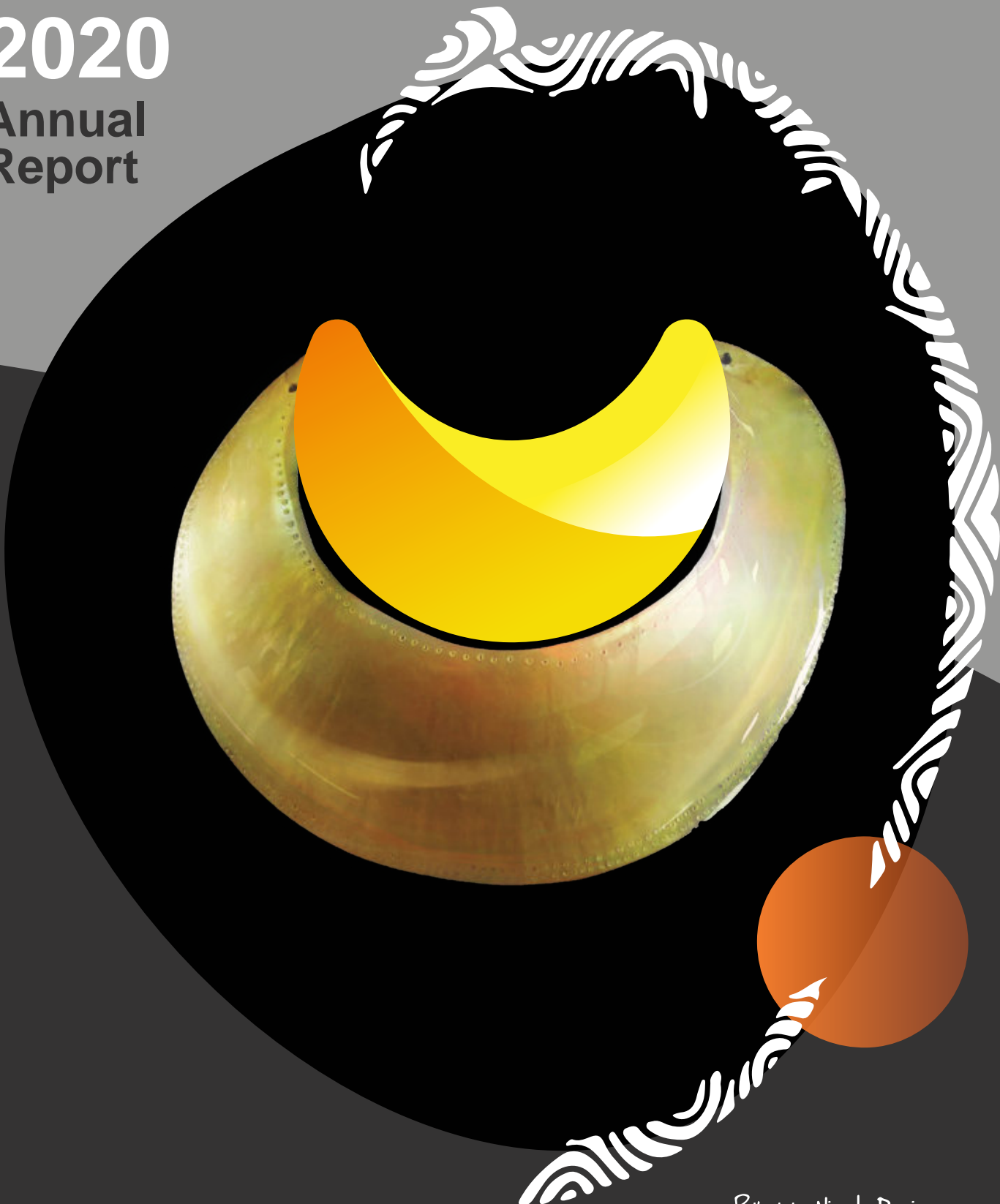


2020
Annual
Report



Adaptive
Resilience

Bihainim Niupela Pasin



Justin Olam

Nasfund Brand Ambassador



Voluntary Contribution
Setting goals for retirement!

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Vision, Mission & Value Statement

Vision



“Our members trusted superannuation fund providing quality services and financial security”

Mission

"We will provide world-class member services using innovative systems and technologies.

We will also grow member retirement savings using a balanced fund portfolio to achieve a return above CPI over a rolling 5-year period."

Values

- Customer service is our priority.
- We empower our people as capable professionals.
- We work with integrity, honesty and diligence.
- We are open, transparent and communicative.
- We strive to support the communities we serve.
- We are accountable for the decisions we make every day.

Our Board



Charles Vee
Chairman

Charles joined the Board on 14 July 2016 as an Independent Director and was appointed Board Chairman in May 2019.

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

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



Kepas Wali
Director

Kepas joined the Board on 1 January 2018 as nominee of the PNG Trade Union Congress.

He has held various senior management positions within the public and private sectors in the country, including Managing Director for PNG Ports Corporation and the Mineral Resources Authority of PNG.

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



Leon Buskens
Director

Leon joined the Board on 1 January 2018 through a nomination of the PNG Chamber of Commerce and Industry.

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

He holds various senior management and board positions within the private, & public sectors, including charity not for profit organizations. He is currently Country Manager of Oil Search Limited.

Leon is a business graduate from the University of Technology (Lae) and has a Masters of Business Administration Degree from the Royal Melbourne Institute of Technology and is a member of the PNG Institute of Directors and Australian Institute of Company Directors.

Our Board



**Tamzin Wardley, ML, MBE
Director**

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

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

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



**Florence Willie
Director**

Florence joined the Board on 1 January 2019 as Nominee of the Employers Federation of Papua New Guinea (EFPNG). She is the Executive Director of the EFPNG and has served for over 14 years in that capacity.

She is a lawyer by profession and started her career with the law firm Blake Dawson Waldron (now Ashurst Lawyers).

She has extensive experience in human resources management, industrial relations, labour and employment law. She is highly regarded in the sector and is also involved in negotiations between industry and the unions.



**Michael Murphy
Director**

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

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

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

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



George Panao
Director

George joined the board on 24 February 2020 as an Independent Director.

He is currently Head of External Affairs at British American Tobacco PNG, specializing in Government Engagements in Excise Reforms and Trade Agreements.

An accountant by profession, George holds a MBA from University of New England, Australia and has held senior positions in Marketing & Corporate Affairs. He has served on a number of public and private sector Boards including Water PNG and Solomon Islands Tobacco Company and is currently a Director of the Manufacturers Council of PNG.



Anthony Yauieb
Director

Anthony joined the Board on 24 February 2020 as an Independent Director.

He served as Deputy Secretary - Economic & Fiscal Policy with the Department of Treasury up until 2015 and was Macroeconomic and Fiscal Policy Advisor with the Office of the Deputy Prime Minister & Minister for Treasury until 2018.

An economist by profession, Anthony holds degrees in economics from University of Buckingham and Oxford University, both in the United Kingdom. He has sat on a number of public sector Boards including IPBC, Ok Tedi Mining, IPA and CAA as an ex officio and alternate to the Secretary for Treasury. He was previously an independent Director on BSP Life (PNG). He is currently President of Papua New Guinea Institute of Directors.



Julienne Leka-Maliaki
Director

Julienne was appointed as an Independent Director to the board on 10 September 2020. She is currently working with the Australian Government's economic partnership program in PNG. Prior to joining the Australian Government, she worked with the PNG Investment Promotion Authority for more than 12 years in the area of trade and investment facilitation.

She is currently responsible for the management and oversight of a number of programs under the Australian Government's economic partnership portfolio in the area of economic governance, inclusive growth and private sector development.

She has over twenty-six (26) years of experience in public policy management, trade and investment facilitation, corporate governance and private sector development including engagements with multi-lateral organizations such as the International Finance Corporation and the Asian Development Bank. She also serves as a Commissioner on the PNG Sports Foundation Board.

Our Executive Leadership Team



Ian A Tarutia, OBE
Chief Executive Officer

Ian has been CEO since 1st November 2011 and previously Joint CEO from July 2007. He joined the Fund in December 1987 and is a career officer with over 34 years corporate experience, 20 of which has been at management level prior his appointment as CEO.

Ian played an instrumental role in implementing major reforms within Nasfund on the back of legislative changes to the Superannuation Industry in 2002.

In 2003 Ian established the Nasfund Contributors Savings & Loan Society (ncsl) to provide non superannuation financial services to Nasfund members and today, ncsL is the largest society in PNG and the Pacific by membership size. He still serves as Founding Chairman.

Ian is a Harvard Business School Alumni having completed the HBS Advanced Management Program 185 in 2013. He holds a Masters of Business Administration, Bachelor of Business Economics from the University of Papua New Guinea, Diploma in Economic Policy Analysis from PNG NRI, Diploma in Financial Markets from the Securities Institute of Australia and Diploma in Company Directors Course from Australian Institute of Company Directors.

Ian is a Fellow of the Australian Institute of Company Directors and a Fellow of the Papua New Guinea Institute of Directors.



Rajeev Sharma
Chief Financial Officer

Rajeev, joined Nasfund on 16 October 2014 as the Chief Financial officer.

With over 30 years of experience of working with big corporates, multinational companies and financial institutions, Rajeev has held senior roles in PNG since 2002, as well as in India and Middle East.

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

Rajeev is a graduate of Australian Institute of Company Directors, and a member of Papua New Guinea Institute of Directors.



Anne Wilson
Chief Officer Member Services

Anne joined Nasfund on 18 May 2020.

Prior to joining Nasfund, Anne was Head of Superannuation Services at the Aon Master Trust, another Approved Superannuation Fund in PNG. Prior to this, she was head of the AonHewitt Fund Administration, who were Nasfund Fund Administrators from May 2002 until June 2017.

Anne brings a wealth of Fund Admin and leadership experience to Nasfund which aligns with the Board's strategic objective of enhancing our outsourced Fund Administration relationship.

Anne holds a Master of Business Administration from the University of PNG, a Bachelors Degree in Business from Southern Cross University, Australia (Affiliated to IBS) and a Diploma in Accounting from University of Technology.



Judah Waffi
Joint Chief Investment Officer

Judah joined Nasfund on 1 July 2019. He was formerly the Fund's acting Chief Investment Officer from 1 January 2020, having previously served as Manager Investments.

Over a span of 14 years, he has held various senior Investment Advisory roles, having worked with Bank of Papua New Guinea, BSP Capital, PNG Ports, MRL Capital and National Airports Corporation.

Judah holds a Bachelor of Economics degree from the University of PNG.



Fiona Nelson
Joint Chief Investment Officer

Fiona joined Nasfund on 17 August 2020, after having previously served as General Manager PNG Commercial, and former Vice President of Oil Search Asset Strategy

Fiona has over 15 years of experience in financial economics, public policy and portfolio management. Prior to her role with Oil Search, she worked with PacWealth Capital as Head of Investments, Portfolio Management and previously with Kumul Consolidated Holdings (KCH) as Senior Portfolio Manager.

Fiona holds a Bachelor of Business Economics from the Massey University, New Zealand and a Masters of Science in International Economics and Public Policy from Cardiff University, United Kingdom.



Doris Gedare
Company Secretary

Doris was appointed Company Secretary on 01 November 2020, after having been Manager Legal since 20 October 2014.

She has over 20 years' experience in the legal fraternity, having experience in litigation and commercial law in various private law firms, starting her career with Blake Dawson Waldron (now Ashurst Lawyers). Before joining Nasfund, Doris worked at Steamships Trading Company Ltd for eight years and prior to that, she had a 3-year stint with Department of Treasury.

Doris holds a Bachelor of Laws Degree from the University of PNG, and Master of Law from Monash University, Melbourne, Australia.

Our Executive Leadership Team



Seema Dass-Raju
Chief Risk & Compliance Officer

Seema joined Nasfund on 7 March 2017 as Chief Risk & Compliance Officer.

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

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

Seema is a member of the Corporate Governance Institute of Australia, Australian Institute of Company Directors, Papua New Guinea Institute of Directors and Risk Management Association of Australia.



Rennie Wekina
Chief Officer Properties

Rennie joined Nasfund on 1 August 2017 and is a property and facilities management professional.

He has built an established career in property with over 27 years of experience in the industry and has managed all aspects of property from concept design through to construction/ development.

He has been involved in a number of major property developments and projects in Port Moresby.

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



Vincent Lialu
Chief Officer Human Capital

Vincent is a qualified HR Professional with 15 years experience in managing a full spectrum of Human Resources, Learning & Development, Talent and Change Management.

Vincent joined Nasfund on 23 January 2017 as Head of Human Capital responsible for developing and implementing an organization-wide human resource strategy that aligns with the Strategic HR Framework and Fund's vision.

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

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



Turaho Morea
Chief Officer Strategy Implementation

Turaho joined the Fund in 2004 and was instrumental in establishing the Marketing & Client Relations Division.

The division's functions grew from driving marketing strategies and advertising projects to developing successful membership growth initiatives.

Turaho was later appointed General Manager – Corporate Services, overseeing operations and the Fund's branch network. He was part of the management team for nine years before resigning in 2013 to start his own media company. Turaho is a journalist by profession and was also a television news anchor for 11 years.

Turaho was re-employed by Nasfund on 11 February 2019, for his vast experience in the superannuation industry to drive strategic objectives to implement the Fund's five-year Corporate Strategy.



Photo from L- R:

*Standing: Vincent Lialu - Chief Officer Human Capital; Anne Wilson - Chief Officer Member Services;
Judah Wafi - Joint Chief Investment Officer, Doris Gedare - Company Secretary;
Rennie Wekina - Chief Officer Properties; Turaho Morea - Chief Officer Strategy Implementation.*

*Seated: Seema Dass-Raju - Chief Risk & Compliance Officer; Ian Tarutia, OBE - Chief Executive Officer;
Fiona Nelson - Joint Chief Investment Officer.*

Inset: Rajeev Sharma - Chief Financial Officer

Chairman's Statement

Charles Vee Chairman



2020 could simply be described as unprecedented. The deadly Corona Virus wreaked havoc all over the world, causing the World Health Organization to push for quarantine measures never seen before on a global scale. In a year of difficulty, important lessons were learnt as the Board and Management of your Fund made carefully considered decisions to help steer the Fund through the challenges.

During these trying times, the Fund was able to demonstrate remarkable agility to continue serving its members via the increased use of online platforms and creative innovations that ensured the continuity of quality services to our most important stakeholder the members.

Nasfund's response to the pandemic was exceptional. We instituted our Business Continuity Plan (BCP) and ensured our staff complied with strict preventative protocols. Members who attended the branches to be served were also required to follow masking and social distancing rules to help contain the spread of the disease. We are pleased to say that incidences of Covid-19 affecting our staff was minimal and the Fund's operation was not adversely impacted.

As the largest private sector superfund, we anticipated job losses for many businesses as a result of the pandemic. The Fund increased its liquidity position to K200 million to cater for any expected call on Funds and closely monitored all our investments throughout the year to ensure they were not severely impacted. At the same time, we placed a total of K370 million in the National Government's COVID-19 Bonds to help Government fight the pandemic and keep the country's economy resilient. We were also involved in assisting Government make amendments to the Superannuation Act to cater for an early payout to members in the event of loss of employment due to the Pandemic. Kudos should also be given to companies that have continued their contribution obligations, which

resulted in inflows exceeding 2019 receipts, and continuing to play a vital role in the retirement savings process.

Our investments in the travel and tourism space were the most affected, specifically the newly opened Loloata Island Resort, Heritage Park Hotel and PNG Air. However, the gratifying trend that was noticeable during this period was the ability of our Investee Company Boards and Senior Management to adapt through cost efficient management and business strategy adjustments to ensure a level of stability during a stressed economic environment.

A proactive cash management approach by the Fund resulted in strong income from Government Bonds and Treasury Bills in 2020 coupled with strategic overseas investments has provided us with sufficient defensive resilience in our returns during a tough year. The board has moved the Fund to a cash driven portfolio of investment assets that underpins our return to members which minimizes the impact of valuation losses and provides the Fund with a robust investment return platform. Whilst we managed to get through a tough year, one of our big challenges as a primarily private sector fund is latency in membership withdrawals as companies downsize and adjust their business operations to ride out the prolonged effect of the pandemic beyond 2020. This shall have a direct impact on our contribution in-flows and more importantly on our ability to maintain our current investment volume. In order to alleviate the delta between contribution in-flow and out-flows, Nasfund has embarked on a "Voluntary Membership" Retirement Savings Plan, both educating and capturing Agriculture Sector Membership to understand and enjoy the benefits of superannuation. We have commenced with Oil Palm Block holders in West New Britain and signed a Memorandum of Understanding (MoU) with the East Sepik Provincial Government to provide a retirement savings platform for farmers in the province.

I wish to extend my gratitude to my fellow Board members, especially, the departing members Vera Raga, Murray Woo, Hulala Tokome and Graham Ainui. In 2020 we also welcomed new Board members Anthony Yauieb, George Panao and Julienne Leka-Maliaki. We continue to maintain a diverse array of experience on the Board over a broad industry base in order to provide added value to our decision-making.

Finally, I thank our management team led by a stalwart of our industry, Mr. Ian Tarutia, as they continued to deliver results for members in a challenging year for the country. I am proud of the team and their efforts.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Vee'.

Charles Vee
Chairman

CEO's Statement



Ian A Tarutia, OBE Chief Executive Officer

From a business sector view, the inflow of foreign exchange, reduction in the back log of currency orders and timely payment owed by the State to business houses would have been a huge welcomed relief. At the writing of this report the projects have not started yet as discussions and negotiations between State and the project developers are still underway. With the arrival of COVID-19, unfortunately a lot of our plans had to be shelved because of a shift in priority to deal with this pandemic.

Dear Members & Employers,

Our reflection of 2020 is two-fold. Firstly the prevention, containment and treatment of COVID-19, secondly its impact on our services and investment performance in a stressed economy.

We welcomed 2020 with the expectation that PNG's economy would be boosted by the roll out of key resource projects during the year. We planned to implement a number of growth initiatives in terms of new members and investment opportunities. From a Fund perspective, this would have stimulated new jobs, provided potential new members as well as enabled new investment opportunities for us to consider.

On the bright side, on the back of Governments response to COVID-19 was the opportunity to test our business continuity plan (BCP) which until last year was simply a plan on paper. I am pleased to report we successfully implemented our BCP and were able to continue operations throughout 2020 with minimum disruption of services to members and employers alike.

