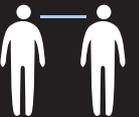


Annual Report 2021



Leading in the new normal

Bihainim Niupela Pasin



nasfund.com.pg

Voluntary Contribution

Setting goals for retirement!

Justin Olam
Nasfund Brand Ambassador



I am a Nasfund
Contributor

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EMPLOYER AWARDS



AWARDS 2021



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 June 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 professional Member of the PNG Institute of Directors.



Kepas Wali
Director

Kepas joined the Board on 1 January 2018 as a 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 as a nominee 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 is currently Executive Vice President, PNG Co Head, Santos Limited and holds various board positions within the private, & public sectors, including charity not for profit organizations.

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. He is also a professional 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 partnership Programme.

Tamzin 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.

She is also a director of Water PNG Ltd.

She was previously a director of PNG Micro Finance Ltd.

Tamzin 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.

Florence 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.

Florence 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.

He currently runs his own superannuation and actuarial consulting business.

Michael 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.

Michael 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.

Anthony was previously an independent Director on BSP Life (PNG), and was the former 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 Deputy Team Leader of an Australian Government Infrastructure Project, Incentive Fund Program. Her previous employment include seven (7) years working for the Australian Government's Economic Partnership Program at the Australian High Commission and eighteen (18) years working for the Government of PNG's Investment Promotion Authority. She has twenty six (26) years of experience in development cooperation, public policy management, trade and investment facilitation, rural and agriculture development, corporate governance and private sector development. Julienne also had an active role in civil society and sports governance and was the recent-past President and Chair of the Netball PNG Board for ten (10) years.

Julienne holds a Bachelors in Business Management, majoring in Strategic Management and Public Policy Management from the University of PNG. She is a member of the PNG Institute of Directors, a member of the Australian Institute of Company Directors, and currently serves as a Commissioner of 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 to 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.

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

She has a wealth of Fund Admin and leadership experience, which aligns with the Fund's Board 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
Head of Special Projects

Judah was appointed to Head of Special Projects in April 2021 after serving as Joint Chief Investment Officer since August 2020. He was previously Manager Investments.

Over a span of 14 years, Judah 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.

He holds a Bachelors Degree in Economics from the University of PNG.



Fiona Nelson
Chief Investment Officer

Fiona joined Nasfund on 17 August 2020 as Joint Chief Investment Officer. In April 2021, she assumed the role of Chief Investment Officer.

Prior to joining the Fund, she was the 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.

She has worked with PacWealth Capital as Head of Investments, and with Kumul Consolidated Holdings (KCH) as Senior Portfolio Manager.

Fiona holds a Bachelors Degree in 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 serving as 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, a Masters in Business Administration from the Divine Word University and a 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.

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.

Rennie 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 joined Nasfund on 23 January 2017 as Chief Officer Human Capital.

He is a qualified HR Professional with 17 years experience in managing a full spectrum of Human Resources, Learning & Development, Talent and Change Management.

Vincent is responsible for developing and implementing an organization - wide human resource strategy that aligns with Funds strategic vision.

Prior to joining Nasfund, Vincent served as HR Manager with Puma Energy PNG. He began his career with SP Brewery Limited as Graduate Trainee before making a career transition to BAT (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, PNGHRI and PNGID.

Vincent is most passionate about strategic people leadership agenda and HR transformation programs that adds value to its employees and 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 and implement strategic objectives of 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 - Head of Special Projects; Doris Gedare - Company Secretary;
Rennie Wekina - Chief Officer Properties; Turaho Morea - Chief Officer Strategy Implementation and
Rajeev Sharma - Chief Financial Officer.

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

Chairman's Statement

Charles Vee
Chairman



It gives me great pleasure to present to our valued Members the 2021 Annual Report of the National Superannuation Fund Limited.

As Chairman of the Board of Trustees, I am excited about the positive conclusion to a challenging period of the time, not only for the Fund but for the country and the global community as a whole. I believe we have more than one reason to be grateful and content for the year that is now behind us.

At the start of the Covid-19 Pandemic in early 2020 your Fund made important decisions that, in hindsight, had set the Fund up for a better than expected year for members in 2020. The impact of these decisions flowed into 2021 as we built on the experiences of the previous year to remain a leader in the new normal. We continue to demonstrate remarkable resilience in trying times. Our enforcement of Covid-19 protocols across the operations of the Fund continues to result in low Covid-19 cases and minimal interruption to daily operations.

In 2021, the Board of Trustees undertook a review of the Chapel Accord which is the Fund's Strategic Vision established by the Board in 2019. The review was intended to assess our performance against our set goals and to make changes were required to help the Board realize its 5 year vision for the Fund. This review resulted in the Board's approval of a revised management structure and the creation of two new Divisions, the Information Technology and Innovation Division and the Project Management Office to come into effect in 2022. The Board is confident that the new Management Structure of the Fund will enable the provision of better service and provide greater impact and investment returns to members.

The repositioning of our investment portfolio with a concentration in Government Bonds provided valuable cash returns for the fund in 2021. Our international investments also fared well and continued to provide sufficient defense against non-performing assets. Our major investments in BSP, Vanguard EFT's and Government Bonds contributed significantly to a record cash income in a challenging year. The Fund's financial performance has fared better in 2021 and members will benefit through a higher crediting rate than the previous year.

The promotion of our "Voluntary Contribution" platform Eda Supa continued to be pursued in 2021. The roll-out in East Sepik Province resulted in the opening of a Service Centre for the Fund in Maprik in July 2021. In the same month, we also signed a Memorandum of Understanding (MOU) with the Morobe Provincial Government and have since then pushed Eda Supa engagements in Morobe and Madang provinces in addition to East Sepik. We see the next growth phase for the Fund in the informal sector and therefore have ramped up the Eda Supa membership drive throughout the country, starting with the Momase Region.

Member welfare through housing is a major Strategic Objective for the Fund. I'm glad to announce to Members that your Board of Trustees have included Affordable Housing for Members as a major objective in the revised strategy of the Fund. This initiative will be rolled out in 2022 with announcements on specific housing projects to be made in coming months. My Board will also look into specific investments in the Health Sector which can provide added benefits to our members, including Health Care and Life Insurance.

Our Trainee Director program continued into 2021 as we welcomed Flare Namaliu, Austin Edo and Ritchyline Barrios. Flare comes from a strong background in information technology. Austin is Senior Associate of a major law firm and Ritchyline is a Executive HR Manager with an SOE. We hope that they enjoy their journey of growth with Nasfund.

In closing, I would like to thank the Management and staff for remaining committed to the task and ensuring that your Fund remains robust and resilient as we chart exciting paths ahead as leaders in the new normal.

Sincerely,

A handwritten signature in blue ink that reads "Charles Vee".

Charles Vee
Chairman

CEO's Statement



Ian A Tarutia, OBE Chief Executive Officer

paying members their rightful dues as and when they were entitled to, keeping staff healthy, managing distressed investments and growing fund membership.

