously deliver services to meet the identified needs of the Accumulation & Defined Benefit scheme members and to prudently manage the Fund to ensure their values are maintained and enhanced.

CORPORATE VALUES

Act with Honesty

Operating in honesty and integrity. Demonstrates principled leadership and sound business ethics. Shows consistency among principles, values and behaviors.

Maintain Integrity

Demonstrates honest and ethical behavior in all business transactions. Ensures that company/professional standards are maintained and being transparent in our dealings with all parties.

Possess Ubuntu

Behaving well towards others and acting in ways that benefits the company. Always putting the interest of our members first. We will avoid drama by exhibiting civility, empathy and restraint. "I am because we are, "and also "humanity towards others".

Practice Excellence

Aiming continually to improve our services and efficiency levels. Pursuing an employment policy that is based on merits and does not discriminate on the gender, race, religion or ethnic persuasion.

Demonstrate Leadership

Treating each other with respect and consideration and encouraging team work and cooperation. Being responsible and accountable for our actions.

Provide Professionalism

We are capable, life long learners, who model the competencies associated with our field, specialty or area of expertise.

Be Committed

Builds trust with others through personal authenticity and follows through commitments. We are committed to the organization and generally feel a connection with the organization, feel that we fit in and, feel we understand the goals of the organization. We tend to be more determined in our work, show relatively high productivity and more proactive in offering our support.

Financials

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED **31 DECEMBER 2021**

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TRUSTEE'S DECLARATION TO MEMBERS

For the year ended 31 December 2021

In my opinion, as Trustee of the Defence Force Retirement Benefit Fund (the "Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Net Assets, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the financial statements, including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2021 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, I am of the opinion that:

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



Peter Aitsi
Statutory Manager

Dated at Port Moresby this 04th day of November 2022.

MANAGEMENT'S STATEMENT

For the year ended 31 December 2021

In our opinion, as Management of the Trustee of the Defence Force Retirement Benefit Fund ("the Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Net Assets, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the Financial Statements including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2021 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, we are of the opinion that:

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

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



Charlie Gilichibi
Chief Executive Officer

Dated at Port Moresby this 04th day of November 2022.



Jackraho Morea
Manager, Finance

STATUTORY MANAGER'S REPORT

For the year ended 31 December 2021

I take pleasure in submitting this report and the annual financial statements of the Fund for the financial year ended 31 December 2021 in compliance with the provisions of the Companies Act 1997 and the Superannuation (General Provisions) Act 2000.

The Fund remained under Statutory Management with Mr. Sitiveni Weleilakeba continuing as the Statutory Manager for the full 2021 financial year, in accordance with section 59 of the Superannuation (General Provisions) Act 2000.

The Covid 19 pandemic continued to impact the Fund along with changes to key personnel throughout the course of the year however the Fund was able to overcome these challenges in aspiring to members' expectations and closed the year off on a positive note.

A branch office was established in Lae to expand the delivery of services to members based in Lae and nearby provinces.

Board of Directors

The Bank of Papua New Guinea has extended the period of Statutory Management. The Board of Directors will be reinstated after the extension.

Trustee Secretary

Mr Seno W ekina

Review of operations

The Fund reported a net surplus after income tax and before other comprehensive income of K10,746,300 (2020: K24,654,300) and a decrease in net assets for the year of K3,803,743 (2020: increase of K20,206,649).

Changes in state of affairs

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

Change in accounting policies

There were no changes in accounting policies for the current year.

Entries in the interest register

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

Directors' remuneration

No remuneration was paid to directors in the absence of a board.

Donations

No donations were made during the current year (2021: Nil).

Independent audit report

The financial statements have been audited by KPMG and should be read in conjunction with the Independent Auditor's report on pages 5 and 7. Fees paid for external audit services are disclosed in Note I 9.2 to the financial statements.

Subsequent events

There has not been any other matter or circumstance other than that referred to in the financial statements, that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years that would require an adjustment or disclosure in the financial statements. While not affecting the 2021 financial results, it is to be recorded that Mr. Sitiveni Weleilakeba was removed as statutory manager on 18 January 2022 by the Bank of Papua New Guinea and Mr. Peter Aitsi was appointed on the 2 February 2022.

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



Peter Aitsi

Statutory Manager

Dated at Port Moresby this 04th of November 2022



Independent Auditor's Report

To the members of the Defence Force Retirement Benefit Fund

Report on the audit of the Financial Report

Opinion

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

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Superannuation (General Provisions) Act 2000*, *Defence Force Retirement Benefits Fund Act* and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea, including:

- giving a true and fair view of the Fund's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- complying with *International Financial Reporting Standards*.

The Financial Report comprises:

- statement of financial position as at 31 December 2021;
- statement of comprehensive income, statement of changes in net assets, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Other Information

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

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

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

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

Responsibilities of the Statutory Manager for the Financial Report

The Statutory Manager is responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with the *International Financial Reporting Standards* and the *Superannuation (General Provisions) Act 2000*, *Defence Force Retirement Benefits Fund Act* and the *Prudential Standards* issued by the Bank of Papua New Guinea;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *International Standards on Auditing* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Those Charged with Governance (TCWG)'s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

The *Superannuation (General Provisions) Act 2000*, *Defence Force Retirement Benefits Fund Act* and the Prudential Standards issued by the Bank of Papua New Guinea require that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the Financial Report for the year ended 31 December 2021:

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

STATEMENT OF NET ASSETS

As at 31 December 2021

	Note	2021	2020
		K	K
Assets			
Cash and cash equivalents	7	71,467,755	66,586,947
Receivables from State	8	6,181,936	7,008,763
Financial assets:			
At fair value through profit or loss	9.1	322,214,133	334,727,703
At amortised cost	9.2	52,035,949	29,487,377
Investment properties	10	165,244,903	172,490,403
Property and equipment		955,222	1,980,578
Other assets	11	6,477,642	4,524,387
Related party receivables	21.1	11,050,348	7,165,425
Current tax assets	12.4	3,609,228	2,953,085
Deferred tax assets	12.3(a)	256,646	284,711
Total assets		639,493,762	627,209,379
Liabilities			
Employee provisions		566,426	385,366
Deferred tax liabilities	12.3(b)	390,325	217,068
Other liabilities	13	23,495,703	7,761,894
Total liabilities		24,452,454	8,364,328
Net assets available to pay, benefits	14	615,041,308	618,845,051

Full notes to the financial statements are provided beginning page 12.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021	2020
		K	K
Revenue			
<i>Investment revenue</i>			
Interest income	15	5,230,905	4,958,496
Dividends		26,274,084	18,654,200
Property income net of property expenses	16	2,575,338	1,362,495
Change in fair value on investment properties	10	(14,353,057)	(4,876,750)
Change in fair value of financial assets	9.3	8,039,290	14,342,603
Loss on sale of financial assets	17	(703,640)	(261,403)
<i>Net investment revenue</i>		27,062,920	34,179,641
Other net income/(expense)		(1,070,192)	1,987,844
Total revenue		25,992,728	36,167,485
Administrative and management expenses			
Trustee administration and management expenses	19	12,570,109	9,569,339
Fund administration and investment management fees	20	2,474,995	2,091,991
Total administrative and management expenses		15,045,104	11,661,330
Net profit before income tax		10,947,624	24,506,155
Income tax expense/(benefit)	12.1	201,324	(148,145)
Net profit after income tax		10,746,300	24,654,300
Other comprehensive income		-	-
Total comprehensive income		10,746,300	24,654,300

Full notes to the financial statements are provided beginning page 12.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2021

	Note	2021	2020
		K	K
Net profit for the year available to pay benefits		10,746,300	24,654,300
Contributions from members and state	18.2	30,818,508	30,381,376
Benefits paid to members	18.1	(45,368,551)	(34,829,027)
Change in Net Assets for the year		(3,803,743)	20,206,649
Net Assets available to pay benefits at the beginning of the year		618,845,051	598,638,402
Net Assets available to pay benefits at the end of the year		615,041,308	618,845,051

Full notes to the financial statements are provided beginning page 12.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2021	2020
		K	K
Cash flows from operating activities			
Interest received		5,230,905	4,958,496
Dividends received		26,274,084	18,654,200
Property income received		2,575,338	5,849,010
Contributions received from members & state		54,725,563	20,972,034
Cash receipt from the state share of benefits		9,346,409	37,962,546
Contributions from members other than PNGDF		3,488,220	-
Benefits paid to members		(63,774,545)	(55,542,011)
Cash payment to employees and suppliers		(18,892,399)	(15,762,709)
<i>Net cash flows from operating activities</i>		18,973,575	17,091,566
Cash flows from investing activities			
Proceeds from maturity of treasury bills		4,000,000	6,000,000
Purchase of treasury bills		(16,594,667)	(3,122,424)
Investment in convertible note		(10,000,000)	-
Purchase of property and equipment		(42,980)	(649,228)
Proceeds from sale of property and equipment		-	50,000
Additions to investment properties		(7,107,557)	(1,125,744)
Proceeds from sale of investment properties		-	-
Investment in Toea Homes Limited		(3,884,923)	(4,170,316)
Proceeds from sale of unlisted shares		19,537,360	-
Purchase of listed shares		-	(8,540,919)
Proceeds from sale of listed shares		-	1,455,793
<i>Net cash flows used in investing activities</i>		(14,092,767)	(10,102,838)
<i>Net increase in cash and cash equivalents</i>		4,880,808	6,988,728
Cash and cash equivalents at the beginning of the year		66,586,947	59,598,219
Cash and cash equivalents at the end of the year	7	71,467,755	66,586,947

Full notes to the financial statements are provided beginning page 12.

Notes to the financial statements

For the year ended 31 December 2021

1. DESCRIPTION OF THE FUND

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

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

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

Total membership for the Fund as at 31st December 2021 was:

	Accumulation Benefit Members	Defined Benefit Members	Total
Contributors	4,324	188	4,512
Pensioners	-	1,716	1,716

The fund administration and investment management functions were outsourced to and performed by Kina Investment & Superannuation Services Limited (KISS) and Frontier Equities respectively, in compliance with the Superannuation (General Provision) Act 2000. The engagement of KISS was extended for a term of one year while Frontier Equities is into its second year of its three year contract.

The principal place of business of the Fund is:

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

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

The principal accounting policies are set out below.

2.3 Summary of significant accounting policies

(a) Revenue recognition

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

Interest revenue

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

Dividend revenue

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

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

Property rental income

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

(b) Taxes

The Fund is exempted from paying income taxes on Capital gains and dividends. However, interest income received by the Fund is subject to interest withholding tax while rental income is fully taxable. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

Current income tax

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

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

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

(c) Property and equipment

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

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

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

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

(d) *Investment property*

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

Land and buildings, classified as investment property, are valued at 31 December 2021. In determining the fair value for financial reporting purposes, reference is made to the valuations performed by registered valuers ("the valuers") whose valuation reports indicate several methods that have been considered as a part of the valuation process and include methods such as capitalisation method, summation method and discounted cash flow method.