Thus the theme of this annual report - **Adaptive Resilience** - which best reflects our attitude in what has been a challenging and stressful year, not only for the Fund but our country as a whole.

Against this back drop, the Fund was still able to declare a crediting rate of 4.5% equating to over K235 million which was credited into member accounts in March 2021.

Other positive highlights against key deliverables are summarized below;

Indicators	Year 2020	Year 2019
New Members Registered	53,996	43,632
New Employers Registered	175	188
Total Membership	604,587	584,679
Total Employer Base	2,576	2,787
Default Employers	19%	17%
Total Contributions Received	K 573 million	K 561.9 million
Total Withdrawals Paid	K 468 million	K 383.2 million
No of Transactions	93,070	70,650
Employer & Member Conferences	2 online conferences 11,900 participants	10 physical conferences 1,200 participants
Educational & Public Relation Presentations.	236 presentations 12,950 participants	494 presentations 21,085 participants
Total Asset Value	K 5.63 billion	K 5.32 billion
Net Asset Value	K 5.57 billion	K 5.24 billion
Total Income before tax	K 332 million	K 433.1 million
Total Expenses	K 61.9 million	K 62.1 million
Tax	K 47.1 million	K 58.5 million
Net Profit	K 223 million	K 312.6 million
Interest Paid	4.5%	6.3 %
Kina Value	K 235 million	K 310 million

CEO's Statement

Member & Employer Services

Managing timely contribution payments from employers, assisting defaulting entities with payment plans and ensuring superannuation entitlements to affected members continued to be paid was a key focus for our Member Services Division.

Travel restrictions imposed by Governments as part of its COVID-19 response affected a number of employers in the aviation, hospitality, tourism, land transport, manufacturing and retailing sectors. Consequently a number of staff were laid off prompting those who were contributing members to apply for their savings after meeting legislative requirements for withdrawals.

Contribution receipts increased by 3% in 2020 compared to 2019 while withdrawals increased by 22% which was expected. Payment of K468 million to members against a budget of K384 million meant holding a higher level of cash amounting to K200 million. The opportunity cost of holding cash on call meant opportunities in higher yielding, low risk investments such as fixed income treasury bills and government bonds were missed.

In addition, the closure of Porgera mine which is operated by Barrick Ltd, a big employer meant a loss of contributions of K1.8 m per month representing over 4000 members employed by Barrick and associated contractors. The decision to close Porgera was not COVID-19 related and an outcome we did not expect in 2020.

Amendment to Section 90

An initiative of Government with the support of the Superannuation Industry and Bank of Papua New Guinea (BPNG) as regulator, was the amendment of Section 90 of the Superannuation General Provisions Act allowing members immediate access to their superannuation savings if they lost their job as a consequence of COVID-19. The amendment allowed members to withdraw a one off payment of K10,000 or 20% of their member contributions whichever was the lesser. However, due to the delay in gazetting this amendment by Parliament in 2020, no payments have been made.

Other highlights

Other notable highlights by member services were:

- Launch of a new and refreshed logo.
- Signing of an MOU with the East Sepik Provincial Government to capture savings of farmers involved in growing cocoa, vanilla and oil palm.

- Signing of an MOA with the Investment Promotion Authority (IPA) to share information on potential new employers and members.
- Opened a third Client Service Chamber in Waigani, Port Moresby.
- All branch offices throughout the country equipped with ZOOM Rooms for expedient and real time communication.
- Third Employer Awards Night recognizing top compliant employers successfully hosted.
- Upgrade of Mt Hagen and Goroka Branch offices with plans for Madang, Kimbe, Alotau and a second Lae branch to occur in 2021.
- Network Refresh Project commissioned, resulted in total savings of over K460,000 in annual ISP costs
- Cyber Security Awareness Conducted with quarterly computer-based programmes
- Employer conference delivered as Webinar via Zoom
- Implemented web filtering – to filter web access & reduce unproductivity

Finance & Investments

Although interest income totaling K390 million exceeded budget by K25 million, overall investment portfolio was impacted by valuation losses, falling rental income and declining dividend payments. Net valuation losses totaled K 58 million, total expenses of K61.9 million was under budget by 8.9% while tax amounted to K47 million resulting in a K223 million net profit available for distribution to members.

Our Investment team spent considerable time on distressed investments, most notably Mainland Holdings, Loloata Island Resort, Pacific Balance Fund and PNG Air. Until we return to a level of normalcy where COVID-19 prevention protocols are relaxed and our economy picks up, investment returns are likely to remain subdued in the near future.

Industry Engagement

Under the auspices of our industry body, the Association of Superannuation Funds of PNG, we played an active role in advising Government on the involvement of superannuation funds in its economic stimulus package and assisting contributing members.

This resulted in the combined participation of over K 500 million by the superfunds in Government COVID-19 Bonds, and an amendment to the Superannuation Act enabling members to immediately access their funds as a consequence of COVID-19 related job loss.

Board and Staff

We were saddened with the retirement of four (4) long serving directors, Messrs Hulala Tokome, Graham Ainiu, Murray Woo and Vera Raga who retired from the Board having served their three (3) terms as allowed under regulatory prudential standards. We welcomed the appointment of new directors in Messrs George Panao, Anthony Yaueb and Ms Julienne Leka-Maliaki to continue the good work started by their predecessors. We look forward to their contribution to the Fund and our valued members.

On the management front, we welcomed the appointment of a number of experienced and well qualified Papua New Guinean professionals to our ranks. They are:

- Ms Anne Wilson as Chief Officer Member Services.
- Ms Fiona Nelson as joint Chief Investment Officer
- Mr Judah Waffi as joint Chief investment Officer
- Mr Michael Ame as Internal Auditor.

As members of executive management I look forward to their support in implementing the Boards strategic objectives for the benefit of our members.

COVID-19 Prevention

Another priority focus was the health and well-being of our staff and keeping everyone, including our members safe from COVID-19. We implemented COVID-19 prevention and protection in the following way:

- Split teams into two and working in different locations.
- Non-essential staff working from home.
- Client Service and Branch office staff attired in full PPE.
- Enforcement of Niupela Pasin of wearing masks, social distancing and hand sanitization in all our offices throughout the country.
- Utilization of video telephony platforms such as ZOOM and Teams for internal and external communication.
- COVID-19 testing for staff.
- Introduction of health and well-being programs for staff.

I am pleased to report we did not lose any staff to COVID-19, we did not lose productivity, it was business as usual, the results of which are reflected in our final operational statistics and audited financial statements.

Outlook for 2021

Economic conditions are unlikely to change in 2021. It will still be a challenging environment for business which will have an impact on our investment returns and liquidity management. The key is to plan and prepare for a longer recovery period.

Our current five (5) year strategic plan is now three years into implementation. It will require a review. A number of assumptions have since changed after the COVID-19 pandemic and Government decisions relating to resource projects. What remains relevant, what needs to change? Being flexible and adaptive to changing circumstances are important if we are to remain relevant for our members. We are fully cognizant of this fact and will adjust our focus accordingly.

COVID-19 has exposed two critical areas that need to be addressed. Health and Housing. It is my wish to have a plan in place that addresses these issues for the benefit of our members.

In closing, I thank the regulator BPNG, Chairman and Board of Directors for their support and guidance in a difficult year. I also acknowledge the hard work of management and staff throughout the country as well as our Investment Managers BSP Capital and Kina our Fund Administrators.

Together, our resilience has brought us through 2020. We delivered for our valued members. I look forward to doing more in 2021 to ensure our members are Ready for Tomorrow.



Ian Tarutia, OBE
Chief Executive Officer



First Quarter

- Announcement of 2019 Results
- COVID-19 protocols enforced



- Nasfund Partners with Investment Promotion Authority (IPA)



Second Quarter

- Appointment of Directors George Panao and Anthony Yauieb
- Opening of Waigani Client Service Centre



- Corporate Rebranding
- Super Saturday recommences
- Appointment of Chief Officer Member Services, Anne Wilson

2020 Year in Review

K5.63b

Gross Assets
PGK Billion

K5.57b

Net Assets Value
PGK Billion

K223m

Net Profit
PGK Million

4.5%

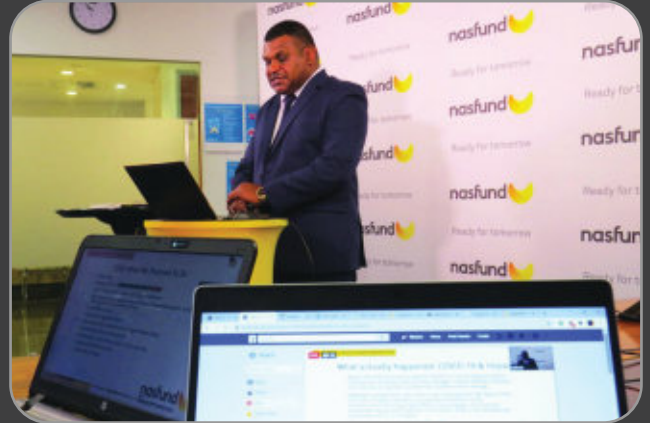
Annual Crediting
Interest Rate

K235m

Annual Crediting
PGK Million - paid into members accounts

K1.27b

Interest paid to members over 5 years
PGK Billion



Third Quarter

- Appointment of JCIOs
- PIH-Nasfund Medical Partnership
- Nasfund Stance against domestic or gender-based violence

- Online Employer Conference
- Withdrawal Applications Via Email
- Nasfund – Toea Homes Estates Partnership



Fourth Quarter

- Nasfund Annual Employer Awards 2020
- Appointment of Doris Gedare as Company Secretary
- New look branch offices (Mt Hagen & Goroka)

- Securing Retirement Savings for NBPOL Small holder Growers
- Appointment of Director Julienne Leka-Maliaki
- Nasfund/ncsl partnership for member benefits

K573m

Contribution Receipts
PGK Million

K468m

Withdrawals paid
PGK Million

93,070

Number of Transactions
Withdrawal payouts by member

604,587

Total Membership

2,576

Total Employers

175

New Employers Registered

11,900

Online Member Conference
Viewership

236

Shop Floor Presentations
Member Engagements

COVID-19: Adaptive Resilience

Adapting to the New Normal: Our Response to COVID-19

The global outbreak of Novel Coronavirus Disease 2019 (COVID-19) remains a priority for Nations, individuals and organizations around the world.

Following an alarming global increase in COVID-19 cases in February 2020, Nasfund was the first organization in Papua New Guinea to take steps to protect the health, safety and well-being of our staff and community. Following guidance from local health officials and the World Health Organization (WHO), the Fund stepped up our Coronavirus prevention protocols, which included activating the Fund's Business Continuity Plan (BCP).

In early March the Fund's BCP was activated. All physical Regional conferences, shop floor presentations, and activities requiring large gatherings were cancelled. In addition, non-essential travel within PNG and abroad were also suspended. A special Risk Register was created for the COVID-19 dealings.

Across Nasfund's operations, measures were put in place to ensure that members continued to have convenient access to the Fund's services, without being unfairly disadvantaged during the Government imposed State of Emergency (SOE) which came into effect in mid-March.

A strict "No Mask No Entry Policy" was enforced, with compulsory temperature testing, and hand sanitation mandatory at all Nasfund offices, branches and service centers.

The SOE also provided an opportunity for the Fund to streamline its services, and strengthen its health & safety measures across its branch network.

For the major branches of Boroko, Port Moresby, Lae, Mt Hagen, and Kokopo, segmented service days were introduced, which saw Monday, Wednesday and Fridays specifically dedicated to attending to lodgement of member withdrawal applications, with other services provided on Tuesday and Thursdays.

This proved to be effective, with more members attended to each day in an orderly and structured manner.

The strict Health & Safety measures, including temperature testing, and physical distancing implemented within our branches, have continued to today. Staff were tested every 2 months for COVID-19.

With COVID-19 restrictions limiting physical contact with our members, Nasfund used this as an opportunity to increase its virtual engagements, by utilizing online technology.

This allowed for virtual meetings, shop-floor presentations and conferences to continue through much of 2020.

This culminated in the Fund's inaugural Online Employer Conference in September. The event, hosted on Zoom, and streamed on the Fund's social media channels provided a reach of up to 50,000 members throughout PNG, and abroad.

As the Superannuation provider with the largest membership, it is important that we take extra precautions, to protect the health and safety of our members.



Five Year Performance Analysis

Statistical Information	2020	2019	2018	2017	2016
Assets & Liabilities					
Net Asset Value ("NAV" - K'000)	5,573,689	5,244,847	4,753,895	4,514,617	4,219,072
Growth	6.27%	10.33%	5.30%	7%	7%
Profitability					
Total Comprehensive Income (K'000)	222,961	312,627	158,707	242,438	283,471
Interest Credited to Members' Accounts	4.5%	6.31%	3.50%	8.00%	7.25%
Reserves (% NAV)	0.18%	0.57%	0.30%	0.22%	2.19%
Employers & Active Members					
Number of Active Employers	2,576	2,797	2,402	2,626	2,540
Total Membership	604,587	584,679	555,133	556,459	537,520
Balance Per Member (K'000)					
Balance Per Member (K'000)	9.22	8.97	8.56	8.11	7.85
Expenses					
Total Expenses (K'000)	61,908	62,077	62,761	53,067	50,370
Management Expense Ratio (MER)	1.14%	1.25%	1.23%	1.22%	1.24%
Fund Administrator's Fees (K'000)	8,768	7,707	7,999	8,342	6,779
Investment Manager's Fees (K'000)	7,990	6,951	6,724	6,307	5,914
Number of Full Time Staff	162	152	152	150	150
Cashflows					
Withdrawals (K'000)	467,926	383,232	436,870	430,680	456,007
Contributions (K'000)	573,830	561,947	517,865	493,094	451,633
Number of Members Receiving Benefit Payment	93,073	70,650	81,781	61,358	74,871
Gross Return to Member					
Gross Return to Member	8.10%	8.80%	5.94%	8.05%	9.74%
Net Profit After Tax Return					
Net Profit After Tax Return	4.26%	6.35%	3.62%	6.20%	7.79%
Less					
Transfer to/(From)Reserves	0.24%	0.35%	0.12%	-1.80%	0.54%
Equal					
Crediting Rate to Member	4.50%	6.30%	3.50%	8.00%	7.25%

The Magic of Compound Interest

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

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

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

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

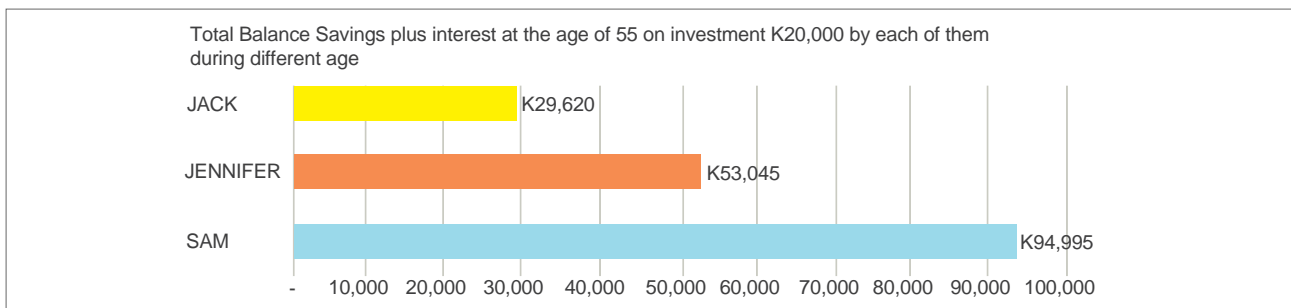
Let us look at the case study given below to under-

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

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

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

Jack didn't get around to investing until age 45. Still, he invested K2,000 for 10 years, halting his savings at age 55. He also left his money to accrue at a six percent rate until his 55th birthday. Sam, Jennifer, and Jack each saved the same amount — K20,000 — over a 10 year period. Sadly for Jennifer, and even more so for Jack, their ending balances were dramatically different as shown below:



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

Name	Investments made during			At the age of 55 years	
	25 - 35	35 - 45	45 - 55	Interest Earned	Total Balance
SAM	20,000			74,995	94,995
JENNIFER		20,000		33,045	53,045
JACK			20,000	9,620	29,620
JOHN			68,000	27,000	95,000

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

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

Corporate Governance

The Board of Nasfund(“the Fund”) is committed to ensuring that the Fund has a strong governance culture throughout the organisation.

Corporate Governance

The Fund is an “Approved Superannuation Fund” (ASF) regulated by the Bank of Papua New Guinea under the Superannuation (General Provisions) Act 2000 and various Prudential Standards.

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

Board Composition

The Board is chaired by an independent director and is comprised of six (6) independent directors and four (4) shareholder representatives from the following organisations:

- Employers Federation of PNG - *Florence Willie*
- PNG Trade Union Congress - *Kepas Wali*
- Manufacturers Council of PNG - *To be appointed*
- PNG Chamber of Commerce and Industry - *Leon Buskens*

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

Young Trainee Directors Program

Initiated in 2007 the program provides three (3) applicants the opportunity to experience first hand boardroom dynamics, board protocol, good governance and in general understand the role of a director. This program is for a period of two (2) years.

Board Committees

The Board previously had three committees, with the Membership Committee created in 2020. Each committee carries out its roles and responsibilities pursuant to their respective charters and report to the Board.

The Committees are:

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

Investment Committee

The Investment Committee (IC) is responsible for:

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

Audit & Risk Committee

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

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

Remuneration & Nomination Committee

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

- Reviewing and approving the Funds organizational structure;

Corporate Governance

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

Membership Committee

The Membership Committee (MC) is responsible for;

- All strategies and actions, which are relevant to the delivery of efficient member and employer services, products and benefits; and
- Ensuring that the licensed Fund Administration Managers performance is in accordance with the Act and the Service Level Agreement.

In 2020 all the Committee Charters were reviewed to ensure that they maintained relevance in upholding and delivering effective governance.

Conflict of Interest & Disclosure

The Fund maintains a register of interest which keeps a record of any shareholding or directorship which a Director or Senior Executive may have with any

company (private or public) or organization within PNG or abroad.

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

Board Evaluation

The Board is made up of ten (10), representing a mix of independent and representative directors of the four (4) shareholders of the trustee company, National Superannuation Fund Limited.