A number of key initiatives and action plans were implemented throughout the year which resulted in better than expected outcomes across key performance indicators. We achieved an above budget performance in contributions, cash income and valuation gains from investments as well as managed our operating expenses 4% below budget. Membership grew by 3% while our employer base grew by 4.8%. Consequently, profitability increased by 13 % which resulted in a crediting rate of 6.5% equating to over K354 million paid to members accounts for the 2021 year.

Other highlights against key deliverables and compared to 2020 are summarized below:

Dear Members & Employers,

Despite continued challenges imposed by a distressed economic environment and ongoing Covid impacts, it was business as usual for Nasfund in 2021. We focused on managing what we could control and influence under current circumstances with a number of firm objectives in mind. These were maintaining our services throughout the country,

Indicators	Year 2021	Year 2020
New Members Registered	52, 625	53,996
New Employers Registered	137	175
Total Membership Base	622,938	604,587
Total Employer Base	2,700	2,576
Default Employers	25%	19%
Total Contributions Received	K 589 million	K 573 million
Total Withdrawals Paid	K 586 million	K 468 million
No of Transactions	91,995	93,070
Employer & Member Conferences	1 online conference 9,234 participants	2 online conferences 11,900 participants
Shop Floor Presentations	961 presentations 36,299 participants	236 presentations 12,950 participants
Total Asset Value	K 6.03 billion	K 5.63 billion
Net Asset Value	K 5.94 billion	K 5.57 billion
Total Income before tax	K 492 million	K 332 million
Total Expenses	K 63 million	K 61.9 million
Tax	K 66 million	K 47.1 million
Net Profit	K 363 million	K 223 million
Interest Paid	6.5%	4.5%
Kina Value	K 354 million	K 235 million

Member and Employer Services

Covid-19 restrictions were less stringent in 2021 which enabled us to ramp up engagements with members and employers. A focus area was encouraging voluntary contributions under our Eda Supa product, especially farmers in the agricultural sector and SME activities.

Targeted Economic Sector engagements geared for Eda Supa growth were undertaken in the Momase Region focusing on East Sepik, Madang and Morobe Provinces. With the increased commercial activities in the East Sepik informal sector and a perceived growth in membership we opened a Service Centre in Maprik to support our Wewak office. On the back of an MOU signed with the East Sepik Provincial Government in

CEO's Statement

2020, we signed an MOU with the Morobe provincial government in mid-2021. The intent to promote voluntary savings among the informal and SME sector in Morobe as well as identify investment opportunities on the back of the pending Wafi Golpu Gold Mine. We will continue to engage with various Provincial Governments and key economic sector agencies to enable the promotion of savings among our people engaged in some form of economic activities and to explore investment opportunities that promotes our mutual interests.

To assist former employees of Barrick Ltd and associated contractors due to the shutdown of the Porgera Mine in 2020, we opened a service centre in partnership with the Porgera Chamber of Commerce and Industry to cater for the influx in member queries.

During the year we received Section 85 notices from two employers, University of Technology and International Food Corporation to transfer to another superannuation fund. We were able to successfully convince staff to remain with us and today we are proud to continue maintaining services to members from these two entities.

We continue to push our Branch upgrade program. Apart from a new Service Centre in Maprik, branch upgrades were done for Kimbe, Goroka and Mount Hagen. We will continue upgrading branches in other Provincial centers to enhance the customer experience for members at the same time providing a cleaner modern work environment for our staff.

Branch traffic numbers peaked at 340,000 for the year in the high traffic branches of Boroko, Lae, Waigani, Mount Hagen, Kokopo, Waigani, Madang and Goroka. We received 415,000 calls through our Call Centre with an 81% answering rate.

We also promoted our non-contact touch points via our on line member portal, Call Center toll free numbers and mobile phone balance enquiry facilities as convenient options for members who were unable to visit our branches in person. This has been widely received by members.

At this time, superannuation coverage for our citizens is less than 10% of our country's population. This low coverage rate means 90% of our people are without financial protection at retirement after active working life. This is an opportunity for us to grow membership. We continue to implement actions and programs that encourages new member registration throughout the country either on a

voluntary basis or as a compulsory contributor.

Finance & Investments

The repositioning of our investment portfolio in 2020 and focused efforts to ensure the Fund's cash income was strong paid off in 2021 with a record cash income receipt of K423 million. With the inclusion of valuation income, total income for the Fund in 2021 was K494 million. Fund expenses were managed below budget at K65 million while the Fund paid K66 million in Corporate Tax to the IRC. The resulting Net Profit was K363 million, the highest the Fund has achieved since 2017.

Overall, the Fund's investment portfolio grew by 6.6% to K5.9 billion in net assets. The growth was the result of strong cash income which was reinvested in Government bonds and growth in our international investment held with Vanguard.

Government Bond rates are dropping as international lending becomes more competitive against domestic interest rates. As such, the Government's approval of key national impact projects such as Wafi-Golpu Mine, Papua LNG and the reopening of Porgera Mine will go a long way in providing that impetus for growth that the PNG economy needs. This will impact the property market as well as lending and interest rates and will have a direct impact in the growth of your Fund as well.

The Board also reviewed its Asset Allocation Strategy, hurdle rates and introduced new asset classes, specifically infrastructure such as telecommunication, ports and energy generation to explore new investment opportunities. A process to look at a potential investment in the state owned Telikom Ltd also commenced in late November. The due diligence is still work in progress.

On this note, we caution members that while results are pleasing, we do not expect this profit level to be sustained, especially with new legislation introduced by Government which will affect our dividend income from Bank South Pacific. Under the newly introduced Dominant Player Levy later renamed the Market Concentration Levy, estimated loss in dividend and share value to Nasfund as a top 5 investor is approximately K128.5 million This equates to approximately 2% in interest crediting rate that members will miss out in 2023 once this levy is implemented in 2022.

We have publically declared our opposition to this new levy on BSP as it impacts returns to our members and stand by our call for this new law to be repealed.

Industry Engagement

Our engagement with colleagues and key stakeholders in the Superannuation Industry through the Association of Superannuation Funds of PNG (ASFPNG) continued to be active in 2021. The combined net assets of the three major superfunds in the country, covering over 850,000 members is around K14.9 billion. This represents over 16% of country GDP which places the super funds in a strong position to influence outcomes for the benefit of its contributing members.

We participated in the legislative reviews of the Superannuation Act, the Central Bank Act and the Life Insurance Act. The consultative process through workshops with the public on the Superannuation and Life Insurance Act is still work in progress. It is intended that changes that are recommended will provide more benefit for members and potential members.

Other initiatives have included discussions on housing solutions for members. This is a focus area for us in 2022.

Board and Staff

A highlight of the Board's activities in 2021 was the review of the Fund's 5 Year Strategic Plan referred to as the Chapel Accord. The Board's focus in 2022 is executing these revised objectives which will see the Fund further diversify its investment portfolio, enhance member benefits and improve operational efficiency.

Part of the changes was the establishment of two new divisions within the organizational structure, the Information Communication Technology (ICT) & Innovation Division and a Project Management Office (PMO). These changes recognises ICT and Innovation as a key driver of a number of initiatives to improve services to members, employers and improve operational efficiency of the Fund. Likewise, the purpose of the PMO is to ensure the Board's Chapel Accord objectives are successfully executed over the next two years. The Board also continued its Trainee Director Program with the recruitment of three aspiring Directors, Mr. Austin Edo, Ms. Flare Namaliu and Ritchyline Barrios.