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

The registered valuers:

REGISTERED VALUER
Century 21

PROPERTIES

Defens Haus, Stop & Shop, Latitude 9, Ela Makana I & 2, Taurama and Comrade Haus

(e) *Financial assets*

i. Recognition and initial measurement

The Fund's financial assets are initially recognised at fair value through profit and loss (FVTPL) on acquisition. Other Financial Assets not recognised as FVTPL are recorded at cost. The classification depends on the purpose for which the investments are acquired. Management of the Trustee of the Fund determines the classification of its investments at initial recognition.

ii. Classification and subsequent measurement

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

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

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

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

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

(2) Amortized cost

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

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

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

(3) Reclassifications

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

(4) Financial Liabilities

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

iii. Fair value measurement

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

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

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

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

Unlisted shares were independently valued as at 31 December 2021 as adopted by the Statutory Manager/Board. This valuation was performed by Price Waterhouse Coopers as an independent professional valuer. The methodology used in the analysis was a combination of future maintainable earnings, dividend yields and discounted cash flows of assets, respectively as appropriate to the shares including Toea Homes Ltd, a 100% subsidiary.

iv. Amortized cost measurement

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

v. Impairment of financial assets

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

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

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

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

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

The Bank does not allow the Fund to issue loans to members and also does not allow interest bearing deposits with Financial Institutions that are not on the Bank's approved list. This mitigates the risk of possible impairments for the assets held at amortised cost. In addition, the Fund has K41.6 million out of its total assets of K645.9 million sitting as investments with the Bank through purchasing of the Government Inscribed Stocks. These have a high credit risk rating which further reduces the possible risk of impairments of these assets.

(f) Loans and impairment losses

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

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

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

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

(g) Cash and cash equivalents

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

(h) Foreign currency

Functional presentation currency

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

Transactions and balances

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

(i) Changes in accounting policies and comparatives.

No changes to accounting policies in the current year impacted the Fund. See details IFRS Standards in Note 2.4.

(j) **Employee benefits**

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

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

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

DEFINED CONTRIBUTION PLANS

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

(k) **Provisions**

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

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

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

(l) **Goods and services tax**

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

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

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

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

(m) **Payables**

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

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

(a) New Accounting Standards with impact on the Fund introduced in 2020.

The new and amended standards which are effective for annual periods beginning 1 January 2021 had no impact on the operations of the Fund in terms of its applications.

(b) Standards to be issued on and after 1 January 2021

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

STANDARDS	EFFECTIVE DATES
Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1-Jan-22
Deferred Tax related to Assets and Liabilities arising from a Single (Amendments to IAS 12)	1-Jan-23

3. CONTRIBUTION ARRANGEMENTS

Defined Benefit scheme

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

Accumulation scheme

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

Contribution Receipts

Member contributions

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

State (Employer) Contribution

Defined benefit scheme

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

Accumulation scheme

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

4. LIABILITY FOR ACCRUED BENEFITS UNDER DEFINED BENEFIT

The liability for accrued benefits for Defined Benefit Scheme Members has been determined on the basis of the present value of the expected future payments that arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to the expected future salary levels and, by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions. The actuary (Mercer) undertook the valuation of accrued benefits for the Defined Benefit scheme as part of an actuarial review as at 31st of December 2020. The actuarial investigation used an aggregate costing method, whereby the discounted values of future benefits were compared with the net assets of the Fund, plus the discounted value of contributions paid by the existing members only. No assumptions were made regarding new entrants. Detailed discussion of the review is provided in the 2020 actuarial report.

Significant assumptions applied in the actuarial report are as follows:

	2020	2018
Investment Yield	3%	6%
Salary Increase	6%	6%
Pension Increase	4%	4%
Pension Commutation	40%	40%

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

	2020	2018
	K	K
Liability for accrued benefits	136,197,000	99,063,000
Net value of assets	347,423,000	331,418,000

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

	2020	2018
	K	K
Liability for vested benefits	133,945,000	97,945,000
Net value of assets	347,423,000	331,418,000

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

	2020	2018
	K	K
Total net assets available to pay benefits	618,845,000	571,856,000
Accumulation Fund	(271,422,000)	(240,438,000)
Net value of assets under Defined Benefit	347,423,000	331,418,000

The actuarial investigation indicated that 96 pensioners had suspended pensions. For the purpose of the valuation, suspended pensioners are valued as if they were alive and eligible to receive payment. The actuarial value of accrued benefits allocated to these suspended pensioners is K4.9 million which is 5% of the Fund's total actuarial value of accrued benefits. The Statutory Manager and the actuary are satisfied that, while the valuation approach will likely overestimate the liability for these suspended pensioners, it is a prudent approach, suitable for the purpose of the actuarial investigation.

In addition, inactive contributors are assumed to ultimately be deemed to have continuous full-time service for benefit purposes despite a period of inactivity. In practice, the vast majority of inactive contributors receive a return of member contributions rather than a pension. If the actuarial report assume that all inactive contributors receive a return of member contribution balances only, a lower liability will result, as shown in the sensitivity below:

	Value	Difference from member contribution balances	Proportion of Fund's total liabilities
Member contribution balances	1,299,000		
Vested benefits	2,710,000	+1,411,000	1%
Actuarial value of accrued benefits	3,622,000	+2,323,000	2%

Although the actuarial report is prepared as at 31 December 2020, 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 2023 for the year ending 31 December 2022.