The Board and individual directors are assessed regularly and their performance reviewed independently or through self-assessment.

The assessment and evaluation in 2019 conducted by external firm, Effective Governance, helped develop a skills matrix, which among others identified particular skills set which were required on the Board. This assisted the Board in the selection and appointment of new Board directors in 2020. Through this process, the Board composition ensures a diversified mix of talent.

Board Attendance & Fees for 2020

Directors	Board Status	Nasfund Director Fee (Net)	Nasfund Committee Fee (Net)	Total (Net)	Investee Companies Director Fees (Net)	Board Meeting	ARC Meeting	IC Meeting	RNC Meeting	Membership Meeting
Charles Vee	continued	115,200	12,000	127,200	30,000	12/12	n/a	n/a	n/a	n/a
Hulala Tokome	retired	48,000	8,000	56,000	40,182	3/3	n/a	3/3	2/2	n/a
Murray Woo	retired	24,000	3,000	27,000	70,182	1/2	n/a	1/1	1/1	n/a
Vera Raga	retired	24,000	4,000	28,000	71,760	2/2	1/1	1/1	n/a	n/a
Graham Ainui	retired	24,000	4,000	28,000		2/2	1/1	n/a	1/1	n/a
Tamzin Wardley	continued	96,000	26,000	122,000		12/12	n/a	9/9	5/5	n/a
Kepas Wali	continued	96,000	18,000	114,000		9/12	4/5	n/a	5/5	n/a
Leon Buskens	continued	96,000	20,000	116,000		9/12	5/5	6/9	n/a	n/a
Florence Willie	continued	96,000	21,000	117,000		12/12	5/5	n/a	5/5	1/1
Michael Murphy	continued	96,000	23,000	119,000		12/12	5/5	9/9	n/a	n/a
Anthony Yaueib	new	72,000	21,000	93,000		9/9	3/4	8/8	n/a	1/1
George Panao	new	72,000	16,000	88,000		8/9	4/4	n/a	4/4	n/a
Julienne Leka-Maliaki	new	29,260	4,000	33,260		1/1	n/a	2/2	1/1	n/a
Total		888,460	180,000	1,068,460	212,125					

Note:-

Directors Vera Raga and Murray Woo retired on 24 February 2020 after their full term expired.
 Director Graham Ainui retired on 26 March 2020 after his full term expired.
 Director Hulala Tokome retired on 31 May 2020 after his full term expired.
 Directors Anthony Yaueib and George Panao were appointed on 24 February 2020.
 Director Julienne Leka Maliaki was appointed on 10 September 2020.

Risk Management

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

Risk Management Framework

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

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

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

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

Compliance

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



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

Internal Audit

Nasfund Internal Audit function has direct access to Audit and Risk Committee (ARC) and to the full Board. All findings and recommendations made by the internal audit team is reported to the ARC and ultimately to the Board and any significant findings are discussed promptly. The committee monitors and ensures that management responds to recommendations by the internal auditors on a timely basis.

External Audit

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

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

Our Work Culture

When Career, Safety & Well-being Matter

Graduate Development Program 2020 -2022

The right attitude, blended with technical knowledge, competency skills and life experience are attributes that we encourage to develop our leaders for the future.

In 2017 we launched our formal Graduate Development Program (GDP). The GDP was developed under a new Human Resource framework, with the objective of developing our Talent Management Pipeline and Succession Planning.

In 2020, we welcomed six (6) new graduates from various tertiary institutions around the country. The graduates will undergo an intense 24-month rotation program across the Fund's various divisions, to learn the workings of each division and its contribution to the overall performance of the Fund.

Apart from the GDP, our internal development programs include the EXCOM Enhancement Program, Management Development Program and Employee Further Enhancement Scheme (EFES).

We continue to work together to retain and empower our people to deliver on our vision, mission and service to members.

Family & Sexual Violence (FSV) Training

Human Capital division coordinated a family and sexual violence (FSV) training in the workplace for 21 employees of Nasfund.

The training, conducted by the team from PNG Business Coalition for Women (PNG BCFW), aimed to recognize FSV in the workplace and to develop and adopt policies to deter FSV occurrences.



The training also provided general awareness on gender based violence in our community and the necessary steps to provide a safe environment for all affected by this issue. It also highlighted the important obligation of employers to ensure their staff well-being and safety are given prominence.

The session was conducted via zoom in line with COVID-19 protocols.

Culture and Well-being

Well-being, health and safety of staff are important for the Fund.

The Fund now has a clearly defined Culture and Well-being strategy aimed at delivering four (4) important priorities for our employees; Health Care, Fitness, Work-Life Balance and Flexi-Time. These four key enablers are aimed at driving positive staff engagement across the Fund.

We are also proactive in addressing issues such as lack of exercise, fitness and proper nutrition which are a major contributor to lifestyle diseases and deaths of many working Papua New Guineans. It is identified by the United Nations as a Sustainable Development goal number three (3) Health and Wellbeing for all by 2030.

In 2020, the fund began the implementation of its Health and Wellness Strategy, through the establishment of an in-house fitness centre for our employees in Port Moresby. The aim of this facility is to encourage fitness activities and promote healthy habits through exercise and proper nutritional advice on a weekly basis.

The Fund's annual fitness program is compulsory for all staff across the business.



Women In Super: Nasfund Leads The Way

At Nasfund we are proud of our female colleagues and their contribution towards the success of our organization at all levels, from the Board room, management and operations in the delivery of services to our members. We are proud that the gender mix of our workforce is 56% female and 44% male.

We are also proud of our Meritocracy, where individuals are appointed to positions of responsibility based solely on merit.

In 2020 we witnessed the elevation of three women into Executive leadership positions. Previously the Fund only had one female member in the executive management team.

Anne Wilson (Chief Officer Member Services), Fiona Nelson (Joint Chief Investment Officer) and Doris Gedare (Company Secretary) joined Seema Dass-Raju (Chief Risk and Compliance Officer) as members of the Fund's Executive management team.

Anne joined the Fund in May as Chief Officer Member Services (COMS). She is no stranger to the Superannuation Industry. Since July 2017 she was Head of Superannuation Services at the Aon Master Trust, another Approved Superannuation Fund in PNG. Prior to this, she was head of the AonHewitt Fund Administration, who were Nasfund Fund Administrators from May 2002.

Fiona joined the Fund in August 2020 as Joint Chief Investment Officer (JCIO). She was formerly Vice President of Oil Search Asset Strategy and has over 15 years experience in financial economics, public policy and portfolio management.

Prior to her role with Oil Search, Fiona worked with Pacwealth Capital as Head of Investments, Portfolio Management and previously with Kumul Consolidated Holdings (KCH) as Portfolio Manager.

Doris was appointed Board Secretary of the Nasfund Board in November. She was previously Nasfund's Manager Legal for 6 years, and has over 20 years of legal practice in PNG.

On the Board, Nasfund has 3 female Board Directors, they are Tamzin Wardley, Florence Willie and Julienne Leka-Maliaki.

Tamzin is Chair of the Investment Committee and Florence is Chair of the Membership Committee.

Photo from L- R: Seema, Doris, Fiona and Anne



Member Engagement

Nasfund Waigani Service Centre opens

Against a backdrop of COVID-19 imposed restrictions, our commitment to the health and safety of our members remained paramount.

In the National Capital District (NCD) and Central Province, where more than 60% of our membership is based, we opened our third Client Service Centre in May 2020.

Located at Lagatoi Haus Waigani, this Centre provides easy access for members located in the Waigani, Gordon, University and Gerehu area. It is an important addition to our branch network, as a good number of our members work within this busy area.

The new centre was a welcome addition, as the Fund ramped up its services, especially during the COVID-19 State of Emergency.

We are pleased to note, our membership has taken ownership of this Service Centre to utilize the services offered here.

The future plan for the Waigani Client Service Center is to expand it so it becomes the Fund's flagship branch in Papua New Guinea offering a one stop shop of all our services including our Savings and Loan facility.

This demonstrates our commitment to ensuring that we are here to serve our members – no matter who you are and where you are.

In all our Nasfund Branch offices around the country, we have taken extra precautions, to protect the health and safety of our members. This includes the Niupela Pasin of social distancing, hand sanitizing and temperature testing.

We also encourage our members to utilize our electronic services, which include the Member Online Portal, the Mobile Phone App and Mobile SMS facilities.

These electronic options are aimed at providing the services needed by members, at their fingertips, without the need to physically walk into our branches, which is also a safer option.

Photo from L- R: Chief Officers, Turaho Morea - Strategy & Implementation, Rennie Wekina - Properties looks on as Seema Dass-Raju - Risk & Compliance cuts the ribbon to the new Waigani Service Centre.



Withdrawal Applications Via Email

As part of efforts to improve our processing times for member applications, we introduced a dedicated online service to receive withdrawal applications via email in July 2020.

The dedicated email address:
ewithdrawals@nasfund.com.pg

Recent improvements to internet access, have allowed more of our members to have access to online services.

This process enables members to submit their applications wherever they are, without having to physically visit a Nasfund branch, saving valuable time and money.

Other online services we offer include the Member Online Portal, Employer Online Portal and Nasfund App.

These are in addition to our online employer engagements.

Nasfund Hosts Inaugural Online Employer Conference

More than 11,900 people across Papua New Guinea participated in our inaugural Online Employer Conference.

The event hosted on 08 September, from the Fund's Port Moresby Headquarter, provided an opportunity to inform our members on developments within the Fund in 2020.

Given COVID-19 imposed restrictions on gathering, and social distancing protocols, Nasfund embarked on using online technology to provide updates to our members, through Zoom, with live streaming on our social media sites.

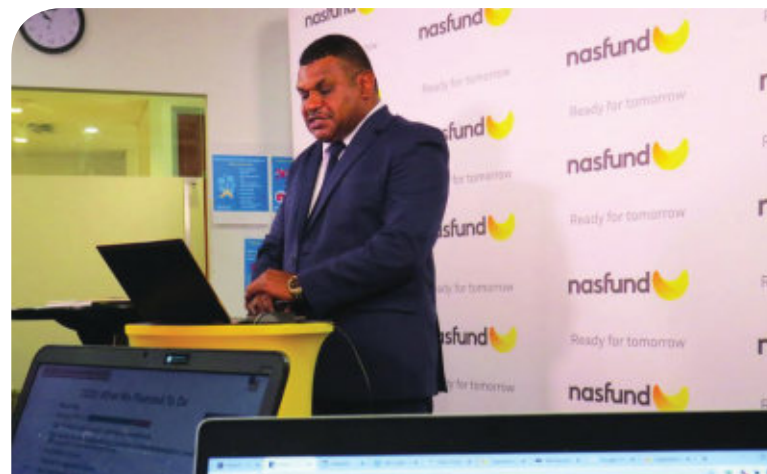
Presentations covered a range of topics – from financials, to investment performance, properties, Information Technology, and the all-important Member Services. Members were also provided an update from the Fund's Savings & Loans Society, ncsf.

The online employer conference enabled the Fund to reach a wider audience in a more cost effective manner which was not possible during our usual pre-covid employer conferences.

The onset of COVID-19 has prompted us to be innovative to ensure we maintain our engagement using online platforms to reach more of our members, in real time, at a lower cost. This enabled us to provide vital information on how the fund performed over 2020.

Questions were also answered during a Q&A session, which provided important feedback of member expectations.

We will convene more online interactions in future to keep members and employers informed as we adjust to the new norm of communication and engagement.



CEO Ian Tarutia addressing members in the Inaugural Online Employer Conference.



Nasfund Business Development Officers responding to questions from members during the Inaugural Online Employer Conference.

Member Engagement

PIH-Nasfund Healthcare Partnership: Promoting Access to Quality Affordable Health Care

A strategic partnership was established in 2020 to provide affordable medical access to our members.

The PIH-Nasfund Healthcare Partnership allows active Nasfund contributors, and their beneficiaries to take advantage of discounts at all PIH Clinics in NCD, as well as the Lae International Hospital in Morobe province.

The discount on services are:

- 50% discount on GP consultation,
- 50% discount on Specialist consultation,
- 20% discount on laboratory and radiology services,
- 20% discount on total costs incurred for in-patients
- 10% discount on Pharmacy services
- Free Eye checks
- Free Dental checks

The partnership agreement was signed by the CEO's of both organizations, in Port Moresby in early September.

The partnership which is part of the Fund's Membership Discount Program (MDP), aims to make healthcare more affordable to Nasfund members, in these major centres, during these difficult times. 2020 was a year where the need for access to quality, affordable healthcare became more evident.

As the leading superannuation provider in the country, we took it upon ourselves to ensure that we partnered with a medical provider who could provide value added services for our members, the majority of whom are in the private sector and residents in both NCD and Morobe province.

All our members have to do is to provide a valid Nasfund membership card when accessing services at PIH in Port Moresby and Lae International Hospital.

This is part of adding value to members especially when health and wellbeing is now a important focus for many.

It is clear that for members to enjoy their wealth tomorrow, they must be healthy today.



(L-R) PIH CEO Pathmanaban SB, and CEO Ian Tarutia signing the PIH-Nasfund Healthcare Partnership Agreement. Looking on is PIH Board Chairman Sir Moi Avei.

Partnering for Member Benefits: Strategic MOA signed to utilize ncsi for exiting Nasfund members' superannuation disbursements

In October 2020, the Fund signed a strategic agreement with the country's fastest growing savings & loan society, Nasfund Contributors Savings & Loan Society (ncsl).

The Memorandum of Agreement (MOA) has opened a pathway for Nasfund members to use ncsi's poro accounts as a means of accommodating their superannuation savings once they exit from the Fund.

Through the partnership arrangement, a "service under one roof" concept is now set up to assist exiting members that have difficulty in accessing banking services in a timely manner with their superannuation payouts.

This arrangement further strengthens the collaborative efforts between the two organizations who share the same membership base and complement each other in their services to members.

The primary focus is to always provide our members convenient, affordable and efficient services.

With ncsi's swift on-boarding process, exiting Nasfund members are able to be registered within minutes, enabling faster turnaround times for both organisations.

An express lane has been established in all Nasfund / ncsi offices nationwide to facilitate this new arrangement. The benefit of ncsi receiving superannuation exit payments is that former Nasfund members will have access to ncsi's savings and loan products which include the recently approved SME Loan, Corporate Motor Vehicle Loan and the 1:5 lending facility.



ncsl CEO Vari Lahui, and CEO Ian Tarutia flanked by Nasfund management team for a photo session after the signing of the MOA.

Partnering for our members: ncsi CEO Vari Lahui, and CEO Ian Tarutia after signing the MOA.



Member Engagement

Securing Retirement Savings for NBPOL Smallholder Growers

Smallholder growers, who supply Oil Palm to New Britain Palm Oil Limited, now save for retirement with Nasfund.

Through the Fund's Eda Supa product, an initial 700 smallholders have already signed up to begin superannuation contributions under this arrangement facilitated by NBPOL.

A ceremony to launch this initiative was held in November 2020 in Kimbe, West New Britain Province, where representatives of the Fund, NBPOL, smallholder growers and the provincial government witnessed the first payment of smallholder superannuation contributions.

The Fund received an initial payment of K100,000 from NBPOL on behalf of its first batch of smallholder growers who registered for Eda Supa.

This strategic partnership with NBPOL has enabled our smallholder growers to have peace of mind that their hard work will reap rewards when they retire, with superannuation savings now being contributed to the country's leading superannuation provider.

This partnership is even more special, as it was our first engagement with smallholder growers under NBPOL in an industry that is essential to the economy, not only in West New Britain province, but nationally as well.

They now join more than 500,000 members from across Papua New Guinea in saving for retirement with Nasfund.

First Payment Complete:
(From Left to Right) Nasfund RTL NGI Nathan Namiangu, Nasfund Chief Officer Member Services Anne Wilson, NBPOL Head of Plantations Tan Tee Ung, NBPOL Financial Controller Vinet Pius, and Head of Smallholders Affairs Wilfred Tangole.

With the smallholders now a part of the Nasfund family, they also receive the benefits that come with saving with Nasfund:

- Annual interest paid on savings
- Access to the Housing Advance Scheme
- Discounts at our Membership Discount Program partners
- Access to our Member Online Portal
- Access to our branch facilities here in WNB, and our Call Centre
- Access to our Savings & Loan Society, ncsf – the leading savings & loan society in the country.

This is only the beginning of a long-term partnership to provide leading superannuation services to our people, wherever they are, in whatever sector they are in.



▲ NBPOL Smallholder Growers can now save for retirement with Nasfund.



Employer Engagement

Public Private Partnerships: The new Frontier for Nasfund

2020 will be remembered as a year of many firsts for the Fund. On the employer engagement level, the year marked the first time we partnered with a Provincial Government through a Public Private Partnership (PPP), to provide assistance in savings and investment opportunities. There are plans already underway to expand this to other provinces.

In December 2020, Nasfund Chairman Charles Vee and East Sepik Governor Allan Bird signed a Memorandum of Understanding (MoU), to allow for collaboration on areas of shared interests between both parties.

The MoU was developed after the Fund was asked by Governor Bird to provide support in creating a savings culture for farmers in the province.

This MoU addresses two things; promoting a savings culture, and harnessing investment opportunities.

Most farmers in the province earn significant income from cocoa, vanilla and coffee, but many do not have a savings culture. This MoU aims to address this.

The agreement also creates opportunities for East Sepik Provincial Government and the Fund to work together on investment opportunities in the province, especially major impact projects, whether it be in agriculture or other industries.

In terms of investment, Governor Bird has a vision of turning the East Sepik economy, especially the cocoa industry, into a K100 million economy in five years - this would mean investments in industries that support cocoa and other commodities like rice, palm oil, Petroleum, minerals, timber and fisheries.

The provincial government has already begun work on achieving this vision, with results already showing.

Through this MoU, with help from the provincial government, the Fund has begun promoting its services and products across East Sepik. This also includes promoting our short-term savings option, through Nasfund Contributors Savings and Loan Society (ncsl).

The MoU also covers information sharing, particularly in regards to the provincial commerce industry database, to ensure that companies are compliant in terms of paying superannuation for their employees, to an Authorised Superannuation Fund.

This allows for both parties to monitor how many companies operating in East Sepik are registered with Nasfund as contributors and pay superannuation for their employees. This is a long term commitment that we are committed to.

(Left to Right) East Sepik Governor Allan Bird, and Nasfund Chairman Charles Vee signing the MoU.