Bench strengthening across various divisions of the organization saw a slight increase in staffing numbers during the year. As the Fund grows and business requirements change, the need for man-power also arises. New key recruitments were made in the Legal, Risk and Compliance Division, Investment Division and Internal Audit.

Covid-19 Testing of staff continued throughout the year with weekly testing. This eventually changed to bi-weekly testing. In addition we engaged medical doctors to educate our staff on the benefits of being vaccinated against covid. Vaccination among staff while slow in the beginning is now at 85% coverage.

Outlook for 2022

Our economic environment will continue to be a challenge, however we will maintain our mindset of managing what we can control and influence to ensure members interest are protected.

We know our income streams will be affected. Government bond rates are declining, the new levy on BSP will lessen dividend payments to shareholders and the high end property rental market continues to experience high vacancies. Again I caution our members to not be overly optimistic about the Fund's performance in 2022.

In conclusion I would like to thank Chairman Charles Vee and the Board Directors for their continued support and guidance over 2021. I also thank Bank of PNG for their compliance and regulatory oversight. I acknowledge our key service providers BSP Capital, Kina Fund Administration, Ashton Brunswick and convey our appreciation for their professional advice and support.

It takes teamwork to remain a leader in the new normal and I'm very grateful to my hardworking staff and leadership team who at times have worked long hours to deliver the final results for 2021. We look forward to serving our members better in 2022 and to make a difference where it matters the most, to be ready for tomorrow.



Ian Tarutia, OBE
Chief Executive Officer



Quarter 1 Highlights (Jan-Mar):

- Nasfund continues support for FM100 Talkback
- Member engagements begin in the New Normal
- Nasfund announces 2020 Audited Results
- Nasfund credits 4.5% interest



Quarter 2 Highlights (Apr-Jun):

- Nasfund - Hardware Haus partnership
- Online Employer Conference
- Nasfund commemorates World Environment Day
- Nasfund - Young Port Moresby Chamber of Commerce and Industry partnership

2021 Year in Review

K6.03b

Gross Assets
PGK Billion

K5.94b

Net Assets Value
PGK Billion

K363m

Net Profit
PGK Million

6.5%

Annual Crediting
Interest Rate

K363m

Annual Crediting
PGK Million - paid into members
accounts

K2.3b

Interest paid to members
over 5 years
PGK Billion



Quarter 3 Highlights (Jul-Sep):

- Nasfund opens Maprik Service Centre
- Nasfund opens new Kimbe branch
- Poro Cooperative joins Nasfund
- Nasfund partners with Morobe Provincial Government
- Nasfund begins graduate development program awareness



Quarter 4 Highlights (Oct-Dec)

- Nasfund-CellMoni partner to offer easy solution for Nasfund members
- Nasfund signs MOU with PNG Cancer Relief Society
- Spreading the gospel of superannuation in Finschhafen

K589m

Contribution Receipts
PGK Million

K586m

Withdrawals paid
PGK Million

91,995

Number of Transactions
Withdrawal payouts by member

622,938

Total Membership

2,700

Total Employers

137

New Employers Registered

9,234

Online Member Conference
Viewership

961

Shop Floor Presentations
Member Engagements

Leading in the New Normal

In the new normal, we continued our efforts in improving the quality, accessibility and efficiency of services to our members, right across the country.

In 2021, our services expanded into more centres, with the addition of Maprik (East Sepik Province), and Wabag (Enga Province), bringing the total number of physical contact points to 21, the most of any superannuation provider in Papua New Guinea.

These service centres, in addition to our call-centre and social media channels, provided our members with an array of options to access our services, at their convenience.

How we engage with members also adapted to the new-normal, with an increase in communication via our online platforms.

Our annual Employer Conference was again hosted via Zoom, Facebook, and LinkedIn, with a combined reach to over 10,000 members, both locally, and abroad. These online platforms were also utilized for client service engagements, and information sessions.

We are pleased that at the end of 2021, our online social media channels (Facebook, LinkedIn, Instagram and Twitter) had the largest reach, and following, within the country's superannuation industry.

In terms of health and safety, whilst there were several disruptions due to COVID-19 imposed restrictions, the Fund adapted our operations to the ever-changing environment. Through our Business Continuity Plan (BCP), the Fund adopted split operations that ensured our services to members continued throughout the year, with very minimal disruptions.

Promoting a healthy and safe workforce formed the cornerstone of our efforts in protecting our staff, and members.

Our health & wellness program continued to be implemented, with positive results, with a fitter, healthier workforce leading the way in producing positive results for our members.

Throughout the year, our staff were provided with regular COVID-19 testing, as well as general information this disease and how we as an organization could protect ourselves, and our members. We are pleased that at the end of 2021, 85% of our staff were vaccinated against COVID-19, providing an added protection for our staff, and members.

COVID-19 protocols of testing and temperature checks continued to be observed at all our locations, in an effort to protect our staff and members.

This is just a snapshot of what transpired in in 2021. There is much more to do, and across the organization, our commitment to you remains as steadfast as ever.

We continue to **Lead in the New Normal**, so that you are **Ready for tomorrow**.



Photo: We are leading in adapting to the new normal when engaging with our members.

Five Year Performance Analysis

Statistical Information	2021	2020	2019	2018	2017
Assets & Liabilities					
Net Asset Value ("NAV" - K'000)	5,940,241	5,573,689	5,244,847	4,753,895	4,514,617
Growth	6.50%	6.27%	10.33%	5.30%	7%
Profitability					
Total Comprehensive Income (K'000)	363,290	222,961	312,627	158,707	242,438
Interest Credited to Members' Accounts	6.5%	4.5%	6.31%	3.50%	8.00%
Reserves (% NAV)	0.17%	0.18%	0.57%	0.30%	0.22%
Employers & Active Members					
Number of Active Employers	2,700	2,576	2,797	2,402	2,626
Number of Active Members	191,222	197,824	193,601	193,410	182,582
Total Membership Base	622,938	604,587	584,679	555,133	556,459
Balance Per Member (K'000)	9.54	9.22	8.97	8.56	8.11
Expenses					
Total Expenses (K'000)	62,625	61,908	62,077	62,761	53,067
Management Expense Ratio (MER)	1.09%	1.14%	1.25%	1.23%	1.22%
Fund Administrator's Fees (K'000)	9,199	8,768	7,707	7,999	8,342
Investment Manager's Fees (K'000)	5,673	7,990	6,951	6,724	6,307
Number of Full Time Staff	163	162	152	152	150
Cashflows					
Withdrawals (K'000)	586,114	467,926	383,232	436,870	430,680
Contributions (K'000)	589,376	573,830	561,947	517,865	493,094
Number of Members Receiving Benefit Payment	91,995	93,073	70,650	81,781	61,358
Gross Return to Member	7.55%	8.10%	8.80%	5.94%	8.05%
Net Profit After Tax Return	6.54%	4.26%	6.35%	3.62%	6.20%
Less					
Transfer to/(From)Reserves	0.04%	0.24%	0.35%	0.12%	-1.80%
Equal					
Crediting Rate to Member	6.50%	4.50%	6.30%	3.50%	8.00%

Benefit 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.