5. LIABILITY FOR ACCRUED BENEFITS UNDER ACCUMULATION SCHEME

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

The Fund is only liable to pay the 6% component of the member's contribution, the Fund's enhancement values and interest earned at the time of transfer in addition to the interest and contributions received after the transfer to the date of exit from the Fund. This liability is limited to the AC scheme net asset of K271 million (see note 14.1 (ii)).

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including future events that are believed to be reasonable under the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Valuation of investment properties

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

Valuation of financial assets and liabilities

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

Receivable from the State

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

- (1) State's share of the Accumulation (AC) member exit payments. This component is not reflected in the Fund's accounting records until it is received;
- (2) The balance of the initial AC members crystallized liability paid by the Fund
- (3) State's share of the Defined Benefits (DB) member payments including the fortnightly pensions; and
- (4) Interest accrued on the outstanding payments

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

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

As at 31st December 2021, the State owes the Fund K6.2 million (Refer to Note 8) in respect of the State's share of members' benefits payments made by the Fund for both the AC and DB schemes.

The Fund pays pensions and commutations to eligible DB members on behalf of the State. Since 2018, the Fund has also made a one-off State share benefit payment to AC members who have retired on behalf of the State. The Fund recognizes these payments as receivables when invoiced to the State. All outstanding payments in respect of these invoices attract penalty interest of 5% plus the Treasury bill rate as at the end of each month.

As at 31st December 2021, the State's crystallized liability due for settlement to AC members who have since resigned and exited the PNG Defence Force stands at K13.6 million out of a total of K257.4 million owed to the AC members. This balance does not include the current year's interest. The Fund is not obliged to pay on behalf of the State and this liability is not recognised in the books of the Fund until the State releases money into the Fund.

7. CASH AND CASH EQUIVALENTS

	2021	2020
	K	K
Cash on hand	2,000	2,000
Cash in banks	40,592,414	44,148,640
Term deposits with original maturity less than 90 days	30,873,341	22,436,307
TOTAL	71,467,755	66,586,947

8. RECEIVABLES FROM STATE

	2021	2020
	K	K
State's share on benefits paid	6,181,936	7,008,763
TOTAL	6,181,936	7,008,763

9. FINANCIAL ASSETS

9.1 Financial assets at fair value through profit or loss

		2021	2020
	Note	K	K
Listed shares	23.1.1	229,203,133	221,831,703
Unlisted shares	23.1.2	93,011,000	112,896,000
TOTAL		322,214,133	334,727,703

9.2 At Amortized Cost

		2021	2020
	Note	K	K
Government Inscribed stock	23.2	41,605,949	29,487,377
Convertible note in HBS	23.2	10 430,000	-
TOTAL		52,035,949	29,487,377
In 2021, HBS (PNG) Ltd issued a KIO million convertible note to the Fund. Interest is payable at a rate of 8% per annum, accruing daily from the issue date up to and including the date on which the convertible notes are converted or redeemed in accordance with the agreement. The Fund will have the option to convert the Convertible Notes into shares upon the occurrence of a liquidity event (IPO, trade sale, capital raising).			
Government inscribed stocks are held to their maturity which varies between 2023 and 2031. Interest ranges from 8.5% to 12%.			
GIS and convertible note from HBS are carried at amortised costs in accordance with IFRS 9.			

9.3 Change in value of financial assets

	2020	2020
	K	K
<i>The amount comprises of:</i>		
Net fair valuation gain for listed financial assets at	7,371,430	(3,777,398)
Net fair valuation loss for unlisted financial assets at	356,000	19,038,408
Net movement for amortised cost assets	311,860	(918,407)
Change in fair value through profit and loss	8,039,290	14,342,603

10. INVESTMENT PROPERTIES

	2020	2020
	K	K
Balance at beginning of financial year	172,490,403	176,082,934
Additions	7,107,557	1,284,219
Net loss from fair value adjustments	(14,353,057)	(4,876,750)
Balance at end of financial year	165,244,903	172,490,403
The fair value of the Fund's investment properties as at 31st December has been arrived at by considering valuation assessments carried out by Century 21 Real Estate (2020: DAC Real Estate) which is an unrelated entity to the Trustee and having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Fund's investment property portfolio every year.		

Investment property comprises a number of commercial and residential properties that are leased to third parties as follows:

Investment Property	Valuation Basis	Value as at 31st December 2021	Value as at 31st December 2020
		K	K
Comrade Haus	Capitalization	18,362,261	19,500,000
Defens Haus	Capitalization	47,222,885	49,503,000
SNS Boroko	Capitalization	8,600,000	8,600,000
Taurama Commercial Land	Direct Comparison	47,981,000	47,981,000
Taurama Commercial WIP	Cost	17,078,757	21,406,403
Ela Makana 1 Residential House	Direct Comparison	6,000,000	6,500,000
Ela Makana 2 Apartment	Direct Comparison	11,000,000	10,000,000
Latitude 9 Apartment	Direct Comparison and depreciated replacement cost	9,000,000	9,000,000
TOTAL		165,244,903	172,490,403

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

Measurement of fair value, fair value model and significant unobservable inputs

Information about how the fair values of the Fund's investment properties are determined (in particular, the valuation method(s) and inputs used) is detailed as follows:

Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable market transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates of 10% - 11 % (2020: 10.5% - 11 %), vacancy rates of 10% - 15% (2020: 10% - 15%) and outgoings of 10% - 15% (2020: 10% - 15%). The estimated fair value would increase or decrease if capitalization rate, vacancy rate or outgoings will be higher or lower.