Looking on is Nasfund Joint Chief Investment Officer Judah Waffi and Hela Governor, Hon. Philip Undialu is seated.



Employer Engagement

Employers Recognized in Nasfund Employer Awards

13 Employers recognized as the best performing contributors in the Nasfund Annual Employer Awards 2020.

Whilst most businesses had their operations affected by Covid-19 in 2020, many remained faithful in ensuring their superannuation contributions were up-to-date.

As part of recognising their efforts in ensuring superannuation compliance, we hosted the 2020 Employer Awards.

Among the winners were a Landowner Company (Hides Gas Development Company), an agricultural leader (New Britain Palm Oil Ltd), and a Christian Education provider (Sunrise Bethel Christian School), who were crowned Employers of the Year under various categories.

The Employer Awards acknowledged the support, cooperation and partnership of all Nasfund's contributing employers who continued to comply with the Superannuation (General Provisional) Act 2000, especially Section (85) and (90) of the Superannuation (General Provisional) Act 2000, that governs the contributions and benefit payments which the Fund as the trustee is mandated to perform.

The Fund thanked all Employers who had continued to meet their statutory obligations, despite the difficult economic environment, over much of this year.

The Annual Nasfund Employer Awards gave credit and recognition to employers who are a key stakeholder during a workers active working life.

The economic climate in 2020 had not been easy for business: debtors listing has increased, workforce rationing, forex access, pandemic response, law & order, power, telecommunication issues were some obstacles our employers had to contend with as part of their operations.

Award winners not only exemplify compliance and adherence to law, they play a larger role in promoting a savings culture.

We acknowledge the efforts put in by employers to ensure that retirement savings for employees continue to be paid.



Winners in the Annual Employer Awards 2020 were categorized into three categories:

- i. Category A - Employers contributing more than K100,000 per month
- ii. Category B - Employers contributing between K50,000 and K100,000 per month
- iii. Category C - Employers who contribute less than K50,000 per month

The following were recognized as the best performing Employers in their respective categories:

1. Most Compliant Employer- Mandatory Contributions

- a. Category A: Telikom (PNG) Ltd
- b. Category B: Datec (PNG) Ltd
- c. Category C: Sunrise Bethel Christian School

2. Best Voluntary Contributions

- a. Category A: National Agricultural Research Institute
- b. Category B: PNG Ready Mixed Concrete Pty Ltd
- c. Category C: The National Polytechnic Institute of Papua New Guinea

3. Most Compliant Maintenance Award

- a. Category A: Hides Gas Development Company
- b. Category B: Garamut Enterprises Ltd
- c. Category C: Courts Furniture (PNG) Ltd

4. Most Compliant Benefit Payments

- a. Category A: Bank South Pacific
- b. Category B: New Britain Palm Oil Ltd
- c. Category C: Hevilift Ltd

5. Best Voluntary Contributing Employer

- a. Hargy Oil Palms Ltd

6. Nasfund Chairman's Awards

- a. Category A: Hides Gas Development Company
- b. Category B: New Britain Palm Oil Ltd - Admin
- c. Category C: Sunrise Bethel Christian School

Employer Award

Congratulations



1. Most Compliant in Mandatory Contributions - Category A:
TELIKOM (PNG) LTD



1. Most Compliant in Mandatory Contributions - Category B:
DATEC (PNG) LTD



1. Most Compliant in Mandatory Contributions - Category C:
SUNRISE BETHEL CHRISTIAN SCHOOL



2. Best Voluntary Contributions Category A:
NATIONAL AGRICULTURAL RESEARCH INSTITUTE



2. Best Voluntary Contributions Category B:
PNG READY MIXED CONCRETE LTD



2. Best Voluntary Contributions Category C:
THE NATIONAL POLYTECHNIC INSTITUTE OF PAPUA NEW GUINEA

Winners for 2020



3. Most Compliant in Account Maintenance - Category A:
HIDES GAS DEVELOPMENT COMPANY



3. Most Compliant in Account Maintenance - Category B:
GARAMUT ENTERPRISES LTD



3. Most Compliant in Account Maintenance - Category C:
COURTS FURNITURE (PNG) LTD



4. Most Compliant in Benefit Payments - Category A:
BANK SOUTH PACIFIC



4. Most Compliant in Benefit Payments - Category B:
NEW BRITAIN PALM OIL LTD



4. Most Compliant in Benefit Payments - Category C:
HEVILIFT LTD



5. Best Voluntary Contributing Employer - Category A:
HARGY OIL PALMS LTD



Overall Award Winners of the Year - 2020



**Employer of the Year
Category A:
HIDES GAS DEVELOPMENT
COMPANY**



**Employer of the Year
Category B:
NEW BRITAIN PALM OIL LTD**



**Employer of the Year
Category C:
SUNRISE BETHEL
CHRISTIAN SCHOOL**



Corporate Social Responsibilities

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

Nasfund continues to provide support in cash and kind for a number of NGOs benevolent charities and causes that promote good governance, fight against corruption, gender equality, women empowerment, childhood literacy, health, commerce and development of young professionals.

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

Nasfund is proud to play our part as a responsible corporate citizen of Papua New Guinea.

The Association of Superannuation Funds of Papua New Guinea (ASFPNG)

The Association of Superannuation Funds of Papua New Guinea (ASFPNG) is the superannuation industry peak body in PNG. Its membership comprise of approved superannuation funds licenced by the Bank of Papua New Guinea as regulator, licenced Investment Managers, Fund Administrators and associated business, legal and accounting advisors.

Funds under management among the four funds is in excess of K14.5 billion with over 800,000 members nationwide across the public and private sector workforce.

As the industry body, ASFPNG primary objectives are to:

1. Represent the interests of the ASF's and associated entities
2. Provide policy advice to BPNG and Government on superannuation.
3. Advocate the interests of members.

ASFPNG focus in 2020 will be to work with the regulator on legislative review. A special committee has been established by the BPNG for this purpose.

ASFPNG is supported by Nasfund through the provision of office space and administration support.



The Association of Superannuation Funds of Papua New Guinea

Today the ASF's are:

- Nasfund,
- Nambawan Super,
- Comrade Trustee Services and
- Aon Master Trust.

Members are:

- BSP Capital
- PricewaterhouseCoopers
- Kina Funds Management



PNG Institute of Directors (PNGID)

Papua New Guinea Institute of Directors (PNGID) was established in 2002 with the purpose of promoting good corporate governance in Board rooms and developing the pool of professional directors in Papua New Guinea.

PNGID and Nasfund's shared values of governance and ethical corporate behaviour as a cornerstone of success has seen both organizations enjoy a mutually beneficial relationship over the last 17 years. Nasfund executives have led the Institute as President or served as a Board Director on a number of occasions while Nasfund has provided office space at concessional rents including administrative support for the Secretariat.

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

To date, 31 individuals have been awarded Director of the Year, 11 organizations Most Innovative Company of the Year and 2 organizations have been awarded Best Annual Report of the Year.

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

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



Corporate Social Responsibilities

Buk Bilong Pikinini (BbP)

Buk bilong Pikinini (BbP) was founded in 2007 with a mission to provide PNG's children with access to books and learning through the establishment of Library Learning Centres.

Fourteen years later, the organisation has more than 20 Library Learning Centres across PNG, a Teacher training program, a special needs program, a Book publishing program and a Book donation program.

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

Through Nasfund's long-term and invaluable support as a foundation donor, BbP has established Library Learning Centres, where five-year-old children are invited to attend a comprehensive early childhood development program for two hours, every weekday, for one year.

We believe in inclusive education and endeavours to support all children with access to books and educational programs provided through BbP.

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

Without vital office space support from Nasfund, BbP would not have been able to grow and support so many families and children in remote, rural and urban locations of PNG as it does today through its different programs and services.

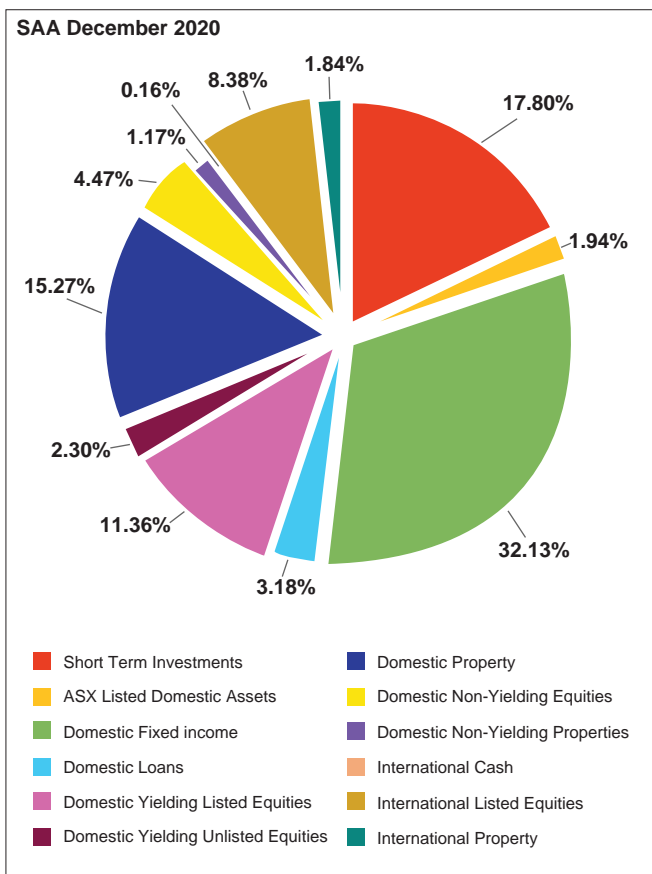


Our Investments

Portfolio Overview

The manner in which members funds are managed is key to mitigating negative impacts of the global pandemic on the Fund's value. The onset of the pandemic in early March 2020 was unexpected. Coupled with the crash in oil prices in the same month, the global economy went into a frenzy with stock markets around the world on high alert as a global sell-down mounted pressure on markets. Thankfully, the markets stabilized toward the end of April, however many businesses were impacted negatively throughout the year as global lockdowns restricted movement of people and economic activity.

Nasfund's assets were spread across a variety of assets as described in the graph below:



A Balanced Portfolio.

The Fund's investment portfolio has always been a balanced portfolio and is made up of assets distributed between growth assets and defensive assets. Growth assets are by nature riskier and generate a return through capital growth and distribution of income. Typical growth assets are Equity (listed and unlisted), infrastructure and property. Defensive assets aim to provide income rather than capital growth. These assets generally have lower investment risk, with more stable returns in the short term, but on the flip side, have the potential to lower returns over the longer term. The Balanced Portfolio approach is therefore to allocate assets in a mix of growth and defensive assets in order to generate a positive return while minimizing investment risk.

Managing through the Pandemic

The Board and Management took actions in three parts;

1. Maintain close monitoring of the performance of all assets with considered decisions around capital support and rental support for properties
2. Free up cash in order to support existing assets where required
3. Actively trade in Government bonds as a defensive strategy to mitigate losses in Property and Equity

Control measures put in place under the Pandemic restricted business for most of our investee companies in the first half of the year. Panamex, Heritage Park Hotel, Loloata Island Resort, Mainland Holdings and Bank South Pacific all reported material impacts on their revenue due to lockdown regulations and loss provisions under international accounting standards.

The Fund's property portfolio was also impacted with our flagship residential property, Edge Apartments, seeing vacancies due to the departure of tenants from Exxon Mobil after the Government stalled progress of the Papua LNG project.

The Board and Management of your Fund gave special attention to our investments in Mainland Holdings Limited and PNG Air and remained committed to seeing preservation of value in these assets as well.

Our Investments

In 2020 the Fund was approached by Link PNG with a proposal to purchase our shares in PNG Air Ltd. Upon consideration of the proposal, the Board made a decision to accept Link PNG's offer, subject to regulatory approval from the Independent Consumer and Competition Commission and necessary legal and tax clearances. Key to this decision was the consideration for the preservation of jobs in PNG Air for nationals who are also Nasfund members, the continued operation of the airline in order to service the needs of the travelling public, and to provide competitive pricing to Link PNG and its parent company Air Niugini. PNG Air has struggled to generate dividends and shareholder value for investors since listing on the PNG Stock Exchange in 2008. The Nasfund Board therefore believes that its partnership with Link PNG is the best opportunity to keep the airline financially viable.

The impact of COVID-19 was felt by Mainland Holdings in the first half of the year with a drop in sales revenue. This however did not dampen efforts to improve the fundamental aspects of the business. A lot of work remains to be done by the Board and management of Mainland Holdings. Nasfund remains committed to see that this asset of national strategic value will remain robust and competitive in its market over the longer term.

The slowing down of growth of the PNG economy and oversupply of commercial and residential real estate continues to weigh heavily on Nasfund's property portfolio. This is a combination of the deferral of the large development and infrastructure projects such as the Papua LNG, P'nyang, PNG LNG Expansion compounded by the COVID-19 impact to the already depressed economic state.

Significant decreases to the Solwara and The Edge property valuations were observed, where a combination of vacancies and decreasing rentals have all contributed to the downward revisions of realized gains towards the bottom-line.

The Fund also made adjustments to rental rates across a number of property assets to cater for tenants requesting a rent reduction due to impacts of COVID-19.

In light of the decreased income, tighter cost control was applied in 2020 across the entire property allocation to see substantial savings.

There were no new major investments in 2020 apart from a total of K370 million in COVID-19 Bonds. The Fund maintained a passive approach with a high liquidity position in order to manage any increased withdrawals by members in the wake of expected job losses from COVID-19. Even though payments to members was higher than the previous year, the expected run on funds never eventuated. As a result the surplus cash was redeployed to fixed income investments in the second half of the year.

Overall we saw lower income from Dividends, Property Rentals and asset valuations however stronger income from Government Bonds and a stronger Exchange Rate differential was able to mitigate losses resulting in a net profit for the Fund at the end of the Year. The careful and considered decision-making over our assets resulted in a better than expected result for the Fund.

Nasfund has made big strides in forming alliances with key investment stakeholders to partner in large infrastructure development opportunities alongside key development projects.

We are also working on relationships with regional investors to expand the Fund's international investment footprint as part of our diversification strategy.

Highlights in 2020

Short Term Investments

T-Bills maturity profile was lower in 2020 as a defensive position was taken with some T-Bill maturities retained as cash holdings.

ASX Listed Domestic Assets

There was a slight reduction in value of ASX listed domestic assets due to the drop in the share price of Steamships Trading Company Limited and Oil Search Limited compared to the previous year.

Domestic Yielding Listed Equities

This showed a slight increase due to share price gains in the financial stocks BSP and Credit Corp compared to 2019.

Domestic Yielding Unlisted Equities

There was a slight drop in value of this asset class mainly caused by a decrease in the share value of SP Brewery Limited.

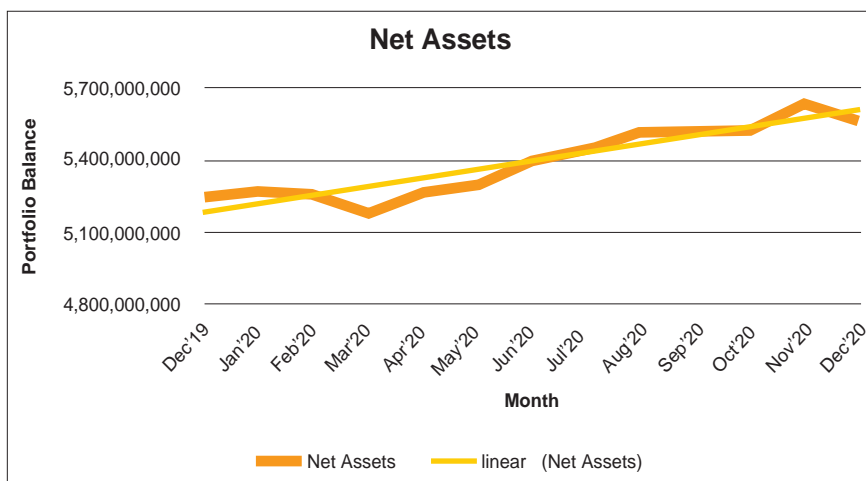
Domestic Property

There was a reduction in the overall property portfolio due mainly to lower revaluations.

Domestic Non-Yielding Equities – Experienced a small reduction in asset value in this asset class largely due to a decrease in the share value of Mainland Holdings and City Pharmacy Limited and provisions for PNG Air Limited.

Domestic Non-Yielding Properties – In 2020 the Fund sold Luman Soho Apartments as part of continued efforts to dispose off non-yielding, low-value properties.

International Cash – The international cash asset class saw a decrease in cash in the bank for BSP Honiara account as funds were transferred to PNG. The drop in international cash was also attributed to a slight decrease in the Fund’s Pictet account in Switzerland (US Dollar) including the effects of foreign exchange differentials.



MONTH	Fund's Net Assets
DEC 2019	5,244,846,713
JAN 2020	5,278,843,700
FEB 2020	5,261,067,226
MAR 2020	5,185,370,150
APR 2020	5,262,909,966
MAY 2020	5,303,537,747
JUN 2020	5,396,881,775
JUL 2020	5,447,188,705
AUG 2020	5,516,814,237
SEP 2020	5,522,446,997
OCT 2020	5,527,251,633
NOV 2020	5,631,479,440
DEC 2020	5,573,688,702



Our Investments

Cash Income

Cash Income exceeded the expected forecasted budget with strong results in:

- **Government Bonds interest payments:**

Successful secondary market placement for the COVID issued bonds of over K370M and additional T-Bill placements

- **Short Terms Investments interest payments:**

IBDs and Cash Management Accounts in 2020 were significantly higher due to the capture of maturing T-Bills to bolster the Fund's Cash position in light of Covid-19

- **Loan Interest Payments from:**

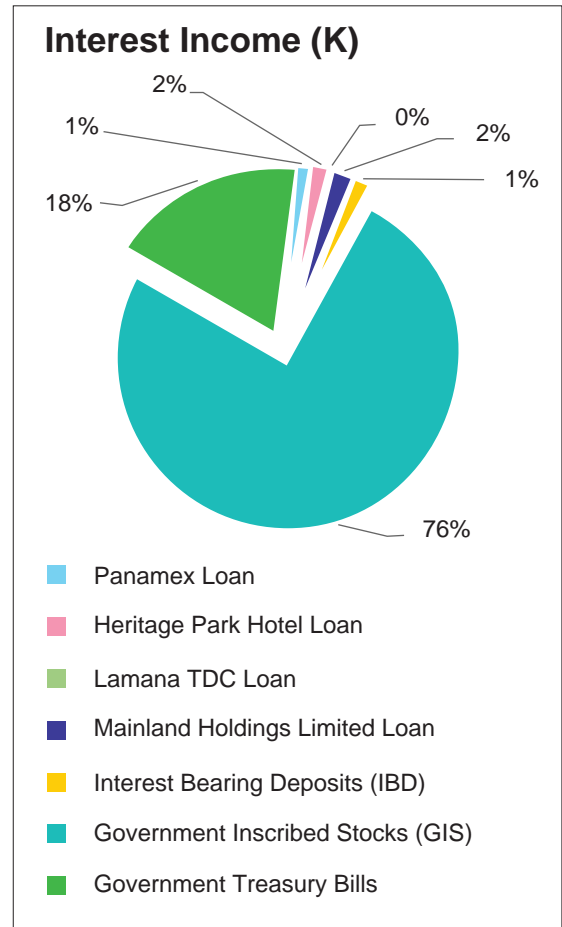
Panamex, Mainland Holdings and Heritage Park Hotel

- **Dividends from:**

BSP, Credit Corporation, Brian Bell Group, Panamex and Amalpack

- **Rental Income**

Decreased due to vacancies and rent reductions from impact of Covid-19.