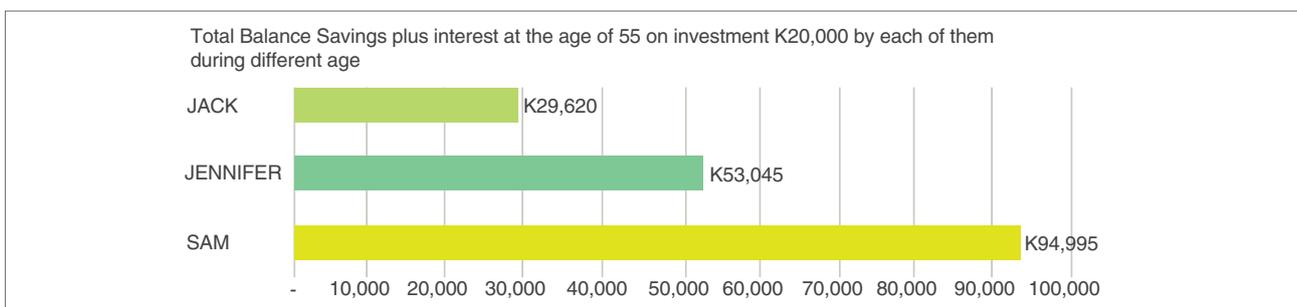
Compound interest is earned on the principal and the interest in your account. This means your interest remains invested and earns interest. Think of this as a cycle of earning interest on interest which can cause wealth to rapidly snowball. In the case of compound interest, you will not only earn interest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

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

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

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

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



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 has four committees. 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.
- Provide guidance to Members and Employer Services Division on the Fund's growth strategy with regard to member and employer coverage, new products, benefits and services that are consistent with the Act, Funds Strategic Plan, Vision, Mission and Core Values.

All the Committee Charters were reviewed in 2021 to ensure that they maintain 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 has a process where directors are assessed regularly and their performance reviewed independently and through self-assessment.

Because of Covid the last assessment and evaluation was conducted in 2019 by external firm, Effective Governance. Effective Governance helped develop a skills matrix, considered relevant to 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 and gender.

This also set the parameters for subsequent assessment and self evaluation of directors with the objective of further improving on skills to add value to the decision making of the Board for the benefit of members.

Board Attendance & Fees for 2021

Directors	Board Status	NASFUND Director Fee (Net)	NASFUND Committee Fee (Net)	Total	Investee Companies Director Fees (Net)	Board Meeting	ARC Meeting	IC Meeting	RNC Meeting	Membership Meeting
Charles Vee	continued	115,200	6,000	121,200	22,500	6/6	n/a	n/a	n/a	n/a
Tamzin Wardley	continued	96,000	18,000	114,000		6/6	n/a	7/7	6/6	n/a
Kepas Wali	continued	96,000	11,000	107,000		5/6	3/6	n/a	3/6	n/a
Leon Buskens	continued	96,000	15,000	111,000		5/6	5/6	5/7	n/a	n/a
Florence Willie	continued	96,000	22,000	118,000		6/6	6/6	n/a	6/6	5/5
Michael Murphy	continued	96,000	18,000	114,000		5/6	6/6	7/7	n/a	n/a
Anthony Yauiieb	continued	96,000	24,000	120,000		6/6	6/6	7/7	n/a	5/5
George Panao	continued	96,000	20,000	116,000		6/6	6/6	n/a	6/6	3/3
Julienne Leka-Maliaki	continued	96,000	17,000	113,000		6/6	n/a	7/7	5/6	n/a
Total		883,200	151,000	1,034,200	22,500					

Note:-

Director Panao joined the Membership Committee on the third meeting of the year. Director Wali attended the meetings after his reappointment in May 2021.

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 Ms. Debbie Oli has been the audit partner since 2021. 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, also meets with the Committee or Board without the presence of management.

Human Capital

2021 was a year in which the Fund continued its endeavors in strengthening its Human Capital. This was done through several interventions.

Graduate Development Program 2020 -2022

With the aim of preparing its future workforce, Nasfund commenced awareness for our Graduate Development Program (GDP) 2022.

The first GDP awareness session was held at the University of Papua New Guinea (UPNG) on the evening of Friday August 6th, 2021.

This session saw final-year students from across all UPNG Faculties in attendance, to learn about the opportunities on offer through the GDP, as well as the selection criteria for this program.

The decision to begin the GDP 2022 awareness was to ensure that eligible final-year students were provided an insight into the country's leading superannuation provider, so that they are well prepared to apply when applications opened later in the year.

The Nasfund GDP 2022 awareness session basically covered key components that prospective applicants would need to know; which included the role of the fund, its current operations, and a glimpse into what is expected from successful GDP applicants.

This session also touched on key qualities of prospective applicants, academic performance and leadership potential, but above all, honest service to our members.

Students were also provided an opportunity to hear from the Fund's current GDP recipients, who have

progressed within the Fund over the last 18 months. Their experiences have provided potential GDP applicants with an insight into what can be achieved through this program.

Our Human Capital team also visited Divine Word University, University of Technology, University of Goroka and the Institute of Business Studies University (IBSU).

In total, this awareness reached over 3,000 students.

Safeguarding Members

As part of our efforts to protect our staff, and ultimately our members, the Fund introduced of weekly tests by management to mitigate high transmission rates in Port Moresby and main service centers.

As a result over 900 tests were done at various locations including head office and the branches. Weekly testing drastically managed the transmission rate in the work place.

Health and Well-being

A total of 12 COVID-19 awareness programs were conducted by various medical professionals in 2021 highlighting to staff the important information about the virus and its variants.

The sessions also addressed staff concerns about the vaccine and general wellbeing.