Operating lease arrangements

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

The unguaranteed residual values do not represent a significant risk for the Fund, as they relate to property which is located in a location with a constant increase in value over the last 3 years. The Fund did not identify any indications that this situation will change. Rental income earned from investment properties and costs of property operations recognized are disclosed in Note 16.

11. OTHER ASSETS

	2021	2020
	K	K
GST tax receivable	3,952,366	2,783,122
Debtors - Corporate	794,010	396,268
Accrued interest:		
Term deposits and Government		
Inscribed Stock	1,110,798	664,651
Prepayments	129,564	656,748
Sundry debtors	490,904	23,598
Total	6,477,642	4,524,387
Less: specific allowance for losses	-	-
TOTAL	6,477,642	4,524,387
GST receivable represents credits sitting in CTSL books. This has accumulated over time as GST credits received, in particular those on investment projects, surpassed the GST payable collected from the Fund's rental income. Dividends and interest income do not attract GST while capital gain is exempt from tax.		

12. INCOME TAXES

12.1 Income tax expense recognised in profit or loss

	2021	2020
	K	K
Comprising:		
Deferred tax: Current year charge	-	(267,420)
Deferred tax: Prior year adjustments	201,324	119,275
Income tax expense/(benefit)	201,324	(148,145)

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

	2021	2020
Note	K	K
Income Tax expense		
Profit before tax	10,947,624	24,506,155
Income tax expenses calculated at 25%	2,736,906	6,216,539
Tax effect of permanent differences	814,456	(2,809,857)
Dividends rebate	(3,381,738)	(3,379,558)
Under/(over) provision in prior year	31,700	(85,268)
Income tax expense/(benefit)	201,324	(148,145)

12.3 Deferred tax recognised during the year

(a) Deferred tax assets				
	K	K	K	K
2021	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Accruals	60,556	-	(42,968)	17,589
Employee benefits	102,195	-	29,519	131,714
Depreciation	121,960	-	(14,616)	107,344
TOTAL	284,711	-	(28,965)	256,646
2020	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Accruals	106,171	-	(45,615)	60,556
Employee benefits	100,521	-	1,674	102,195
Depreciation	(736,893)	827,840	31,013	121,960
TOTAL	(530,201)	827,840	(12,928)	284,711

(b) Deferred tax liabilities				
	K	K	K	K
2021	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Interest receivable	189,979	-	200,346	390,325
Prepaid insurance	27,089	-	(27,089)	-
TOTAL	217,068	-	173,257	390,325
2020	Opening balance	Prior Year adjustments	Recognised in P&L	Closing balance
<i>Temporary difference</i>				
Interest receivable	165,117	204,543	(179,681)	189,979
Prepaid insurance	33,783	-	(6,694)	27,089
Rental debtors	93,973	-	(93,973)	-
TOTAL	292,873	204,543	(280,348)	217,068

13. OTHER LIABILITIES

	2021	2020
Note	K	K
Members unclaimed monies & State accumulation scheme funding ¹	16,013,447	3,008,581
Payable to Nambawan ³ Supa	3,488,220	-
Creditors	93,073	3,245
BPNG Licence fees	522,375	506,756
Fund investment and administration	322,713	252,964
Tenants advance rentals & security bonds	1,242,046	1,180,895
Wages and salary tax ²	1,743,475	1,834,751
Audit fees	30,679	20,334
Other accruals	39,675	954,368
TOTAL	23,495,703	7,761,894

¹This reflects the crystallised balance of AC members due and payable pending further details from AC members. Also included here are the returned funds and unallocated funds pending confirmation of details for location.

²Wages and salary tax represents tax relating to staff and members benefits tax due and payable.

³In 2021, the Fund took responsibility of Accumulation Accounts from other entities other than PNGDF, which were previously administered by Nambawan Super. Per the Central Bank's directive, DFRBF is a closed and limited only to members of PNGDF. The Fund was then directed to return all its superannuation contributions other than PNGDF back to Nambawan Super. As at 31 December 2021, the contributions were not yet transferred to Nambawan Super.

14. NET ASSETS AVAILABLE TO PAY BENEFITS

14.1 Statement of Members Funds

	2021	2020
Members funds	K	K
(i) - Defined Benefits		
Balance at beginning of year	347,423,375	339,913,870
Operating results (Note 14.2)	6,032,973	13,697,694
Net assets Available to pay Defined Benefits	353,456,348	353,611,564
Contributions received	18.2.1 8,308,752	8,373,325
Benefits paid	18.1.1 (16,916,721)	(14,561,514)
Net assets Available to pay Defined Benefits at the end of the year	344,848,379	347,423,375
(ii) - Accumulation Benefits		
Balance at beginning of year	271,421,676	258,724,532
Reclassification after election by Members		-
Operating results (Note 14.2)	4,713,327	10,956,606
Net assets Available to pay Accumulation Benefits	276,135,003	269,681,138
Contributions received	18.2.2 22,509,756	22,008,051
Benefits paid	18.1.2 (28,451,830)	(20,267,513)
Net assets Available to pay Accumulation Benefits at the end of the year	270,192,929	271,421,676

		2021	2020
Members funds	Note	K	K
Comprising of:			
Members Accounts - opening balance		271,421,676	257,224,720
Movements for the year		(5,942,074)	1,740,538
Interest allocation		4,626,310	12,448,037
Members Accounts - closing balance	18.2.1	270,105,912	271,413,295
Reserve*	18.1.1	87,017	8,381
Total Accumulation Members Funds		270,192,929	271,421,676
(iii) - Total Members Funds			
Defined Benefits		344,848,379	347,423,375
Accumulation Benefits		270,192,929	271,421,676
Total Members Funds		615,041,308	618,845,051
* The reserve carried forward from 2019 has been allocated to AC members account along with the 2020 net operating profit. This is to ensure consistent returns after the impact of the Covid 19 pandemic on the Fund's performance.			