Licenced Investment Manager Statement - BSP Capital Ltd



Dear Nasfund members,

An Extraordinary year

2020 saw the onset of the COVID-19 pandemic and governments responded with vigorous measures to curb the spread of the viral infection. Investors were faced with levels of investment market volatility not seen since the 2008 Great Financial Crisis. The easing of lockdowns after the first wave supported a recovery in global economic activity but this respite was short lived with the onset of a second wave of infections. The World Bank estimated that global economic growth contracted 4.3 percent in 2020, compared to a pre-pandemic forecast of 2.5 percent growth, while global investment is estimated to have decreased by about 5 percent.

The PNG economy was no exception, there was a general slowdown across all sectors coupled with the delays in some of the large economic projects in Papua LNG and Wafi-Golpu. The government in 2020 was fiscally challenged. The prices for gold, copper, palm oil, timber, and coffee rose during the year while large falls were noted in prices for liquefied natural gas (LNG) and crude oil pushing down PNG's overall export prices. Collectively, these negative volume and price effects led to a substantial fall in export revenue, with negative implications for aggregate demand. Most economic indicators declined during the year, this included employment, goods and services tax (GST) collections and non-mineral exports. The financial, business, and other services sectors also experienced reductions in employment, declining by 14 percent; whilst employment in the manufacturing sector rose 5 percent (but this was not enough to offset the overall fall in employment). By and large the impact on the PNG economy was not as bad as compared to the other regional peers.

Investment portfolio highlights

Notwithstanding the massive uncertainty in our community and economy, Nasfund delivered members another year of positive returns. Over the twelve months ending December 31 2020, Nasfund's net funds under management grew K328 million to K5.73 billion (6.3% annualised growth rate). The Fund's asset allocation between its four asset

classes largely remained static, with a slight increase in International assets (10% of total assets up from 8%) and a slight decline in Liquid assets (20% of total assets down from 23%) . The vast majority of new cash flows into the Fund were used to purchase more PNG Government securities (net new GIS purchases of K365 million) and Cash, Receivables and Interest Bearing Deposits (net new deposits of K165 million).

Before expenses, Nasfund generated a gross cash income of K394 million on its investments in 2020, generating a gross cash yield of 7.4%. Yielding Illiquid assets generated the vast bulk of the cash yield (K318 million) while the Liquid asset class generated K52 million in cash income. As expected, Non-Yielding Illiquid assets generated minimal cash flow (-K2.3 million). After expenses, Nasfund generated a K270.1 million return on its investments in 2020, recording a 5.1% return before taxes.

Nasfund's portfolio return was driven by the performance of three investments: Government Bonds (K187 million); T-Bills (K47 million); and the Bank of South Pacific (K65 million). In 2020 these investments contributed around 82% of the total positive returns made by the portfolio. The Fund also enjoyed strong returns from its International portfolio (K85 million). The biggest drag on returns in 2020 were Oil Search (-K44 million) and the residential properties (The Edge & Solwara) (-K21 million).

Looking to the future

There is no doubt that the current uncertainty will persist in the interim. The objective remains to ensure the investment strategy delivers sustainable and adequate outcomes for all. As Nasfund's investment adviser we are always looking at new opportunities and managing emerging risks in the investment portfolio. The decisions undertaken today will position the Fund to deliver benefits to you over the lifetime of your superannuation investment.

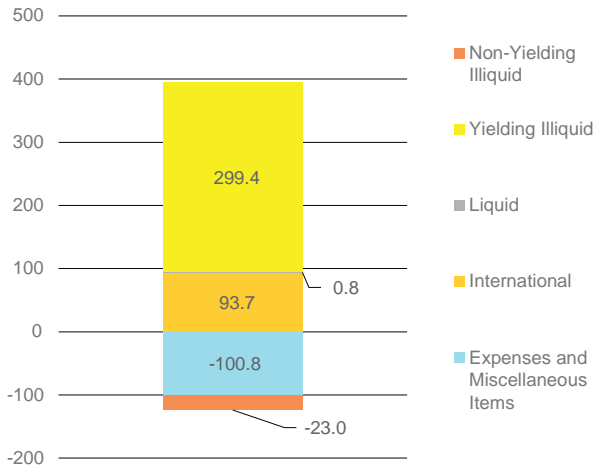
To conclude, BSP Capital thanks the Board, the management and staff of Nasfund for according us the opportunity to work together in ensuring your investment outcomes are improved.

Sincerely,

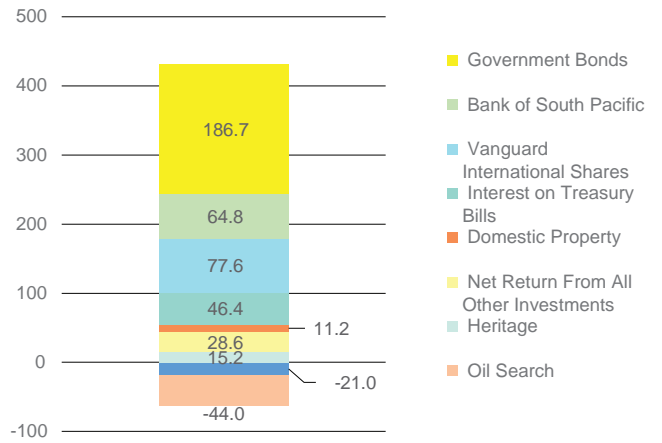
A handwritten signature in black ink, appearing to read 'Gheno Minia'.

Gheno Minia
General Manager,
BSP Capital

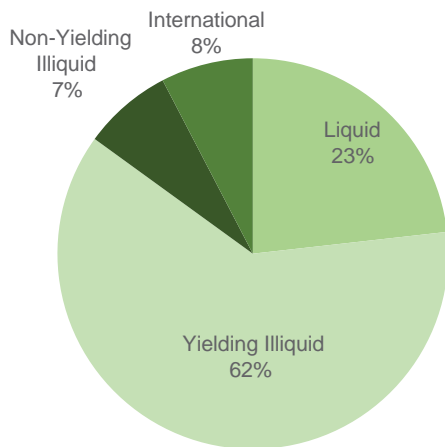
Sources of Returns for Nasfund in 2020 (in K millions)



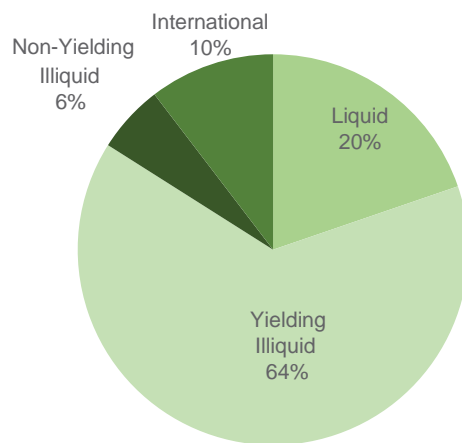
Major Contributors and Detractors to Nasfund's 2020 Returns (in K millions)



Nasfund Asset Allocation as at 31 Dec 2019



Nasfund Asset Allocation as at 31 Dec 2020



Licensed Fund Administrator Statement - Kina Superannuation Services Ltd



As the Fund Administrator, Kina Investments & Superannuation Services Limited (KISS) is pleased to provide to Nasfund and its members the administration report for the 2020 financial year.

2020 YEAR IN REVIEW

In support of Nasfund's vision to continuously improve customer service, we commenced the year with strong set of objectives to achieve superior customer service to Nasfund and its members.

KISS embarked on significant infrastructure and software version upgrades in order to provide the platform for key system developments, which we believe is a key enabler in achieving the service model for the trustee. These upgrades ensure system scalability, efficiency and availability for both the trustee and its members. This is significant in light of the global pandemic that has totally transformed the dynamics of how organisations worldwide conduct business.

The COVID-19 pandemic also affected the work force with significant number of job losses due to the economic down turn. This was evident in the number of benefit payment application, including ongoing increase in monthly unemployment benefit payment requests that came through in the year. For year 2020, the team processed 93,073 benefit payment applications compared to 70,650 and 81,781 in 2019 and 2018 respectively. This increase in benefit applications meant higher member traffic in Nasfund branches. To ease the amount of traffic in the branches, a number of initiatives were launched by the trustee including working with KISS for the provision of SMS notification for benefit payments. This is a convenient service for members who can now be kept updated on their benefit payment application without the need to physically present themselves at Nasfund branch offices nationwide.

The member online portal also continues to be an important service that we see more and more members signing up to, which ensures they are closer to their retirement savings.

Despite the high volume of applications, KISS continues maintained service levels at the highest standard in ensuring quality superior customer service at all times, which is a testament to our skilled and experienced employees.

In summary

- Overall membership grew by 3% to 604,587
- Funds under administration grew by 7% to K5.2 billion
- Contributions increased by 1.32% to K571 million
- Benefit payments totaled K468 million
- Unemployment benefit increased by 71% which is a direct impact on job losses due to the global pandemic

ONLINE SERVICES

In light of COVID-19, more and more employers and members are signing up for the online services

Description	2019	2020
Employer Online Registration	1,961	427
Member Online Registration	61,115	10,669

FUND MEMBERSHIP

Fund membership grew by 3% represented by 19,908 members from 2019 to 604,587 in 2020. That is an increase of mainstream by 3% and Eda Super members by 2% respectively. Below is the break-up of the membership base:

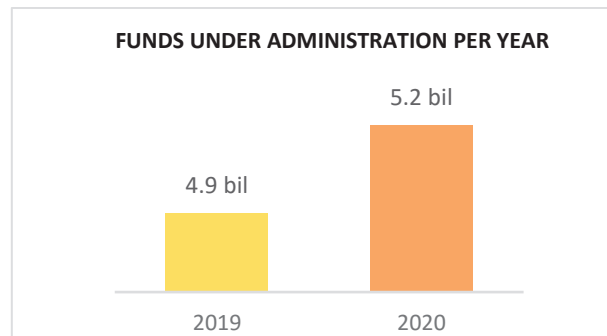
Fund	No. of members 2019	No. of members 2020
Mainstream	550,750	569,909
Eda Supa	33,689	34,471

Retirement Savings Account (RSA)	240	207
Total	584,679	604,587

FUNDS UNDER ADMINISTRATION

Total funds under administration was K5.2 billion at the close of December 2020, this reflected an increase of 7% totalling K356 million from 2019. This includes main stream representing K5.2 billion, Eda super K67.4 million and Retirement Savings Account of K6.2 million.

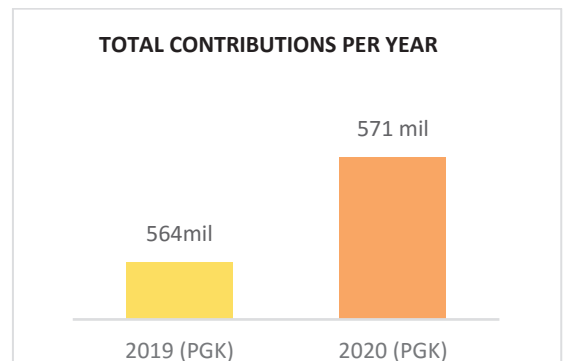
Fund	2019	2020
Mainstream	4,847,210,137	5,202,100,507
Eda Supa	63,956,919	67,405,455
Retirement Savings Account (RSA)	8,343,328	6,231,696
Total	4,919,510,384	5,275,737,659



CONTRIBUTIONS

Nasfund received a total contribution of K571.58 million at the close of 2020, which is a 1.32% increase from 2019. Member voluntary contributions increased by a million kina from 2019 while member contributions increase by 8% totalling K17.3 million and employer contributions by 9% to K25.3 million respectively. Below is the break-up of each contribution type.

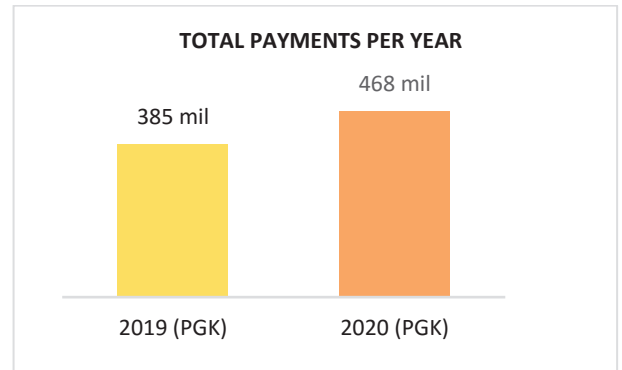
Description	2019 (PGK)	2020 (PGK)
Member Contributions	204,103,671.34	221,375,263.40
Employer Contributions	285,922,208.97	311,221,458.54
Member Voluntary	23,166,814.59	24,868,094.66
Employer Voluntary	6,250,132.40	6,555,291.15
Member Salary Sacrifice	1,502,750.72	1,190,535.24
Housing Advance Repayment	13,270,375.08	14,842,676.39
Transfers from other ASF	3,807,040.19	3,216,884.15
Unallocated Contributions	26,093,027.32	-11,689,095.44
Total	564,116,020.61	571,581,108.09



BENEFIT PAYMENTS

A total of 93,247 benefit payment transactions were processed in 2020 to the value of K468 million. Overall payment increased by 22% of K82.9 million in 2020 with unemployment benefit payment increasing by 71% totalling K28.8 million while normal retirement payment represented a 19% increase of K50.6 million. Below is the break-up of each benefit payment types.

Description	2019 (PGK)	2020 (PGK)
Normal Retirement	266,242,242.30	316,869,071.42
Medical Payment	5,957,718.67	5,443,306.62
Death Payment	17,841,486.02	18,760,572.03
Transfer Out (to other ASF)	6,142,032.45	5,804,050.63
Unemployment Benefits	40,402,355.32	69,181,811.44
RSA Payments	4,116,688.54	2,659,732.33
Housing Advance Payments	29,492,558.43	31,005,700.79
Tax on Full Benefit Payment	12,972,656.61	15,331,952.45
Tax on Partial Benefit Payment	1,914,105.56	2,958,840.03
Total	385,081,843.90	468,015,037.74



LOOKING AHEAD

As part of our technological roadmap, KISS will continue collaborate with Nasfund to invest in technology, which is the key enabler in achieving a service model that is customer centric with self-help modules in order to support its membership needs.

Boge Dikana
Senior Manager Fund Administration
Kina Investment and Superannuation Services Ltd (Licensed Fund Administrator)
 'A wholly owned subsidiary of Kina Securities Limited'



National Superannuation Fund

FINANCIAL STATEMENTS FOR THE YEAR ENDED **31 DECEMBER 2020**

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Fund Information

National Superannuation Fund (“the Fund”, “Nasfund” hereinafter) is a registered trust in accordance with the Superannuation (General Provisions) Act 2000 and is incorporated and domiciled in Papua New Guinea.

Principal Place of Business	Level 4, BSP Haus Harbour City, Poreporena Freeway Port Moresby, NCD Papua New Guinea
Trustee	National Superannuation Fund Limited
Directors of the Trustee Company	Mr. Charles Vee - Chairman Ms. Tamzin Wardley, ML, MBE Mr. Kepas Wali Mr. Leon Buskens Ms. Florence Willie Mr. Michael Murphy Mr. George Panao (appointed 24/02/2020) Mr. Anthony Yaueib (appointed 24/02/2020) Ms Julienne Leka-Maliaki (appointed 10/09/2020) Mr. Vera Raga (ceased 24/02/2020) Mr. Murray Woo, OBE (ceased 24/02/2020) Mr. Graham Ainui, MBE, OL (ceased 26/03/2020) Mr. Hulala Tokome, MBE (ceased 31/05/2020)
Secretary	Mr. Jack Parina (ceased 30/10/2020) Ms. Doris Gedare (appointed 01/11/2020)
Auditors	Deloitte Touche Tohmatsu Level 9 Deloitte Haus Macgregor Street Port Moresby, NCD Papua New Guinea
Fund Administrators	Kina Investments and Superannuation Services Limited
Licensed Investment Manager	BSP Capital Limited
Property & Facilities Manager	Ashton Brunswick Limited
Bankers	Bank South Pacific Limited Australia & New Zealand Banking Group (PNG) Limited Kina Bank
Lawyers	Ashurst Lawyers Dentons (PNG) Lawyers Posman Kua Aisi (PKA) Lawyers Corrs Chambers Westgarth Lawyers Allens Linklaters International Lawyers
Professional Indemnity Insurance	QBE Insurance

Independent Auditor's Report to the Members of National Superannuation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Superannuation Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, the Trustee's and Management's declaration.

In our opinion the accompanying financial statements give a true and fair view of the Fund's financial position as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, *Superannuation (General Provisions) Act 2000 (Amended 2020)* and the *Superannuation Prudential Standards*.

Basis for Opinion

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

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

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

Other Information

The Directors of the Trustee Company (the 'Directors') and management of the Fund are responsible for the other information. The other information comprises the information included in the Fund Information and the Report of the Trustee of the Fund, for the year ended 31 December 2020, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and the Directors for the Financial Statements

The Directors and management of the Fund are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the the *Superannuation (General Provisions) Act 2000 (Amended 2020)* and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea, and for such internal control as Directors determine is necessary to enable the preparation and fair presentation of the financial statements and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Deloitte.