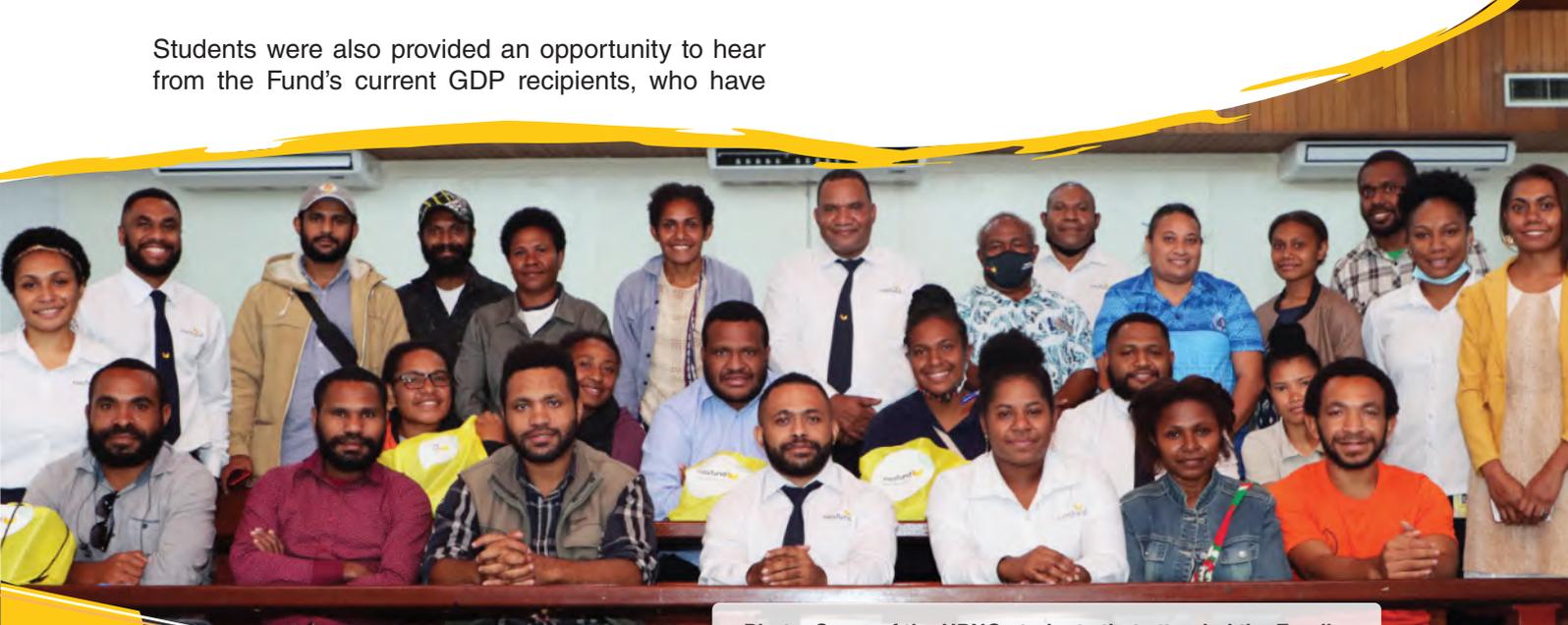


Photo: Some of the UPNG students that attended the Fund's GDP Awareness session during the visit.

Nasfund & PNGHRI - Partnering for Human Resource Excellence

To remain as the country's leading superannuation provider, our people must be trained to the highest standards.

Having an in-depth knowledge on Human Resource practices is key to ensuring we connect with our members on a personal level, and understand them so that we can serve them better.

With this in mind, 10 employees of the Fund undertook short course studies at the Papua New Guinea Human Resource Institute (PNGHRI).

This week-long program, under the guidance of PNGHRI President Jerry Wemin, introduced participants to current HR practices that should be utilised in every organization.

Participants who took part in the program were selected from the Fund's Member Services, Human Capital, and Risk & Compliance Divisions.

The training was part of the Fund's efforts to ensure its employees receive the necessary training to continuously provide the best service to members.

The Fund recognized the importance of having our staff be provided the opportunities to continually improve how we deal with people. Because at the end of the day, we are custodians of our members' retirement savings.

And as the industry body for Human Resource practitioners, it was right for the Fund to partner with PNGHRI to provide this training for our staff.

Through this training, we are confident that all who have undertaken this training will now be in a better position to understand how HR practices exist to help us perform our roles as trustees of our members' retirement savings.

In collaboration with PNGHRI, there are plans for more staff to undertake this training in the future.



Photo: 10 staff who undertook studies at PNGHRI. They are pictured with PNGHRI President Jerry Wemin (Back: Third from Left) and COHC Vincent Lialu.

Information Technology

Nasfund's IT Department enables Fund operations through IT service availability, often without the express awareness of staff and members of background efforts, to ensure business continuity and operational efficiency.

In 2021, the focus of the Funds Information Technology (IT) Department had been largely around IT infrastructure enhancements, and maintaining flexible working methods on the back of 'Niupla Pasin'.

Overall, the IT department concluded a notable year in achieving the following key outcomes:

- high availability & performance,
- business continuity & disaster recovery,
- flexible working methods, and
- positioning for oncoming digital developments.

Nasfund IT decommissioned an aging server environment with a modernized hyper converged infrastructure (HCI), effectively lowering costs, increasing application performance, and improving reliability.

To achieve business continuity and disaster recovery, the IT department also built a secondary data center, at capital costs 45% less than traditional data center projects. As a result, reducing overall OPEX by 10%, improved management & visibility of disaster recovery platforms, and achieved high availability.

Nasfund IT continued adherence to 'Niupla Pasin' by enabling the workforce with tools to operate from anywhere on the Internet, while increasing security and compliance.

On another note, Nasfund IT includes a sub-division for data analytics and business intelligence. This lean but dynamic team, was instrumental in producing reports and dashboards for key functions including Member Services, Finance, and Risk & Compliance. A key highlight of this team was facilitating Digicel's CellMoni integration, and modelling the selection of nominees for the prestigious Employer Awards.

Nasfund IT typically research new technology opportunities for investment in the subsequent fiscal year. In positioning for oncoming digital developments, Nasfund engaged with ground operations and technology providers, and are excited for new offerings in the pipeline for 2022.

At the back end of Q4 2021, the Fund's Board and management, acknowledged IT's role as a strategic enabler of the business. In reviewing its corporate strategy, technology was underlined as a potential disruptor to the way we work and engage with our valued members.

A man in a light grey Nasfund IT uniform is focused on his work, looking at a silver HP laptop. He is standing in a server room, with rows of black server racks visible in the background. The racks have various cables and components, including an APC InRow SC Cooling System. The scene is lit with a mix of cool and warm tones, and there are yellow brushstroke-like graphics overlaid on the image.

**“ Help and support
Asaph Kuliniasi
ensures that system
connectivity is
maintained at all
times ”**

Member Engagement

Nasfund opens Maprik Service Centre

In a year of milestones, 2021 saw Nasfund become the first superannuation provider to have a permanent presence in Maprik District, East Sepik Province, with the Fund officially opening its Maprik Service Centre. This facility was officially opened by Nasfund Chairman Charles Vee.

This addition to the Nasfund branch network was a welcome addition, as it now allowed more people in and around Maprik District to have access to superannuation and savings and loan services. This new addition complements the Fund's existing branch in Wewak.

It was also the first major milestone for the Fund, after signing an MoU in December 2020 with the East Sepik Provincial Government, to enable a closer working relationship on providing financial literacy through superannuation, as well as closer cooperation in investment opportunities in this part of the country.

In recent years, Maprik had grown to become the major economic hub for East Sepik Province. This development was built on the back of agriculture, more particularly the production, and trade of vanilla, cocoa and copra. This had seen an exponential

increase in the level of money that circulates within this District economy, with much of this going directly to farmers and families.

As the country's leading superannuation provider, Nasfund took the initiative to establish our service centre here to promote a savings culture through superannuation, so that our people can also save some of their earnings for later on in life.

Our voluntary contribution product, Eda Supa, was at the forefront of our efforts to ensure that our people develop a superannuation savings culture, as it was specifically designed for those in industries such as agriculture, and the SME sector.

Soon after its opening the Fund saw positive results, with our team on the ground, providing information to our people on the benefits of saving through superannuation.