14.2 Apportioning of Net Operating Surplus

The Fund's actuary provided the accounting apportioning basis for allocating revenue and cost from the investment and administrative operations to determine the net operating profit under each scheme.

The opening net assets under each scheme (as a percentage of the total opening net assets) has been used as the basis for apportionment.

	Total	Accumulation Benefit	Defined Benefit
	K	K	K
Income	25,992,728	11,400,411	14,592,317
Expenses	(15,045,104)	(6,598,783)	(8,446,321)
Tax	(201,324)	(88,301)	(113,023)
Net operating income from operations	10,746,300	4,713,327	6,032,973
Accounting apportioning ratios	100%	43.86%	56.14%

15. INTEREST INCOME

	2021	2020
Note	K	K
Interest income is earned from the following assets:		
Financial assets at amortised cost	(15,045,104)	3,643,692
Cash and short-term funds	(201,324)	1,314,804
TOTAL	5,230,905	4,958,496

16. PROPERTY INCOME NET OF PROPERTY EXPENSES

	2021	2020
	K	K
Rent	6,711,755	6,935,723
Less:		
- Agent management expenses	(156,994)	(40,038)
- Other property expenses	(3,979,423)	(5,533,190)
TOTAL	2,575,338	1,362,495

17. LOSS ON SALE OF FINANCIAL ASSETS

	2021	2020
	K	K
Loss on sale of listed investments	-	261,403
Loss on sale of unlisted investments	703,640	-
TOTAL	703,640	261,403

18. CONTRIBUTIONS RECEIVED AND BENEFITS PAID IN DETAIL

18.1 Benefits Paid	2021	2020
Note	K	K
18.1.1 Defined Benefit Scheme		
Pension and back pension	16,884,098	13,148,145
Refunds	21,776	1,293,733
Lump sum	-	119,636
Housing Advance Benefit Payments	10,847	-
Total Defined Benefits Payment	16,916,721	14,561,514
18.1.2 Defined Accumulation Scheme		
Normal benefits paid	26,474,969	19,571,584
Unemployment benefits paid	18,671	18,915
Housing Advance Benefit Payment	1,958,190	677,014
Total Defined Accumulation Payments	28,451,830	20,267,513
18.1.3 Total Benefits paid		
Defined Benefit Scheme	16,916,721	14,561,514
Defined Accumulation Scheme	28,451,830	20,267,513
Total Benefits Paid	45,368,551	34,829,027
18.2 Contributions from members and state		
18.2.1 Defined Benefit Contribution		
State share of contributions towards defined benefits payments	8,082,891	8,096,252
Defined Benefits Scheme Members 6% contribution	200,193	225,434
Housing Repayments	25,668	51,639
Total Defined Benefits Contribution	8,308,752	8,373,325
18.2.2 Defined Accumulation Contribution		
State 8.4% Contribution to Accumulation Scheme Members	10,576,810	12,701,501
Members 6% Employee Contributions	11,749,440	9,169,533
Housing Repayments	183,506	137,017
Total Defined Accumulation Contribution	22,509,756	22,008,051
18.2.3 Total Contribution		
Defined Benefit Scheme	8,308,752	8,373,325
Defined Accumulation Scheme	22,509,756	22,008,051
Total Contribution Receipts	30,818,508	30,381,376

19. TRUSTEE ADMINISTRATION AND MANAGEMENT EXPENSES

		2021	2020
	Note	K	K
Staff expenses	19.1	4,529,460	3,861,416
Operating lease		1,086,713	1,086,713
Depreciation		1,068,336	1,028,214
Software cost		104,237	34,903
Other administrative expenses	19.2	5,781,363	3,558,093
TOTAL		12,570,109	9,569,339

A portion of CTSL's annual administrative costs are transferred to THL based on approved apportioning

19.1 Staff expenses

	2021	2020
	K	K
Salaries and wages	3,128,059	2,861,014
Sacrifice - accommodation	581,191	553,713
Training	333,918	159,171
Sacrifice - airfare	136,705	111,810
Sacrifice - school fee	124,589	107,334
Insurance - medical	55,352	38,404
Other staff expenses	169,646	29,970
TOTAL	4,529,460	3,861,416

There were 35 employees at the end of the year (2020: 34).

19.2 Other administrative cost

	2021	2020
Details of other administrative expenses follow:	K	K
License fee ²	1,818,038	774,762
Insurance	710,537	601,352
Office expense	601,301	139,594
Professional fees:		
Audit services ¹	365,920	427,560
Tax	40,000	76,029
Consulting	270,138	307,575
Legal	87,460	46,083
Other	-	11,415
Telephone	246,169	109,804
Internet service provider	236,813	184,250
Printing and stationery	225,714	92,532

Member services awareness	172,968	-
Electricity	152,864	155,455
Advertising	146,504	127,402
Board of Trustee expenses	-	29,589
Sundry expenses	706,937	474,691
TOTAL	5,781,363	3,558,093

¹External Audit Service Fee is K145,000 while balance relates to additional out of scope.