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

Report on Other Legal and Regulatory Requirements

Members of the audit team are also members of the Fund under normal commercial terms and conditions.

Proper accounting records have been kept by the Fund as far as appears from our examination of those records.

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DELOITTE TOUCHE TOHMATSU



Benjamin Lee

Partner

Registered under the Accountants Act 1996

Port Moresby, 22 March 2021

National Superannuation Fund
Financial statements for the year ended 31 December 2020

Report of the Trustee of the Fund

The Directors of the Trustee have the pleasure in submitting their report and the financial statements of the National Superannuation Fund ("the Fund") for the year ended 31 December 2020.

Activities

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

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

Results

The net profit after tax for the year was K222.961 million (2019: profit after tax of K312.602 million).

Directors

The directors of the Trustee at the date of the report are listed on page 49. No director of the Trustee had any material interest in any contract or arrangement with the Fund or any related entity during the year ending 31 December 2020.

Remuneration of Trustee Directors

The gross remuneration of Trustee Directors received during the year, is as follows:

Director's name	31 Dec 2020 (Gross) K	31 Dec 2019 (Gross) K
Charles Vee – Chairman	198,621	190,345
Hulala Tokome, MBE (retired 31 May 2020)	82,759	182,069
Graham Ainui, MBE, OL (retired 26 March 2020)	41,379	165,517
Murray Woo, OBE (retired 24 February 2020)	41,379	165,517
Vera Raga (retired 24 February 2020)	41,379	165,517
Tamzin Wardley, ML, MBE	165,517	165,517
Leon Buskens	165,517	165,517
Kepas Wali	165,517	165,517
Florence Willie	165,517	165,517
Michael Murphy	165,517	78,309
George Panao (appointed 24/02/2020)	124,138	-
Anthony Yauiieb (appointed 24/02/2020)	124,138	-
Julienne Leka-Maliaki (appointed 10/09/2020)	50,448	-
	1,531,826	1,609,342

Costs in relation to travel and meeting expenses, are incurred by Nasfund. Directors also receive sitting fees for attending meetings as disclosed in note 23 (vii).

Remuneration of Employees

The number of employees (not including directors) whose remuneration exceeds K100,000 in bands of K50,000 is disclosed in note 19. Board fees and sitting fees are taxed accordingly.

Interests Register

Interests of the Directors of the Trustee and key management personnel as recorded in the interest register are disclosed in note 23.

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



Mr. Charles Vee

Chairman

Date: 22 March 2021



Mr. Anthony Yauiieb

Chair of the Audit and Risk Committee

Date: 22 March 2021

National Superannuation Fund
Financial statements for the year ended 31 December 2020

Trustees' declaration

In our opinion, the financial statements set out on pages 8 to 45 are drawn up as to give a true and fair view of the financial position as at 31 December 2020 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

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

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

The Financial Statements have been drawn up in accordance with the International Financial Reporting Standards and the requirements of the Superannuation (General Provisions) Act 2000 and the requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at Port Moresby this 22 day of March 2021.

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



Mr. Charles Vee

Chairman

Date: 22 March 2021



Mr. Anthony Yauieb

Chair of the Audit and Risk Committee

Date: 22 March 2021

National Superannuation Fund
Financial statements for the year ended 31 December 2020

Management's declaration

In our opinion, the financial statements set out on pages 8 to 45 are drawn up as to give a true and fair view of the financial position as at 31 December 2020 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

Management has satisfied themselves that it has:

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

The Financial Statements have been drawn up in accordance with the International Financial Reporting Standards and the requirements of the Superannuation (General Provisions) Act 2000 and the requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at Port Moresby this 22 day of March 2021.

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



Mr. Ian A Tarutia, OBE
Chief Executive Officer
Date: 22 March 2021



Mr. Rajeev Sharma
Chief Financial Officer
Date: 22 March 2021


**National Superannuation Fund
Statement of Financial Position
As at 31 December 2020**

	Note	31 Dec 2020 K'000	31 Dec 2019 K'000
Investment Assets			
Cash at bank and on hand	22	254,800	102,216
Investment in Financial Assets	8	2,637,531	2,463,662
Property receivables		14,994	19,560
Equity Investments	9	2,169,078	2,174,506
Current tax asset	12(b)	12,594	2,909
Investment properties	10	532,419	543,547
		5,621,416	5,310,400
Other Assets			
Withholding taxes recoverable		222	21
Other receivables		2,103	1,085
Property and equipment	11	9,944	10,695
		12,268	11,800
Total Assets		5,633,685	5,322,201
Current Liabilities			
Sundry creditors and accruals	13	28,470	49,354
Withholding taxes payable		-	1,345
Provisions for employee entitlements	14	825	780
		29,295	51,480
Non-current Liabilities			
Deferred tax Liability (net)	12 (c)	27,452	23,007
Provisions	14	3,249	2,890
		30,701	25,897
Total Liabilities		59,996	77,378
Net Assets		5,573,689	5,244,823
Represented by			
- Allocated Funds		5,275,611	4,851,043
- Unallocated contributions		52,406	68,525
- Unallocated earnings		245,674	319,410
Revaluation reserve	15	-	5,845
Total member funds		5,573,689	5,244,823


Mr. Charles Vee

Chairman

Date: 22 March 2021


Mr. Anthony Yaueib
Chair of the Audit and Risk Committee
Date: 22 March 2021

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the Financial Statements.

National Superannuation Fund
Statement of Profit or Loss and Other Comprehensive Income
As at 31 December 2020

	Note	31 Dec 2020 K'000	31 Dec 2019 K'000
Investment income			
Finance Income - Interest income	17	246,626	221,370
Finance Income - Other	17	107,490	117,792
Property rentals		56,876	60,705
Movement in net fair value of investments	16	(32,524)	40,410
Impairment losses on financial assets	8 (d)	(38,405)	(4,022)
Gain/(loss) on disposal of shares		(213)	2,896
Net foreign exchange gain/(loss)	18	12,350	16,370
		352,200	455,521
Less: property costs		(21,004)	(23,188)
Net investment income		331,196	432,333
Other income and expenses			
Sundry income		749	767
Profit/(loss) on disposal of fixed assets		24	40
		773	807
Expenditure			
Staff related expenses	19	(21,398)	(23,948)
Fund administration fee		(8,768)	(7,707)
Investment management fee		(7,990)	(6,951)
Advertising		(2,464)	(1,206)
Depreciation		(2,204)	(2,228)
Board expenses		(2,253)	(2,089)
Bank of PNG regulatory fees		(3,464)	(3,430)
Other administration expenses		(13,368)	(14,517)
		(61,908)	(62,077)
Profit before tax		270,061	371,064
Income tax expense	12	(47,100)	(58,462)
Profit for the year		222,961	312,602
Other comprehensive income			
Items that will never be classified to profit or loss			
Revaluation (loss) / gain of property		-	-
Total comprehensive income for the year		222,961	312,602

The Statement of Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the Financial Statements.

National Superannuation Fund
Statement of Changes in Members' Fund
As at 31 December 2020

	Allocated Funds K'000	Unallocated Contribution K'000	Unallocated Earnings K'000	Revaluation Reserve K'000	Total K'000
As at 1 January 2019	4,552,661	35,183	160,207	5,845	4,753,896
Profit for the year	-	-	312,602	-	316,602
Total Comprehensive income for the year	-	-	312,602	-	312,602
Contributions received	-	561,947	-	-	561,947
Allocated contributions	528,605	(528,605)	-	-	-
Interim interest	1,391	-	(1,391)	-	-
Benefits paid to members	(383,232)	-	-	-	(383,232)
Interest allocated to members' accounts	151,618	-	(151,618)	-	-
Provision on member funds	-	-	(391)	-	(391)
As at 31 December 2019	4,851,043	68,525	319,410	5,845	5,244,822
Profit for the year	-	-	222,961	-	222,961
Total comprehensive income for the year	-	-	222,961	-	222,961
Contributions received	-	573,830	-	-	573,830
Allocated contributions	589,949	(589,949)	-	-	-
Interim interest	620	-	(620)	-	-
Benefits paid to members	(467,926)	-	-	-	(467,926)
Interest allocated to members' accounts	301,925	-	(301,925)	-	-
Transfer of revaluation reserve	-	-	5,845	(5,845)	-
As at 31 December 2020	5,275,611	52,406	245,672	-	5,573,689

Allocated funds represent National Superannuation Fund's obligation to pay benefits to members and beneficiaries arising as at 31 December 2020.

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

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

The Statement of Changes in Members' Fund is to be read in conjunction with the notes to, and forming part of, the Financial Statements.

National Superannuation Fund
Statement of Cash flows
As at 31 December 2020

	Note	31 Dec 2020 K'000	31 Dec 2019 K'000
Cash flows from operating activities			
Interest received		234,249	217,583
Net rent received		55,432	62,139
Dividend received		107,470	117,847
Wages and administration payments		(74,606)	(85,678)
Income tax (paid)	12	(17,183)	(38,920)
Net cash from operating activities		305,361	272,971
Cash flows from investing activities			
Purchase of property and equipment	11	(1,790)	(3,611)
Proceeds from sale of property and equipment		148	-
Proceeds from sale of property investments		9,129	25,212
Investments in equity		(2,435)	(194,370)
Investments in government securities and other loans		(275,061)	(358,885)
Investments in investment property		(5,022)	(29,137)
Net cash (used in) investing activities		(275,030)	(560,790)
Cash flows from financing activities			
Contributions received		573,830	561,947
Benefits paid		(467,926)	(383,232)
Net cash from financing activities		105,904	178,715
Increase/(Decrease) in cash and cash equivalents			
Effect of exchange rate fluctuations	17	12,350	16,370
Cash and cash equivalents at the beginning of the year		106,216	198,853
Cash and cash equivalents at the end of the year	21 (a)	254,800	106,216

The Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the Financial Statements.

1. General Information

Operations of Nasfund

National Superannuation Fund (“the Fund” or “Nasfund”) is a defined contribution superannuation fund established in pursuant to the Superannuation (General Provisions) Act 2000. The Fund is primarily involved in the management of retirement funds for employees in the private-sector and State-Owned-Entities in Papua New Guinea.

Under the Trust Deed number 220228, National Superannuation Fund Limited is the Trustee of the Fund governed by a Board of Directors.

The Fund is domiciled in Papua New Guinea and the address of the Fund’s registered office is Level 4, BSP Haus, Harbour City, Port Moresby, Papua New Guinea.

Statement of Compliance

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

The financial Statements of the Fund for the year ended 31 December 2020 were authorised for issue by the Board of Directors of the Trustee, on 22 March 2021.

2. Basis of Preparation

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

- financial instruments at fair value through profit or loss;
- certain financial instruments carried at amortised cost;
- certain property, plant and equipment carried at revalued amounts, and;
- investment property

Functional and presentation currency

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

Investments in controlled and associated entities

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

Use of estimates and judgements

In the application of the Fund’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimation uncertainty

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

2. Basis of Preparation (continued)

Valuation of investment properties

There are significant challenges in the PNG market with the lack of transparency in terms of the disclosure of sales and rental evidence and availability of benchmark data. To address these challenges in determining the fair value of investment properties, the Fund has engaged independent appraisers to provide their views on the estimated fair value. Such fair values were determined based on most recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices. The Fund has then assessed these valuations, together with their knowledge of the market and the economy in PNG. The amounts and timing of recorded changes in fair value for any period would differ if the Fund made different judgements and estimates or utilised different basis for determining fair value.

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

Valuation of financial assets and liabilities

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

The fair value methodology and any unobservable inputs used in calculating the financial assets and liabilities of the Fund are considered in notes 4(ii) to (v), 9(e), 10 (b) (vii) and 24 (e).

Contingent liabilities

The Fund is currently involved in various legal proceedings as disclosed in note 21. Estimates of probate costs for the resolution of these claims have been developed in consultation with outside counsel handling the defence in these matters and is based upon an analysis of potential results. The Fund currently does not believe these proceedings will have a material adverse effect on the statement of financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates, or in the Fund's effectiveness of the Fund's strategies relating to these proceedings, or in the application of new and revised International Financial Reporting Standards.

Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the Board has considered future events and conditions for the period of 12 months following the approval of these financial statements, including the impact of the outbreak of COVID-19 which was declared by the World Health Organisation as a global pandemic on 11 March 2020. Whilst the situation remains uncertain, the Board remains confident that Nasfund will be able to continue as a going concern as the Fund's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

Application of new and revised International Financial Reporting Standards

New and Revised IFRS in issue but not yet effective

The Fund has not applied the following new and revised IFRSs that have been issued but not yet effective:	
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before intended use
Amendments to IAS 37	Amendments to IAS 37

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

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

The effective date of the amendment is yet to be set by the IASB; however, earlier application of the amendment is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Fund's financial statements in future periods should such transactions arise.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or in the information disclosed about those items.

The amendments that clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer the counterparty of cash, equity instruments, or other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 - Reference to Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event gives rise to a liability to pay the levy that has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and any equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use (Continued)

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consists of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

COVID-19

The novel corona virus outbreak discovered in China in December 2019 (COVID-19) has had a significant impact on the global economy during the year ended 31 December 2020 and has resulted in increased uncertainty and volatility in investment markets. Nasfund has well established policies to specifically address the risks associated with significant external market events such as the COVID-19 pandemic and these have been applied consistently throughout the year ended 31 December 2020. Accordingly, there have been no changes to accounting policies required as a result of the COVID-19 pandemic nor have there been any changes to the basis on which these general purpose financial reports have been prepared. However, additional sensitivity analysis has been provided in Note 2 Investments and Note 9 Equity Investments.

The Fund's response and management plans to the pandemic have focused on;

- ensuring the well-being of the staff of Nasfund including the implementation of work from home practices, utilisation of digital technologies for collaboration and meetings, elimination of non-essential travel, and restriction or access to our office premises;
- reviewing the operations of the Fund to ensure key service providers are able to continue to provide services without significant interruption;
- monitoring the volatility of domestic and international investment markets to ensure the Fund's investment strategy is appropriate to maximise member returns, and
- reviewing the cost base of the Fund and investee companies and identifying where cost reductions may be implemented to address a higher than expected reduction in funds under management.

3. Significant accounting policies

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

a) Member accounts

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

b) Investment assets

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

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

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

c) Foreign currency transactions

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

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

d) Deferred expenditure

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

e) Financial instruments

(i) Non-derivative financial assets

The Fund initially recognises loans and receivables and deposits on the date they have originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Government Securities

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

Loans and Receivables

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

3. Significant accounting policies (continued)

e) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Cash and Cash Equivalents

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

(ii) Non-derivative financial liabilities

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

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

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

f) Property Plant and Equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Reclassification into investment property

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

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

3. Significant accounting policies (continued)

f) Property Plant and equipment (continued)

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

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

g) Investment property

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

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

h) Impairment of assets

(i) Financial assets (including receivables)

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

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

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

All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.

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

3. Significant accounting policies (continued)

h) Impairment of assets (continued)

(i) Financial assets (including receivables)

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

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

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

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

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

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

(ii) Non-financial assets

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

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

i) Employee benefit plans

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Short-term employment benefits

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

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

3. Significant accounting policies (continued)

j) Provisions

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

k) Revenue recognition

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

Dividend revenue

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

Interest revenue

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

Movement in net market value of investments

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

Rent

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

l) Expenses

Fees, commission and other expenses

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

m) Income taxes

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

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

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

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

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

4. Determination of fair values

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

The Fund has an established control framework with respect to the measurement of fair values. The overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, rests upon the Chief Financial Officer and Joint Chief Investment Officers. The Chief Financial Officer and Joint Chief Investment Officers review the valuation reports and assesses the reasonableness of the significant unobservable inputs. The key items in the valuation reports are reported to the Audit and Risk Committee and Investment Committee.

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

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

Level 2 fair value measurements are those derived from inputs other than quoted prices include 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).

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

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

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

(i) Investment property

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

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

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

(ii) Investment in quoted equity and debt securities

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

(iii) Unquoted equity investments

Unquoted equity investments are initially recorded at cost. Individual unquoted equity investments are externally valued every year. An external valuation will also be required where the Directors of the Trust believe that the value of the asset has changed by the greater of K5 million or 10% from the previous external valuation. When an external valuation is required, an external independent valuer, having appropriate recognised professional qualifications and recent experience of unquoted companies being valued, values the Fund's unquoted equity investments. Directors' valuations are required for all other years. The fair values are based on either the cumulative multiple earnings, net assets, discounted cash flows, dividend discount model, or liquidation method. The method adopted is applied consistently from year to year. The sensitivity analysis on unquoted equity investments is disclosed in Notes 9 (e) and 24 (e).

4. Determination of fair value (continued)

(iv) Trade and other receivables

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

(v) Non-derivative financial liabilities

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

5. Financial risk management

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

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

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

Risk management framework

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

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

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

(i) Credit risk

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

Trade and other receivables

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

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

Investments

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

5. Financial risk management (continued)

(ii) Liquidity risk

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

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

(iii) Market risk

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

(iv) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective

Compliance with Fund standards is supported by a programme of periodic reviews undertaken by management. The results of internal reviews are discussed with management with summaries submitted to the Audit and Risk Committee and Board of Directors.

6. Funding arrangements

The employers have contributed to the Fund during the current financial year at a rate of 8.4% of the gross salaries of those employees who were members of the Fund (2019: 8.4%). Employees contribute to the Fund during the year at a minimum rate of 6.0% of the gross salaries (2019: 6.0%).

7. Fund Requirements

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

- Obtains funds from one or more investors for the purpose of providing them with professional investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates performance of substantially all of its investments on a fair value basis.