With this new Service Centre, the people of Maprik and neighboring Districts could now access our products and services at their doorstep.

This was all part of our efforts to ensure that while our people work today, they are also **ready for tomorrow.**

Photo: Supervisor Richard Manijembi serving the first member at the newly opened Maprik Service Centre



Member Engagement

Nasfund opens new Kimbe branch

In August, the Fund opened its new Kimbe office.

Located on Level 1 of Hamamas Plaza in the heart of Kimbe Town, the Kimbe branch was officially open to members on Monday (August 2, 2021).

This location, much better than our previous office location in the town, now offers members a more spacious, secure and convenient access to services offered by the Fund.

Our CEO Ian Tarutia was present to meet members for the first day of operations, and spoke of the work being done by the Fund to ensure member services continue to improve.

The opening of our new Kimbe Office was a testament of our commitment to our growing membership in West New Britain Province.

Our operations will be scaled up for both superannuation and savings & loan services in anticipation of growth in Kimbe and the NGI region.

While formal employment was trending downwards, the Fund remained confident that new membership growth would continue to come from Agriculture, the MSME and the informal sector in the not too distant future.

In addition to the new Kimbe branch, the Fund also completed refurbishments at its Madang Branch on 21 July 2021.

The Fund was also working to complete refurbishments to its Alotau and Port Moresby branches together with a flagship branch at Waigani and a new Service Center in Lae, to better serve our membership in those respective centres.

Photo: The new Nasfund Kimbe branch provides four counters to serve members in a more spacious environment.

CEO Ian Tarutia and ncsi CEO Vari Lahui inspecting the new office during the opening

Digitalization of finance: Harnessing digital technology to improve member services

As part of our mission to improve processes to better serve members, the Fund hosted its 2021 Finance Conference.

With the theme Digitalization of Finance, this conference brought together the Fund's Finance Team, Board of Directors, and Executive Management, to learn about the efforts made to provide a more efficient finance platform for the Fund.

In addressing this conference, CEO Ian Tarutia acknowledged the importance of utilizing current, and emerging technology to enhance services to members.

Over the last decade, the Fund had moved away from the traditional paper-based record keeping, to an ever-increasing cloud-based record keeping practice.

With the theme digitalization of finance, our Finance Team continued taken the lead in utilizing some of the most advanced online platforms now available, to keep track of the Fund's financial activities, and overall performance.

Given the size of the fund, we believe it was important that our records, and especially our financial Information are recorded on time, and were retrievable at a moment's notice.

Under the guidance of our Chief Finance Officer Rajeev Sharma, our Finance Team continued to lead the industry in adopting, and using the most efficient programs and applications that are suited to a superannuation fund of our size.



We thank our finance platform partners who continued to provide feedback on how we could improve our performance, and ultimately, our service to our members.

Similar sentiments were shared by Chairman of the Fund's Board Audit & Risk Committee, Anthony Yaueib, who encouraged the Finance Team to ensure that the processes in place were being utilized to ensure maximum benefits.

The efforts of team Finance were critical to the overall success of the Fund. With the vision of being our members trusted superannuation fund providing quality services and financial security, we were pleased that our Finance team had taken the lead in ensuring that systems were in place to promote greater accountability and efficiency.

This ensured that we continue to perform well despite the current difficult economic environment.

The Finance conference provided an opportunity for a few major vendors to present to the team on emerging developments within the applications that are currently being utilized by the Fund. These included Green consulting and Trintech Technologies from Australia, as well as Deloitte PNG.

The conference also included presentations from two guest speakers, Professor David Kavanamur (Kumul Consolidated Holdings Chairman) who spoke on leadership and emerging markets, and Sundar Ramamurthy (founder of DataCo, and current ncsf Board Director) who presented on utilizing technology to make the member experience more convenient and seamless.

Communication with Members

A positive learning from Covid was maintaining our engagement with members through virtual mediums while observing covid niupela pasin protocols.

In April our Annual Regional Conference was held virtually with over 4,000 members participating. Regional conferences are usually held each year after audited results are announced to provide members an update of their Fund's performance and receive feedback. E-conferences will become the norm and as restrictions on travel and large gatherings ease, will complement the face to face conferences that were usually held prior to Covid.

In 2021, the Fund adopted the mantra that COVID-19 was no longer an excuse not to do anything as it is here to stay and a part of our life now. It is time to get on with business and keep moving forward.

Other communication mediums are our FB page, twitter and Linked In.



Top Photo: Contributions officer, Samantha Akus attending to an employer representative



Photo: Finance team who participated in the Fund's 2021 Finance Conference.

Member Engagement

Nasfund and YPOMCCI partner to inform members

As part of our member engagement, the Fund partnered with the Young Port Moresby Chamber of Commerce & Industry (YPOMCCI) in May 2021 to host an information session for YPOMCCI members.

Through the Fund's Know Your Super program, this online session was hosted via Zoom and Facebook. YPOMCCI members were provided an overview of Nasfund, its purpose and products and services. There was also a Question & Answer session for participants.

Since the start of 2021, the Fund had been conducting the Know Your Super sessions for individual companies.

YPOMCCI was the first non-government organization to be a beneficiary of this exercise.

Given the demographics of the YPOMCCI membership, comprising of young professionals the discussions on superannuation was timely.

The Fund thanked President Natasha Austin, and her executives for reaching out to us on behalf of their members, to facilitate this important session for the YPOMCCI membership.

As the country's leading superannuation provider, we are pleased to partner with organizations such as the Young POMCCI to inform as many existing members and potential members on the benefits of being a Fund member.

As a result of this engagement, we believe the YPOMCCI membership is now better informed on the importance of superannuation savings and the role Nasfund plays in ensuring our members are ready for retirement.

Agriculture: the new frontier - Poro Cocoa Cooperative joins Nasfund

Over 160 cocoa farmers in Madang's Raicoast now have access to superannuation services, after registering as Nasfund contributors.

Through Nasund's Eda Supa product, members of Poro Cocoa Cooperative Society of Astrolabe Bay Local Level Government (LLG) formally joined the Fund, with the first group of farmers receiving their membership cards. The registration of these farmers was made possible through the Fund's partnership with Madang Cocoa Company Limited (MCCL) and Madang Cocoa Cooperative Association (MCCA).

Nasfund Head of Special Projects Judah Waffi led a team from the Fund's Madang branch to Bang village, to present the farmers with their membership cards, and also register the remaining members of Poro Cocoa Cooperative.

When addressing the occasion, Mr Waffi explained the importance of saving through superannuation, and the benefits of saving with the country's leading superannuation provider, Nasfund.

The addition of Poro Cocoa Cooperative to the Nasfund membership was a milestone for the people of Madang in that Poro Cocoa Cooperative was the first in Madang Province to register as members of Nasfund.

They now join more than 600,000 members from across all industries who contribute to the Fund.

As an active contributing Nasfund member, these members also benefit from services including the Nasfund Membership Discount Program (MDP) which allows them to earn discounts from approved MDP providers.

This is part of our efforts in ensuring that farmers and SME operators, including our cocoa growers across Madang Province have the opportunity to save for retirement, through superannuation, with Nasfund.