²Licence fee directly relates to Bank of PNG annual licence fee renewal and includes 50% Statutory Management cost. The other 50% has been transferred to its subsidiary, Toea Homes Ltd.

20. FUND ADMINISTRATION AND INVESTMENT MANAGEMENT FEES

	2021	2020
	K	K
Fund administration fee	916,947	795,356
Investment management fee	1,558,048	1,296,635
TOTAL	2,474,995	2,091,991

21. RELATED PARTY TRANSACTIONS

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

The receivable from Toea Homes Ltd is unsecured, interest free and does not have a pre-determined payment term.

21.1 Toea Homes Limited

	2021	2020
	K	K
Related party receivable from THL	11,050,348	7,165,425

Toea Homes Limited (THL) is a wholly owned subsidiary of CTSL and was formed as a vehicle to manage the CTSL member home ownership scheme. THL is focused on developing a home ownership scheme for members of the Fund. The investment in THL is recorded at market value and is carried at K68,153,000 (2020: K54,501,000).

THL, being a 100% subsidiary of Comrade Trustee Services Ltd, is under Statutory Management per Section 59 of the Superannuation General Provision Act 2000.

21.2 Key management personnel remuneration specified in aggregate in the year 2020

	2021	2020
	K	K
Salary	2,081,902	2,102,400
Non-monetary ⁽ⁱ⁾	856,835	793,242
Superannuation - Employer	241,118	184,302
TOTAL	3,179,855	3,079,944

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

21.3 Board of Directors remuneration during the year

	2021	2020
	K	K
Board remuneration *	-	-

*2020 board remuneration is nil. The fund is under Statutory Management.

21.4 Other related party transactions

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

During the 2021 financial year, the Fund earned interest on term deposits of K327,997 (2020: K470,367) while term deposits placed with Kina Finance Limited amounted to K20,143,864 (2020: K22,436,308). The Fund also received dividends amounting to K1,996,162 (2020: K894,708) and generated unrealised capital loss of K2,075,666 (2020: K1,527,395) from its investment in KSL.

22. FINANCIAL RISK MANAGEMENT

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

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

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

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

22.1 Liquidity risk

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

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

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

22.2 Government security risk

The Fund has a significant exposure to the State through its holding of government inscribed stocks (Note 9.2) and through State contributions towards benefit payments (Note 8).

22.3 Country risk

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

	2021	2020
	K	K
Listed securities (FVTPL)	65,298,335	62,647,231
Monetary financial assets (cash and cash equivalents)	19,298,507	18,592,373
Total	84,596,842	81,239,604

22.4 Interest rate risk

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

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

	Weighted average interest rate	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
31 December 2021		K	K	K	K	K
Assets						
Cash and cash equivalents	0.86%	71,467,755	-	-	-	71,467,755
Amount receivable from State	6.34%	-	6,181,936	-	-	6,181,936
<i>Financial assets:</i>						
FVTPL		-	-		322,214,133	322,214,133
Amortised Cost	9.18%	-	32,000,000	20,035,949	-	52,035,949
Other assets		-	-	-	2,395,712	2,395,712
Liabilities						
Other liabilities		-	-	-	(21,752,228)	(21,752,228)
Liquidity and interest sensitivity gap		71,467,755	38,181,936	20,035,949	302,857,617	432,543,257

	Weighted average interest rate	Up to 1 Year	1 to 5 Years	Over 5 Years	Non-interest bearing	Total
31 December 2020		K	K	K	K	K
Assets						
Cash and cash equivalents	1.23%	66,586,947	-	-	-	66,586,947
Amount receivable from State	6.38%	-	7,008,763	-	-	7,008,763
<i>Financial assets:</i>						
FVTPL		-	-		334,727,703	334,727,703
Amortised Cost	11.13%	-	11,880,962	17,606,415	-	29,487,377
Other assets	-	-	-	-	1,084,517	1,084,517
Liabilities						
Other liabilities	-	-	-	-	(5,927,143)	(5,927,143)
Liquidity and interest sensitivity gap		66,586,947	18,889,725	17,606,415	329,885,077	432,968,164

22.5 Foreign currency exchange risk

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

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

	2021	2020
Currency	K	K
PGK Value of overseas currency denominated in AUD	15,594,715	14,888,579
PGK Value of overseas currency denominated in USD	3,703,792	3,703,794
TOTAL	19,298,507	18,592,373

Assuming that the impact of currency fluctuation is asymmetric, a 100 basis points shift in currencies in either direction would impact the profit or loss by K192,985 (2020: K185,924).

22.6 Fair values of financial assets and liabilities

(a) Fair value versus carrying values

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

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

(b) Fair value hierarchy

Subsequent to initial recognition, the Fund uses the fair value hierarchy in determining the fair value of its available-for-sale financial assets, financial assets at fair value through profit and loss ("FVTPL") and financial liabilities at FVTPL. The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below presents the basis of determining the fair value of each class of the Fund's financial instrument measured at fair value subsequent to initial recognition. There were no transfers between level 1, level 2 and level 3 during the year.

Level 3 investments identified below consist of unlisted shares (Refer Note 9.1). The unlisted shares are stated at fair value, which are based on external valuation reports provided by independent experts. The main methodologies in determining the fair value of unlisted equities are based on capitalisation of earnings, capitalisation of dividends, net tangible assets and discounted cash flows. It is appropriate to consider all of the above methods in arriving at a fair value.