8. Investment in Financial Assets

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Interest Bearing Deposits		700,000	906,460
Treasury Bills	(c)	47,193	34,815
Government Inscribed Stock	(a)	1,734,345	1,390,009
Sovereign Community Infrastructure Treasury Bill (SCITB)	(b)	28,348	29,083
Notes and other loans	(d)	127,645	103,295
		2,637,531	2,463,662

a) Government Inscribed Stock

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
GIS		1,767,964	1,402,959
Provision for impairment	(e)	(33,619)	(12,950)
		1,734,345	1,390,009

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

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
SCITB		68,581	68,581
Interest receivable from SCITB		35,250	35,250
Provision for impairment	(e)	(75,483)	(74,748)
		28,348	29,083

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

The yield on the SCITB is 7.05% and has not been included in the interest revenue. Interest relating to the SCITB of K4.8 million (2019: K4.8 million).

c) Interest Receivable

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Opening Balance accrued interest		34,815	31,029
Increase / (Decrease) in accrued interest		12,378	3,786
Closing Balance		47,193	34,815

8. Investment in Financial Assets (continued)

d) Notes and other loans

		Maturity	Average	31 Dec 2020	31 Dec 2019
	Note	(years)	Yield	K'000	K'000
Panamex Limited		1	12.0%	10,000	11,198
Lamana Hotel Limited		-	15.0%	-	2,474
Tawali Resort Limited	(i)	-	-	4,057	4,057
Heritage Park Hotel Limited			12.5%	28,828	27,932
Mainland Holdings				62,126	35,000
The Edge				6,600	6,600
PNG Air	(ii)			45,000	20,000
City Centre Development (CCD)				20,091	20,091
				176,702	127,352
<i>Less: provision for impairment</i>	(i), (ii)			(49,057)	(24,057)
				127,645	103,295

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

(i) In 2012 the Fund provided for the loan to Tawali Resort of K4.057 million as there is doubt regarding its recoverability.

(ii) In 2017 Nasfund provided funding to PNG Air worth K20 million, however the terms on which that funding was to be converted to equity were not satisfied. In 2020, an additional K25 million was converted from investments to loan, as the initial plan to convert the notes to equity did not eventuate. As such, this has now been recorded as a loan and provision for impairment of K45 million has been accounted for in accordance with IFRS 9, based on an assessment performed in 2020.

e) Movement in provisions

The movement in the provision for impairment in respect of government securities and other loans are as follows:

	31 Dec 2020	31 Dec 2019
	K'000	K'000
Opening balance	111,755	107,733
Provision for impairment on SCITB	735	-
Provision for impairment on Government Inscribed Stock	20,669	4,022
Provision for impairment loan to PNG Air (note 8 (d))	25,000	-
Closing balance	158,159	111,755

Provision for impairment is comprised of the following:

	31 Dec 2020	31 Dec 2019
	K'000	K'000
Tawali Resort (note 8(d))	4,057	4,057
Interest receivable on SCITB	35,250	35,250
Provision for impairment on SCITB	40,233	39,498
Provision for impairment on Government Inscribed Stock	33,619	12,950
PNG Air (note 8 (d))	45,000	20,000
	158,159	111,755

9. Equity investments

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Quoted investments - domestic	(a)	666,929	676,744
Quoted investments - international	(a)	589,992	563,297
Unquoted investments	(b)	912,157	934,465
		2,169,078	2,174,506

(a) Quoted investments

Summary of revaluation of quoted investments is as follows:

	31 Dec 2019	Revaluation	Transfer	31 Dec 2020
	K'000	K'000	K'000	K'000
Quoted shares domestic				
PNG Air (i)	15,525	-	(15,275)	250
Bank of South Pacific Limited	533,851	9,970	-	543,821
City Pharmacy Limited	28,009	(10,720)	-	17,289
Credit Corporation (PNG) Limited	99,359	6,210	-	105,569
	676,744	5,460	(15,275)	666,929
Quoted shares international				
Oil Search Limited	106,566	(44,912)	-	61,654
Vanguard	401,377	77,646	-	479,023
Steamships Trading Company Limited	55,354	(6,039)	-	49,315
	563,297	26,695	-	589,992

Reconciliation of movement in quoted investments is as follows:

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Opening balance		1,240,044	1,042,264
Additions / (Disposal) or transfers during the year		(15,275)	64,679
Profit on disposal		-	-
Fair value gain / (loss)		32,155	133,101
Closing balance		1,256,925	1,240,044

National Superannuation Fund
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9. Equity investments (continued)

Summary of revaluation of unquoted investments is as follows:

Unquoted investments	Note	Percentage Holding	2020 Valuation Model	2019 Valuation Model	2019 K'000	Revaluation K'000	Other Movements K'000	2020 K'000
Amalgamated Packaging Limited		30.00%	(iii)	(iii)		1,250	-	
Hornibrooks NGI Limited		21.13%	(ii)	(ii)		(1,300)	-	
Nas Aviation Limited		0%	(ii)	(ii)		-	(5,000)	
Brian Bell & Company Limited		20.31%	(iii)	(iii)		(250)	-	
The Edge Limited		100.00%	(iii)	(iii)		(21,683)	(4,155)	
Port Services Limited		5.00%	(ii)	(ii)		-	(800)	
City Centre Developments Limited		100.00%	(iii)	(iii)		(1,419)	-	
South Pacific Brewery Limited		0.72%	(iii)	(iii)		(3,250)	-	
Pacific Balance Fund		22.00%	(ii)	(ii)		-	-	
Toyota Tsusho (PNG) Limited		0.61%				-	-	
Hillside Garden		50.00%	(ii)	(ii)		-	-	
Panamex Limited		41.10%	(iii)	(iii)		(750)	-	
Heritage Park Hotel		60.00%	(ii)	(ii)		11,650	-	
Malagan Limited		100.00%	(iii)	(iii)		(516)	-	
Carpark Limited		100.00%	(iii)	(iii)		4,994	-	
Gewani Ltd		100.00%	(iii)	(iii)		1,385	-	
Capital Insurance Group Ltd		19.20%	(iii)	(iii)		1,200	-	
Loloata Islands Resort		50.00%	(iv)	(iv)		-	2,435	
Mainland Holdings Ltd		78.27%	(ii)	(ii)		(6,100)	-	
Total unquoted investments					934,465	(14,789)	(7,520)	912,157

(i) Orderly Realisation of Assets

(ii) Net Assets on a Going Concern Basis

(iii) Capitalisable Maintainable Earnings ("CME")

(iv) Cost

(v) Discounted cash flows

9. Equity investments (continued)

(b) Unquoted Investments at fair values (continued)

Reconciliation of movement in unquoted investments is as follows:

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Opening balance		934,465	938,645
Additions / disposals during the year		(5,800)	61,166
Fair value gain/(loss)	16	(16,509)	(65,346)
Other adjustments	(i)	-	-
Closing balance		912,156	934,465

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

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

Bank of South Pacific Limited	9.77%
Vanguard	8.60%

(d) Fair value model and significant unobservable inputs

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

(i) Orderly Realisation of Assets

Orderly Realisation of Assets (ORA) is a valuation model based on the identifiable net assets of the investee. Intangible assets such as customer lists, management, supply arrangements, and goodwill are ignored where not already recorded. The Individual assets of the company are discounted for costs that would be incurred to realise those assets. Significant key unobservable input used in this valuation model is the fair value adjustment for the realisation cost, ranging from 10% to 30%. This valuation method assumes that the company is wound up in an orderly manner. The final valuation is taken at the mid-range of the provided valuation range.

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

(ii) Net Assets on a Going Concern Basis

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

9. Equity investments (continued)

(iii) Capitalisable Maintainable Earnings ("CME")

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

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

(iv) Cost

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

(v) Discounted cash flows

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

(e) Sensitivity analysis

The following is a sensitivity analysis of unobservable inputs:

	Effect on profit or loss	
	Increase / (decrease)	
	31 Dec 2020	31 Dec 2019
	K'000	K'000
Increase of 1% in market multiples	37,903	41,840
10% increase in earnings	43,505	48,320
Increase of 5% in discount rates	(126,452)	(144,221)

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

10. Investment properties and work in progress

	31 Dec 2020	31 Dec 2019
	K'000	K'000
Residential properties	49,433	54,884
Industrial properties	27,974	30,469
Commercial properties	440,464	443,775
Land	14,548	14,417
	532,419	543,547

(a) Investment properties (at market value)

Summary of movement in revaluation of investment properties as follows:

	Valuation Model	Capitalization Rates	2019 K'000	Revaluation K'000	Other movements K'000	2020 K'000
Residential properties						
Peacehaven Apartments	MC	11.00%		-	(2,900)	
Sol Wara Apartments	MC	10.81%		(6,222)	5,022	
Cross Street Apartments	MC	11.00%		-	(1,350)	
Lot 18 Sect. 69 House Property	MC	11.00%		-	-	
Lot 3 Sect. 2 Madang Property	DMA	-		-	-	
Lot 11 Sect. 13 KBB Property	DMA	-		-	-	
Siroi Panu Units	MC	11.00%		-	-	
			54,884	(6,222)	772	49,433
Industrial properties						
API	MC	11.00%		-	-	
Gordons - Cameron Road	MC	11.11%		(2,495)	-	
			30,469	(2,495)	-	27,974

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10. Investment properties and work in progress

	Note	Valuation Model	Capitalization Rates	2019 K'000	Revaluation K'000	Other movements K'000	2020 K'000
Commercial properties							
Ravalien Haus		MC	10.00%		1,000	-	
Able Computing Madang		MC	10.00%		-	107	
ANZ Haus		MC	10.00%		1,190	10	
Westpac Head Office Building		DMA	-		-	-	
BSP Douglas Street	(iv)	Cost	-		-	33	
Malahang Shed Regina St. Lae		DMA	-		-	(304)	
Madang Slipway		DMA	-		-	22	
Kina Haus		MC	10.00%		(4,066)	2,031	
Nasfund Haus Lae		MC	11.50%		-	32	
NCSL Head Office	(iii)	DMA	-		-	-	
IPA Haus		MC	12.50%		(1,893)	12	
Burns Philp		MC	-		(9)	226	
The Face		MC	-		(127)	126	
The Factory		MC	12.50%		(1,778)	78	
				443,775	(5,683)	2,373	440,464
Land							
Section 69, Lae		Cost	-		-	-	
8 Mile and 9 Mile	(ii)	DMA	-		-	-	
Vacant Land, POM			-		-	-	
Vacant Land, Lae		DMA	-		-	131	
				14,417	-	131	14,548

10. Investment properties and work in progress (continued)

Reconciliation of movement in investment properties is as follows:

	Note	2020 K'000	2019 K'000
Opening balance		543,545	526,233
Improvements, reclassifications, and additions		3,274	29,137
Fair value gain / (loss)	16	(14,400)	(11,825)
Closing balance		532,419	543,545

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

(b) Measurement of fair value, fair value model and significant unobservable inputs

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

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

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

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

(iv) Fair value hierarchy

The classifications of fair value hierarchy have been discussed in note 24(g). The reconciliation of the movement of investment properties based on their respective fair value hierarchy classification are detailed as follows:

The fair value measurement for investment properties of K38.230 million (2019: K38.348 million) have been categorised as Level 2 fair value as the inputs to the valuation techniques used made reference to recent market sales transactions of comparable properties.

The fair value measurement for investment properties of K494.189 million (2019: K505.197 million) have been categorised as Level 3 fair value as the inputs to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates.

10. Investment properties and work in progress (continued)

(b) Measurement of fair value, fair value model and significant unobservable inputs (continued)

(v) Level 2 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 2 fair values

	2020 K'000	2019 K'000
Opening balance	38,348	44,978
Improvements, reclassifications, and additions	(118)	387
Changes in fair value	-	(7,017)
Closing balance	38,230	38,348

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

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

(vi) Level 3 fair value

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

	2020 K'000	2019 K'000
Opening balance	505,197	481,255
Improvements, reclassifications, and additions	3,394	28,750
Changes in fair value	(14,400)	(4,808)
Closing balance	494,191	505,197

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

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

(vii) Sensitivity analysis

	Effect on profit or loss increase / (decrease)	
	2020 K'000	2019 K'000
Increase of 1% in capitalisation rates	28,611	22,174
10% increase in rentals	129,478	111,557
10% increase in sales prices and / or replacement costs	1,437	1,588

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

11. Property and equipment

a) Property and equipment

Cost or deemed cost	Motor Vehicles K'000	Office Equipment K'000	Fixture and Fitting K'000	Total K'000
At 1 January 2019	1,613	9,521	7,699	18,832
Additions	582	1,499	33	2,114
Disposals	(109)	-	-	(109)
At 31 December 2019	2,086	11,020	7,731	20,837
At 1 January 2020	2,086	11,020	7,731	20,837
Additions	407	758	625	1,790
Disposals	(331)	-	-	(331)
At 31 December 2020	2,162	11,777	8,356	22,296
Accumulated depreciation				
At 1 January 2019	671	7,197	2,297	10,165
Depreciation for the year	191	1,213	824	2,228
Disposals	(100)	-	-	(100)
At 31 December 2019	762	8,410	3,121	12,293
At 1 January 2020	762	8,410	3,121	12,293
Depreciation for the year	454	1,171	578	2,203
Disposals	(175)	-	-	(175)
At 31 December 2020	1,041	9,581	3,669	14,321
Carrying amounts				
At 31 December 2020	1,121	2,195	4,656	7,973
At 31 December 2019	1,324	2,610	4,610	8,544
Capital Work in Progress included in property and equipment				
			2020 K'000	2019 K'000
Opening balance			2,151	654
Additions			-	1,497
Commissioned			(179)	-
Closing balance			1,972	2,151
Total property and equipment				
As at 31 December 2020				9,944
As at 31 December 2019				10,695

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12. Income tax

a) Income tax expense	31 Dec 2020 K'000	31 Dec 2019 K'000
Current tax	47,404	49,754
Under provision of current taxes in previous years	(304)	8,708
	47,100	58,462
Accounting profit before tax	270,061	371,064
Tax on the profit for the year at 25%	67,515	92,766
Taxation effect on permanent differences		
- Non-deductible items	25,739	26,697
- Non-taxable items	(18,978)	(40,261)
Dividend rebate	(26,873)	(29,448)
Under provision in prior years	(304)	8,708
	47,100	58,462
b) Income tax balance		
Opening balance of income tax payable	2,909	9,284
Current tax payable	47,386	30,093
Under provision of taxes in previous years	(304)	8,708
Offset by withholding taxes recoverable	(20,215)	(6,256)
Payment during the year	(17,183)	(38,920)
	12,594	2,909

c) Deferred tax balances

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

<i>As at 31 December 2019</i>	Asset K'000	Liability K'000	Net K'000
Property plant and equipment	-	36	36
Investment property	-	(13,285)	(13,285)
Provisions	19,353	-	19,353
Interest receivable	-	(652)	(652)
Other	1,135	(29,594)	(28,459)
	20,488	(43,495)	(23,007)
<i>As at 31 December 2020</i>			
Property plant and equipment	-	203	203
Investment property	-	(14,732)	(14,732)
Provisions	18,420	-	18,420
Interest receivable	-	(9,260)	(9,260)
Other	1,851	(23,932)	(22,082)
	20,270	(47,722)	(27,452)

13. Sundry creditors and accruals

	31 Dec 2020 K'000	31 Dec 2019 K'000
Sundry creditors and other accruals	4,671	7,637
Unearned interest on Treasury Bills	20,775	36,183
Bonds and repayable deposits	3,024	5,534
	28,470	49,354

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14. Provision	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Current			
Provisions for employee entitlements		825	780
Non-current			
Provision for long service leave		3,249	2,890
		3,249	2,890
The movement in provision for long service leave is presented as follows:			
Opening balance		2,890	2,773
Charge for the year	19	359	117
Closing balance		3,249	2,890

15. Revaluation reserve		31 Dec 2020	31 Dec 2019
		K'000	K'000
Opening balance		5,845	5,845
Transfer to retained earnings		(5,845)	-
Closing balance		-	5,845

16. Movement in fair value

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

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

Unrealised in respect of those investments held at the end of the year:	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Shares in listed companies		16,880	133,101
Shares in unlisted companies		(22,309)	(65,346)
Investment properties		(14,400)	(11,826)
		(19,829)	55,930

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

Investment properties / unlisted companies / other	18	12,695	(15,250)
Movement in fair value not attributed to foreign exchange gain/(loss)		(32,524)	40,410

17. Finance Income

	Note	31 Dec 2020	31 Dec 2019
		K'000	K'000
Interest Income			
<i>Financial Instruments measured at amortized cost:</i>			
Government Inscribed Stock		186,675	153,796
Bank Deposits		3,450	2,110
Treasury Bills		46,353	54,281
Loans		10,147	11,183
		246,626	221,370
Other:			
<i>Dividends received from Equity Investments:</i>			
Unlisted Equity		43,231	35,483
Listed Equity		64,259	82,309
		107,490	117,792
Total Finance Income		354,116	339,162

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18. Operating profit for the year has been arrived at after charging the following items:

	31 Dec 2020 K'000	31 Dec 2019 K'000
Auditors' remuneration - audit	386	345
Legal expenses	1,280	858
Gain on sale of property, plant and equipment	24	40
Net foreign exchange gain/(loss) - related to cash	(345)	850
Net foreign exchange gain/(loss) - related to investments	12,695	15,520

19. Staff related expenses

	Note	31 Dec 2020 K'000	31 Dec 2019 K'000
Salaries and wages		14,333	15,352
Superannuation		1,171	1,283
Long service leave	14	359	117
Other expenses and benefits		5,535	7,196
		21,398	23,948

The number of full-time employees at the end of the year was 162 (2019: 152).

The number of employees whose remuneration exceeds K100,000 for the year was 17 (2019: 14).

Total remuneration (Kina)	31 Dec 2020 No.	31 Dec 2019 No.
K100,001 TO K150,000	3	1
K150,001 TO K200,000	3	4
K200,001 TO K250,000	1	-
K250,001 TO K300,000	1	3
K300,001 TO K350,000	2	-
K350,001 TO K400,000	3	-
K400,001 TO K450,000	-	1
K450,001 TO K500,000	2	2
K500,001 TO K550,000	-	-
K550,001 TO K600,000	-	-
K600,001 TO K650,000	-	-
K650,001 TO K700,000	-	-
K700,001 TO K750,000	-	-
K750,001 TO K800,000	-	-
K800,001 TO K850,000	-	-
K850,001 TO K900,000	-	-
K900,001 TO K950,000	-	-
K950,001 TO K1,000,000	-	-
K1,000,001 +	2	3
	17	14

20. Employee benefit plans

Post-employment benefits

The Fund contributes to the National Superannuation Fund for its own employees. The Fund's employees receive 10% employer contribution rates. Employees contribute to the Fund during the year at a minimum rate of 6.0% of the gross salaries. During 2020, the Fund expensed K1.171 million in contributions (2019: K1.233 million).