Chairman of Bang Cocoa Cooperative Society, Solomon Dumuk acknowledged the need for his farmers to develop a savings culture – one that is now being nurtured in partnership with Nasfund.

Previously, when their farmers sold their cocoa, almost all the money received was spent in town, with nothing saved for use later.

Photo: Team Leader Client Relations Raela Wari and YPOMCCI Secretary & Membership Coordinator Xenia Kekaeduring the Know Your Super Online Information Session.



It was only through our umbrella association Madang Cocoa Cooperative Association and their cooperative owned company Madang Cocoa Company Limited (MCCL), were they made aware of the opportunities to save through Nasfund's Eda Supa product.

With support from MCCL, they were able to register the first 56 farmers, who received their membership Cards. The remaining 160 farmers were registered in the following weeks.

They thanked Nasfund for seeing the need to assist farmers from Poro Cocoa Cooperative save for retirement through Eda Supa, with their farmers now ready for tomorrow.



Photo: The first group of Farmers from Poro Cocoa Cooperative receiving their Nasfund membership ID cards.



DuluxGroup staff get improved access to Nasfund member online portal

In 2021, Papua New Guinea's leading paint manufacturer and supplier partnered with us to make superannuation more accessible to its staff.

DuluxGroup and the Fund launched the Nasfund Internet Booths, a facility that enabled its staff access to the Nasfund Member Online Portal.

Through this facility, DuluxGroup staff at its Lae and Port Moresby sites were now able to access the Fund's Member Online Portal within the comfort of their office.

As a responsible employer, DuluxGroup took ownership to provide their staff with important financial literacy training.

The launch of these internet-booths were an extension of their initiative, and go a long way in ensuring their staff have access to their superannuation information at their place of work, without having to take time off to visit a Nasfund branch.

In addition, access has also been granted to the ncsi website and member portal, so that their staff can view their long-term (Nasfund) and short-term (ncsi) savings. Training was also provided for DuluxGroup staff to use these computers, to assist them log-on, and navigate through these sites.

In addition to this, this partnership also enabled members to receive regular awareness on the Fund's products and services. We believe that having informed staff will go a long way in ensuring they make the right financial decisions.

The Fund welcomed the approach taken by DuluxGroup, an example that other organizations could follow, especially given restrictions on movement due to COVID-19.

As part of member services, the Fund continued to work with our contributing employers to find ways to make their superannuation experience easier.

With improving internet technology, we looked at ways to ensure we bring our services to our members wherever they are.

Member Engagement

This internet booths arrangement with DuluxGroup was an example of this.

Their Staff, our members, can now access Nasfund's Member Online Portal, where they can view all their superannuation details, and download their statements, at their fingertips.

We are pleased that DuluxGroup was able to partner with us in this initiative and we look forward to rolling out the same service to other employers throughout the country.

Photo Right: A member being interviewed by EMTV shares his view about the online training session.

Photo Below: Employees of DuluxGroup gathered for a group photo after the online training with Nasfund officers in Lae.





Employer Engagement

Employers Recognized in Nasfund Employer Awards

Employers are an important partner in the working life of a contributing member. For every K1 that is saved by the member, the employer adds another K 1.40. If the employer so wishes they may add up to a maximum of 15% of a members gross salary.

The Nasfund Annual Employer Awards is our way of acknowledging the role of employers in the discharge of their obligations under the Superannuation (General Provisions) Act 2000.

Since the Inaugural Awards in 2018, we have recognized 63 employers out of our employer base of 2,700 entities.

Winners in the Annual Employer Awards are grouped into three categories;

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

All winners are vetted against specific business rules designed to further the Funds cause for Employer and Member compliance in superannuation and factored through our core Fund Administration system.

All data is taken from the 1st of January to the 31st of December each year.

Most Compliant Employer

- Consistently remits monthly contributions before the 15th day of each month in 2021.
- Consistently allocates contributions within 48 hours from the deposit date in 2021.
- Is registered and utilizing the Employer Online Portal for contribution uploading.
- Has the lowest unallocated contributions in 2021.
- Has the lowest number of member accounts with nil beneficiaries and dummy Date of Births in 2021.

Best Employer in Voluntary Contributions

- The average monthly contributions increased by 20% in 2021 compared to the previous year.
- The number of members' doing voluntary contributions increased by more than 10% compared against 2020.
- Remits monthly contributions consistently in 2021.
- Timely allocation of contribution payments in 2021.

Best Member Voluntary Contributions

- The average number of employees doing voluntary contributions increase by more than 10% in 2021 compared against 2020.

- Total contribution value increased by more than 10% in 2021 compared to the previous year.
- Must have more than 20 employees doing voluntary contributions in 2021.
- Remits monthly contributions consistently in 2021.
- Timely allocation of contribution payments in 2021.

Most Compliant Account Maintenance

- Has the lowest number of member accounts with nil beneficiary and dummy Date Of Birth in 2021
- Provided more than 90% of Member Details Update Form for all new members registered in 2021.
- Has the lowest duplicate account requests in 2021.

Best Eda Supa Employer

- Has average monthly contributions of K3, 000.00 or more in 2021.
- Has over 20 plus contributing employees in 2021.
- Remits payments monthly and consistently in 2021
- Over 90% of its membership details updated in 2021
- Increased average monthly contributions by more than 10% in 2021 compared to the previous year.
- Membership growth of 10% or more in 2021.

Most Compliant in Benefit Payments

- This award takes into consideration the amount of payments made to a member,
- Whether that member had filled out the Member Details Update Form.
- The number of payments that were made to a member.
- The amount retained in the Fund from the account year to year.

Covid-19 Vaccine Champion Award

- Has a workforce that is 100% vaccinated against Covid-19.
- Has the most number of members vaccinated against other employers in the same award category
- Fully completes the Covid-19 Vaccination survey in the appropriate timeframe

Frequent winners in the history of the Awards include:

- Ok Tedi Mining Limited who has been a consistent winner in all four (4) years of the Awards and twice as overall Chairman's Award winner in 2019 & 2021
- National Agricultural Research Institute has been a winner in all four (4) years taking on the overall award in its respective category (C) in 2021 and
- BSP Financial Group has been a winner in 2018, 2020 & 2021.

We will work closely with all contributing employers this year and communicate the rankings of the top 10 employers by Quarter to members and employers alike through all our touchpoints.