	Level 1	Level 2	Level 3	Total
31 December 2021	K	K	K	K
At fair value through profit or loss	229,203,133	-	93,011,000	322,214,133
Total	229,203,133	-	93,011,000	322,214,133
31 December 2020				
At fair value through profit or loss	221,831,703	-	112,896,000	334,727,703
Total	221,831,703	-	112,896,000	334,727,703

22.7 Credit risk

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

22.8 Equity price risk

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

	2021	2020
	K	K
At fair value through profit or loss		
Listed securities in PNG	163,904,798	159,184,475
Listed securities in Australia	65,298,335	62,647,231
Total	229,203,133	221,831,706

Assuming that the impact of equity price volatility is asymmetric, a shift in indices by 1 % in either direction would impact the profit or loss by K2,292,031 (2020: K2,218,317).

23. DETAILED LISTING OF FINANCIAL ASSETS HELD BY THE FUND

23.1 Financial assets at fair value through profit or loss

23.1.1 Listed shares

	Market Value 2021	Shareholding as a % of net assets of the Fund	Market Value 2020	Shareholding as a % of net assets of the Fund	Movements
Companies	K		K		K
Bank South Pacific	152,586,637	24.37%	149,472,624	24.72%	3,114,013
City Phannacy	2,448,075	0.39%	1,288,461	0.21%	1,159,614
Oil Search Limited	10,523,594	1.68%	10,472,793	1.73%	50,801
Kina Asset Management Ltd	5,154,726	0.82%	4,883,424	0.81%	271,302
Credit Corporation	3,715,361	0.59%	3,539,966	0.59%	175,395
Newcrest Mining Ltd	1,900,129	0.30%	2,125,309	0.35%	(225,180)
Vanguard International Shares Index Fund	35,284,998	5.63%	30,383,846	5.02%	4,901,152
Kina Securities Ltd	17,589,613	2.81%	19,665,279	3.25%	(2,075,666)
TOTAL	229,203,133	36.60%	221,831,703	36.69%	7,371,431

23.1.2 Unlisted shares

	Market Value 2021	Shareholding as a % of net assets of the Fund	Market Value 2020	Shareholding as a % of net assets of the Fund	Movements
Companies	K		K		K
Toyota Tsusho (PNG) Ltd*	9,492,000	1.47%	8,900,000	1.43%	592,000
Paradise Foods Limited***	-	-	20,241,000	3.26%	(20,241,000)
Post Courier Limited*	2,339,000	0.36%	762,000	0.12%	1,577,000
South Pacific Brewery Limited*	19,437,000	3.01%	28,492,000	4.59%	(9,055,000)
Toea Homes Limited**	61,743,000	9.56%	54,501,000	8.78%	7,242,000
TOTAL	93,011,000	14.40%	112,896,000	18.18%	(19,885,000)

Unlisted equity investments are valued by the Fund based on the independent valuations by Pricewaterhouse Coopers (PwC) using net asset approach and capitalisation of maintainable earnings approach. Management adopted the mid end of the range in 2021 (2020: high end of the range).

*The fair value of these entities were arrived at using capitalisation of earnings approach.

**The fair value of THL was determined using the net assets approach. THL was the recipient of a state grant at the end of the year which resulted in an increase in the THL's net assets. State grant represents land granted to the entity for the development of a housing project.

***In 2021, CTSL sold its shareholding (244,217 shares or 3.26%) in Paradise Company Limited.

23.2 Government Inscribed Stock and Convertible note

	2021	2020
	K	K
Beginning balance	29,487,377	33,283,359
Purchases during the year	26,594,667	3,122,425
Maturity during the year	(4,000,000)	(6,000,000)
Adjustments through P&L	(46,095)	(918,407)
Ending balance	52,035,949	29,487,377

24. AUDIT FEES

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

25. CONTINGENT LIABILITIES AND COMMITMENTS

Statutory Management has approved a 2022 capital budget which includes a K14.8 million commitment for the Defens Haus Upgrade and Modernization Program. As of 31st December 2021, K5.8 million was spent on the project.

The Fund also has contingent liabilities arising from its ordinary activities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, is currently not determinable and is not expected to have a material adverse effect on the financial statements. There were no other contingent liabilities as at 31st December 2021, other than mentioned above.

26. STATUTORY MANAGEMENT

In 2019, the Bank of Papua New Guinea (Bank), acting in accordance with its responsibilities under the Superannuation (General Provisions) Act 2000 (the Act, SGPA) appointed a Statutory Manager. The appointment was effective as of July 29th, 2019.

In January 2022, the Statutory Manager was arrested on the following grounds:

1. Statutory Manager illegally and without due authority facilitated a payment by the Fund to the IRC for which he was personally liable.
2. Statutory Manager with the intent of misleading the Fiji tax office engineered the creation of a false pay slip, and a letter containing fraudulent misrepresentations to indicate he was paying taxes in PNG when he in fact was not.

The Statutory Manager has since been terminated by the Bank and a new Statutory Manager has been appointed. An independent investigator, independent of the Fund and the Bank, has also been appointed.

As at the date of this report, the matter is currently before the Committal Courts. Management believes that the outcome of these proceedings will not give rise to any significant loss. Other information required by IAS 37, Provisions, Contingent Liabilities and Contingent Assets, are not disclosed as they may seriously prejudice the Fund's position.

27. EVENTS AFTER BALANCE SHEET DATE

There were no other events that occurred after the 31st of December 2021, the balance sheet date, other than what has been disclosed in the notes to the financial statements that would require an adjustment or disclosure in the financial statements.

28. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Statutory Manager and authorized for issue on the 04th November 2022.





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Defence Force Retirement Benefits Fund