21. Commitments, contingencies and disputes

(a) Commitments

The Fund has entered into a contract for the management and maintenance of its investment properties (facilities management), member's fund management, and investment portfolio management for the next three years (Refer note 21 (c)). The annual expense expected to be incurred in relation to these contracts is as follows:

Contract	Amount
Facilities management	(i) K7 million per annum
Security fees	K1.192 million per annum
Member's fund management	
- monthly fee for up to 180,000 active members	K700,000 per month
- withdrawal fees charged to exiting members	Nil
Investment portfolio management	
- Custodial services	K125,000 per annum
- Asset Consulting Services	K1.625 million per annum
- Listed Funds Management Services	K480,000 per annum
- Unlisted Funds Management Services	30 basis points per annum, based on value of funds under management

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

(b) Government securities in dispute and litigation liabilities

The Fund had the following government securities and other litigious matters which were directly or indirectly in dispute as at 31 December 2020:

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

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

(ii) Exchange of Niugini Nominee Notes (K100 million) for Bank of South Pacific shares

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

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

(iii) Provision for impairment

Whilst the Fund does not accept that its claim in relation to the SCITB referred to in paragraph (i) will fail, that it has any exposure in relation to the claim in paragraph (ii) or that it has any liability in any other proceedings, the Fund has made a global provision in relation to this all such matters, of K39 million (2019: K39 million) to take account of the uncertainties of litigation (see note 8d).

21. Commitments, contingencies and disputes (Continued)

(iv) Portion 2123 court proceeding

During 2013 and 2015, the Fund instituted proceedings against Yawenaik Ltd and other parties including Department of Lands & Physical Planning and Registrar of Titles. The proceedings were to recover the land described as Portion 2123, Granville (9-Mile) comprising of 90.7 hectares from Yawenaik Ltd and other parties. The Fund instituted the proceedings after the land was consolidated with another property described as Portion 1568, subdivided and given new description without the knowledge and authority of the Fund. Ownership of the Land will be recovered if the current Court proceedings are successful and the Fund's independent legal advisor as advised that those proceedings have prospect of success.

(c) Material contracts - operational

Contract	Services	Expiry Date
Kina Investments & Superannuation Services Limited	Administration	July 2022
Black Swan Limited	Security	March 2021
BSP Capital Limited	Investment Management	June 2021

(c) Material contracts - property development

Contract	Services	Expiry Date
Ashton Brunswick Limited	Facilities Manager	June 2021

22. Notes to the statement of cash flows

Reconciliation of cash and cash equivalents

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
Cash at bank and on hand	113,126	63,094
Interest bearing deposits and treasury notes	141,674	43,122
Cash and cash equivalents	254,800	106,216

Interest bearing deposits and treasury notes have a maturity of less than 90 days. Interest rates ranged from 0.5% to 6.25% (2019: 0.5% to 6.25%).

23. Related party transactions

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

Transactions with related parties during the year are as follows:

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

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
Opening balance owing to Nasfund	1	62
Administration service provide by Nasfund	26	21
Payments made to Nasfund	-	(82)
Closing balance	27	1

23. Related party transactions (continued)

(iv) Transactions with key management personnel

All Directors and Company Secretary are considered key management personnel together with the following management personnel Ian Tarutia (Chief Executive Officer), Anne Wilson (Chief Officer Member Services), Seema Dass-Raju (Chief Risk & Compliance Officer), Rajeev Sharma (Chief Financial Officer), Judah Waffi (joint Chief Investment Officer), Fiona Nelson (joint Chief Investment Officer), Rennie Wekina (Chief Officer Properties), Doris Gedare (Company Secretary), Jack Parina (Company Secretary), and Vincent Lialu (Chief Officer Human Capital).

(v) Compensation

Key management personnel compensation comprised of:

	31 Dec 2020	31 Dec 2019
	K'000	K'000
Salaries and fees	7,097	6,533
Non-monetary benefits	688	2,512
Post-employment benefits	1,790	1,490
	9,574	10,535

(vi) Loans

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

(vii) Benefits paid to directors

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

	31 Dec 2020	31 Dec 2019
	K'000	K'000
- Sitting allowance	424	207
- Board fees	1,532	1,609
- Directors insurance	178	190
- Other costs	125	83
	2,259	2,089

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

23. Related party transactions (continued)

(viii) Board and CEO personal interests as at 31 December 2020

Name	Nature	Organisations
Charles Vee	Director	Edge Limited, V-Tech Consultancy Limited, Architectural Alliance Ltd.
	Shareholder	Architectural Alliance Ltd.
Ian A Tarutia, OBE	CEO	Nasfund
	Director	Nasfund Contributors Savings & Loan Society, Federation of Savings & Loans Society PNG, PNG Chamber of Commerce and Industry, Seychelles Limited, East New Britain Properties Ltd, Cloud App Laboratories Ltd.
	Shareholder	Bank South Pacific Ltd, Seychelles Ltd, PNG Air Ltd
Leon Buskens	Director	ANZ PNG Limited, SP Brewery Limited, IPA, Gazelle International Hotel, Kopkop College, Oil Search Foundation
	Shareholder	Oil Search Limited, Kopkop College
	Trustee	National Football Stadium Ltd
Kepas Wali	Director	Minerals and Petroleum Consultants Ltd, PNG Ports Corporation Ltd
Tamzin Wardley, ML, MBE	Director/Executive Member	Royal Papua Yacht Club Inc.
	Director	Pacific Games 2015 Ltd, Westpac Bank Ltd
	Shareholder	Steel Industries Ltd, Oil Search Ltd
Florence Willie	Director/Shareholder	Konevilla No1 Consultants Limited
Mike Murphy	Owner	Mike Murphy Actuarial
	Shareholder	Telstra Corporation Limited (AUS), AMP Limited (AUS), AON PLC (US/UK)
George Panao	Director	G-Energy Solutions, Manufacturers' Council of PNG
	Executive Member	Roger Hau'ofa Kidney Foundation
Anthony Yaueib	Director/Shareholder	Allen PNG Limited, Newcrest Mining Limited, PNG Institute of Directors
Julienne Leka-Maliaki	Director/Shareholder	Logic Connect Ltd, PNG Air Ltd, Oil Search Ltd, PNGSF

24. Financial Instruments

(a) Credit risk

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
Government debt securities	1,744,525	1,419,012
Equity securities	2,169,078	2,174,600
Loans and receivables	142,645	103,295
Interest receivables	47,193	34,815
Property receivables	14,994	19,560
Other receivables	2,103	1,085
Interest bearing deposits and treasury notes	700,000	906,460
Cash and cash equivalents	178,052	106,216
	4,998,590	4,765,122

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

Aging of trade receivables

The aging of unimpaired property receivables at the reporting date was:	31 Dec 2020 K'000	31 Dec 2019 K'000
Current	831	2,809
31-60 days	171	376
61-90 days	183	2,050
over 90 days	5,356	14,325
	6,541	19,559

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
Opening balance	1,448	1,448
Closing balance	1,448	1,448

(b) Liquidity risk

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

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2020

24. Financial Instruments (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements are expected to be realised within the first three months of 2021. Contractual financial liabilities comprise sundry creditors and accruals and current tax liabilities. Any interest payable on these accounts is expected to be insignificant for expected future contract ed payments.

(c) Currency risk

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

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

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

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

As at 31 December 2020	AUD K'000	USD K'000	SBD K'000
Equity investments	110,969	479,023	76,400
Cash at bank	4,693	-	2,731
Gross balance	115,662	479,023	79,131
% of net asset value	2.1%	8.6%	1.4%
Foreign exchange rate	0.36	0.28	2.18

As at 31 December 2019			
Equity investments	161,920	404,375	64,750
Cash at bank	2,637	-	7,664
Gross balance	164,556	404,375	72,415
% of net asset value	3.1%	7.7%	1.4%
Foreign exchange rate	0.42	0.30	2.41

Sensitivity analysis

A ten percent (10%) strengthening of the PNG Kina against the above currencies at 31 December would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2020 and 2019.

	31 Dec 2020 K'000	31 Dec 2019 K'000
AUD	11,566	16,456
USD	47,902	40,437
SBD	7,913	7,241
	67,382	64,135

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

24. Financial Instruments (continued)

(d) Interest rate risk management

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

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
<i>Fixed rate instruments</i>		
Total assets (Government bonds and inscribed stock)	1,715,442	1,930,009
Treasury bills and interest bearing deposits	2,776,037	949,582
Loans and other receivables	143,817	75,363
	4,635,296	2,954,954
<i>Variable rate instruments</i>		
State grant	-	-
Loans and other receivables	-	-
Total	4,635,296	2,954,954

(e) Other market price risk

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

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

Investments of the Fund (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities, shares in listed companies, investments in unlisted companies and funds. The Fund's exposure therefore is limited to the fair value movement of these investments.

Other market price risk is mitigated by constructing a diversified portfolio of instruments which are traded on various markets. All investment managers are subject to extensive due diligence prior to being appointed with the recommendation for their appointment and removal made by the Investment Committee to the Board for final approval.

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

24. Financial Instruments (continued)

(e) Other market price risk (continued)

Sensitivity analysis

Following analysis of historical data and expected investment rate movements during the 2020 Financial year, together with consultation with the investment consultant, the Fund's Investment Department considers the following movements in other market price risk are reasonably possible.

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

As at 31 December 2020	%	Carrying Amount K'000	Effect on net assets And profit Increase K'000	Effect on net assets And profit Decrease K'000
Listed overseas shares	15%	589,992	88,499	(88,499)
Listed local shares	10%	666,929	66,693	(66,693)
Investment in unquoted companies	5%	912,157	45,608	(45,608)
As at 31 December 2019	%			
Listed overseas shares	15%	563,391	84,509	(84,509)
Listed local shares	10%	676,744	67,674	(67,674)
Investment in unquoted companies	5%	934,465	46,723	(46,723)

(f) Fair value versus carrying values

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

(g) Fair value hierarchy

Subsequent to initial recognition, the Fund uses the fair value hierarchy in determining the fair value of its available-for-sale financial assets, financial assets at fair value through profit and loss ("FVTPL") and financial liabilities at FVTPL. The fair value of hierarchy groups the financial instruments into levels 1 to 3 based on the degree to which the fair value is observable. Details of each level are discussed in note 10(b)(iv).

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

As at 31 December 2020	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Equity securities	1,256,921	-	912,157	2,169,078
Investment Properties	-	38,230	494,189	532,419
	1,256,921	38,230	1,406,346	2,701,497
As at December 31 2019				
Equity securities	1,240,041	-	934,465	2,174,506
Investment Properties	-	38,348	505,199	543,547
	1,240,041	38,348	1,439,664	2,718,053

24. Financial Instruments (continued)

(h) Measurement of fair values

(i) Financial instruments measured at fair value

Equity securities

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

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

Debt securities - Government Inscribed Stock

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

(ii) Financial instruments not measured at fair value

Debt securities

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

(iii) Reconciliation of Level 3 fair values

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

	31 Dec 2020 K'000	31 Dec 2019 K'000
Opening balance	1,432,645	1,419,900
(Disposals / redemptions) or additions during the year	(30,791)	(77,558)
Changes in fair value	(2,524)	90,302
Closing balance	1,399,330	1,432,645

25. Comparative figures

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

26. Events after balance sheet date

The COVID-19 pandemic has created unprecedented uncertainty. Actual economic events and conditions in the future may materially differ from those estimated by the Fund at the reporting date.

In the event that COVID-19 impacts are more severe or prolonged than anticipated, the future fair value of Nasfund's investments may be adversely affected. The Board has assessed the events subsequent to the year-end up to the date of signing these financial statements and determined that no adjustments or additional disclosures are required.

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Independent

Tamzin Wardley, ML, MBE
Independent

Leon Buskens
PNG Chamber of Commerce and Industry

Kepas Wali
PNG Trade Union Congress

Michael Murphy
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17
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NASFUND DISCOUNT PARTNERS FOR 2020

Nationwide	Discount	Lae	Discount	Goroka	Discount
PNG Air	K50	Niugini Builders Suppliers Ltd	5%	Brian Bell & Co Limited	15%
CPL Group	5%	Nuigini Electrical Company	12.50%	Brian Bell Chemical	15%
Port Moresby	Discount	PNG Pipemakers Ltd	5%	Pacific Gardens Hotel	15%
All Workers Barber Services Ltd	20%	Brian Bell & Co Ltd	15%	Wewak	Discount
Brian Bell & Co. Ltd	15%	Brian Bell Chemicals/Electricals	15%	Leon Hardware	10%
Brian Bell Electrical	15%	Lae International Hospital	10-50%	Seaview Hotel	10%
Brian Bell Chemicals	15%	Chin H Meen & Sons Ltd	10%	Wabag	Discount
Courts (PNG) Ltd	10%	Nesian Beauty	20%	Ribito Hotel Limited	5%
Prolonk International	5%	Theodist Limited	10%	Alotau	Discount
Wellness	5%	Phils Hotel	5%	Alotau International Hotel	10%
Mills Dental Care	10%	Masslift New Guinea	10%	Tawali Resort	25%
Sed Optical Ltd	20%	AGD Printings	25%	Samarai Plastics	10%
City Health Care	10%	Mt Hagen	Discount	Milne Bay Hardware (Brian Bell Supplier)	15%
Theodist Ltd	10%	Country Farmers Hardware	5%	Lihir	Discount
Daltron Ltd	10%	Poiyo Ltd	5%	Awella Books & Stationary	5%
The Shady Rest Hotel	10%	Magani Motor Services	5%	Anitua Hardware	10%
Mr. Mike Pizza	10%	Shir Shar Computing & Electronics	15%	Kavieng	Discount
Glow Hair Boutique	10%	Gilsenan Melpa Ltd	10%	Bisi Trading Ltd	5%
Cellar Resturant	10%	Kiminiga Hotel - Accomodation	15%	Bisi Trading Ltd	8%
Lamana Hotel	10%	Kiminiga Hotel - Meals	20%	Joseph Tongs & co	5%
Chin H Meen & Sons Ltd	15%	Mt Wilhelm Hotel	5%	PMM (Cofgro No.35) Ltd	15%
Chin H Meen Entertainment Centre	10%	Brian Bell & Co Ltd	15%	Island Builders Suppliers	10%
Able Computing (PNG) Ltd	10%	Brian Bell Chemicals	15%	Huilong Enterprise Limited	5%
Monier Ltd	10%	Mt William Hotel	5%	Huilong Enterprise Limited	10%
Neisian Beauty	20%	McRoyal Hotel	10%	Kavieng Hotel	15%
Look Fresh Salon	10%	Jiwaka Mission Resort	5%	NGI Suppliers Ltd	5-10%
Solar Solutions PNG Ltd - Sentinel	10%	Total Homes Limited	5%	Red Star Investment Limited	10%
Solar Solutions PNG Ltd - Leadsun	10%	Hagen Airport Motel	5%	Tabubil	Discount
Solar Solutions PNG Ltd - Haier	15%	Manan Hardware & Electrical Services	5%	Brian Bell Chemicals	15%
Nanga Medical & Dental Centre Ltd	12.50%	Steel Works	10%	Camp Administration	10%
Lotus Spa	15%	FU Qing GOR Trading	5%	WP Constructions Ltd	15%
Solar Energy Solutions PNG	10%	Kokopo	Discount	Kiunga	Discount
Solar Energy Solutions PNG	12.50%	Brian Bell & Co Ltd	15%	WP Constructions & Pharmacy Hardward	15%
Solar Energy Solutions PNG	15%	Brian Bell Chemicals	15%	Dynamic Engineering & Conctruction Ltd -Timber	10%
Leon Enterprise Ltd	10%	Hongland Hardware	10%	Dynamic Engineering & Conctruction Ltd -Hardware	12%
Camp Administration	10%	Barlow Industries	3%	Dynamic Engineering & Conctruction Ltd - Electrical	15%
PNG Pipemakers Ltd	5%	Rabaul Refrigeration Services	6.50%	Vanimo	Discount
Etnambo Builders	10%	Plumbers & Builders Suppliers	6.50%	Vanimo Forest Products	5%
Sed Optical	20%	Electrical Services Suppliers	6.50%	Lin S Trading	10%
Anitua Hardware	10%	Kimbe	Discount	Aung Myae Ltd	10%
Majestic Ocean Ltd - Bzzworld	10%	Kimbe Bay Hotel	10%	Kundiawa	Discount
Ideal Hardware	11%	Kimbe Bay Shipping Agencies	12%	Etnambo Builders	10%
Ideal Hardware - HomeCenter	15%	Liamo Reef Resort	10%	Manus	Discount
Dental On Coronation	10%	Abel Computing	10%	Juromo Enterprise	10%
Oi Lau Timber Yard	20%	Madang	Discount	Handyman Home Centre Shop	7%
Pacific International Hospital (PIH)	10 - 50%	Jais Aben	15%	Kingfisher Lodge	10%
		Brian Bell & Co. Ltd	15%	Tapo's Lodge & Tours	5%
		Brian Bell Chemicals	15%	Bialla	Discount
		Madang Resort	10%	Huvi Guest House	10%
		Natu Clinic	10%	Bialla Staywell Lodge	3%

We've Rebranded



We believe that after years of hard work, members deserve to enjoy retirement.

However, we also understand that life is never that simple. There are twists and turns in one's journey and at each stage, you leave a piece of yourself behind as you evolve.

Our identity is our brand and our logo signifies each milestone in this journey. We have grown and in this day and age, we aspire to make superannuation more simple and convenient for members.

The new logo represents this - a simplified version of the Kina shell, a uniquely Papua New Guinean symbol, it captures the spirit of the Melanesian trading culture in a contemporary style and represents the wealth members deserve to enjoy in retirement.

The orange and yellow sunset and sunrise hues that blend into each other in the new logo depicts life.

The far-left shows the setting of an old era, and the far-right shows the dawn of the new!

This signifies growth and a transformation for Nasfund and our members. So while members work today, we are here to ensure that they are

“Ready for tomorrow”



Adaptive Resilience *“is when an individual, team and organisation retain the capacity to be productive, resourceful, creative and true to their core purpose while dealing with disruptive forces and adapting with integrity in response to changing circumstances”.* - The SOAR Institute



**Ready for
tomorrow**

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