Employer Awards Winners- 2021

Congratulations



Employer Awards



1. Most Compliant Employer
Category A:
Ramu Agri Industries



1. Most Compliant Employer
Category B:
Hargy Oil Palms Limited



1. Most Compliant Employer
Category C:
Seeto Kui (Holdings) Limited



2. Best Employer Voluntary
Contributions - Category A:
Ok Ted Mining Limited



2. Best Employer Voluntary
Contributions - Category B:
Starwest Construction Limited



2. Best Employer Voluntary
Contributions - Category C:
**National Agriculture Research
Institute**



3. Best Employer Member
Voluntary Contributions
Category A:
BSP Financial Group



3. Best Employer Member
Voluntary Contributions
Category B:
Paradise Foods Limited



3. Best Employer Member
Voluntary Contributions
Category C:
**National Agriculture Research
Institute**



4. Most Compliant Account
Maintenance - Category A:
Laga Industries



4. Most Compliant Account
Maintenance - Category B:
**Rural Airstrip Agency of
PNG Limited**



4. Most Compliant Account
Maintenance - Category C:
**National Spiritual Assembly
of the Bahais of PNG Inc**



Winners- 2021



5. Most Compliant Benefit Payments - Category A:
Barrick (Niugini) Limited



5. Most Compliant Benefit Payments - Category B:
Guard Dog Security Services



5. Most Compliant Benefit Payments - Category C:
Associated Mills Limited



6. Best Eda Supa Employer
**Hargy Oil Palms Limited
(Smallholder Affairs)**

Overall Awards Winners of the Year - 2021



7. COVID-19 Vaccine Champion Award
Brian Bell Group



8. Nasfund Chairman's Award Category A:
Ok Tedi Mining Limited



8. Nasfund Chairman's Award Category B:
Hargy Oil Palms Limited



8. Nasfund Chairman's Award Category C:
National Agriculture Research Institute



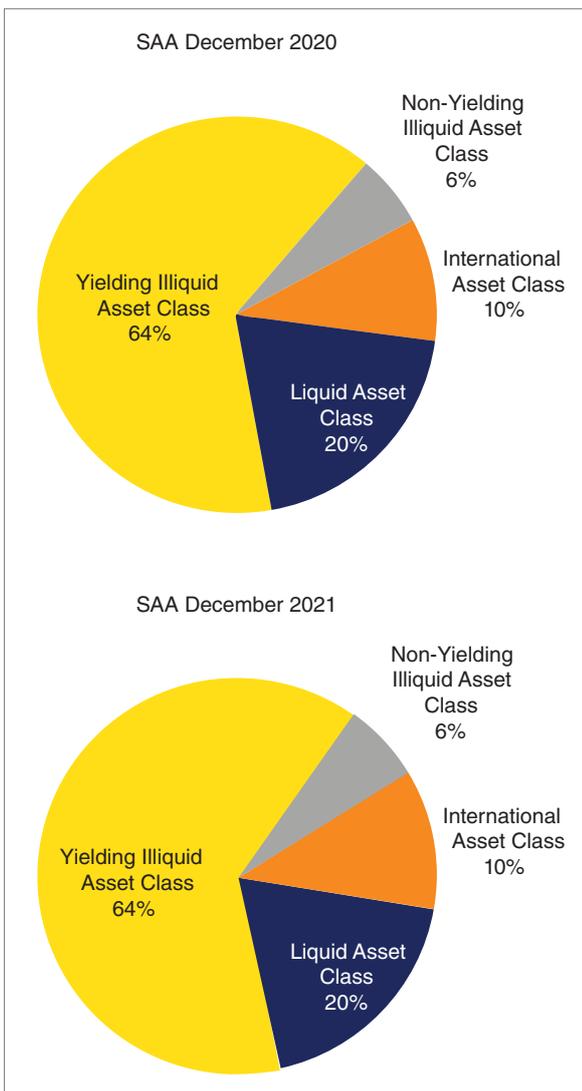
Our Investments

Portfolio Overview

The post Covid-19 period was a challenging time as Nasfund and its investments realign respective strategies to adopt to new norms of conducting businesses. Despite that, member funds continue to be prudently managed to maneuver around negative impacts on the portfolio and achieve solid portfolio growth as a balanced fund. Further to this, the allocation of growth and defensive assets has enabled the Fund to realize promising returns with minimal investment risks involved.

Over the course of 2021, Nasfund's net assets grew by K396 million to K6.144 billion, representing a 7% annual growth rate. The Nasfund strategic asset allocation (SAA) between its asset classes saw slight movements as outlined in figure 1 below.

Figure 1. Strategic Asset Allocation Comparison



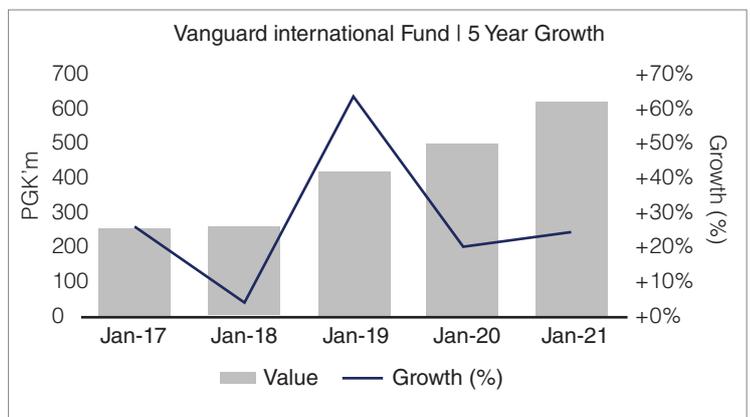
Adapting to the New Normal

The Board and Management of Nasfund have continued prudent management approaches which are underpinned with learnings of the Covid-19 peak period. Our investments in the FMCG, Retail, Oil & Gas and Hotel sectors have experienced improvements in supply chain, global market prices and movement of both international and domestic visitors.

The Fund's investment property portfolio has experienced steady occupancy rates on the commercial and industrial property fronts while progressively recovering from loss of tenants from its iconic residential properties (i.e. Solwara Apartments and The Edge Apartments) as expatriates return to work in PNG – especially the expatriate staff of resource projects. The current property market oversupply and delays in pipeline national resource projects have also added to the slow progress of the Fund's tenant recovery.

During the year, the Board and Management of Nasfund worked tirelessly on investments in Pacific Balanced Fund and Mainland Holdings Limited to unlock underlying intrinsic value and business strategies to improve earnings, respectively. Nasfund has the duty of care to work with key management of its investee companies to guide these assets of strategic value to yield returns for the members.

Apart from investment returns generated from investments in Government Inscribed Stocks, Treasury Bills and the BSP Financial Group Limited, our investment in the Vanguard International Fund has grown from strength to strength on an average of 26% over the last 5-year period.



Our Investments

Figure 2. Vanguard International Fund Growth Trend

Yielding investments are rare as the economy tries to recover post Covid-19, hence there were no new investments outside of defensive assets into the portfolio. The Fund managed its liquidity by deploying funds into investments in short term defensive assets. With careful management coupled with domestic economic recovery, the Fund experienced improved cash income and valuation income in 2021 from its investments as businesses learn and adjust to impacts of Covid-19.

Nasfund is committed and continues to work with key stakeholders in the government and private sector in search of investment opportunities aligned to the agenda of nation building with the underlying objective of growing the Fund’s portfolio and member return.

Top 3 Investment Performers

1. Government Inscribed Stock (GIS)

Nasfund has a Fixed Income Strategy whereby investing a certain volume in the government long-medium term debt instruments – Government Inscribed Stock (GIS). This has proved well as a secured investment for the Fund throughout 2021 given that the economy was recovering from the impacts of Covid-19 and adjusting to the “Niupla Pasin” strategy.

The government maintained to pay out coupon interests in which Nasfund members apart from other market investors enjoyed. To keep the domestic economy moving, the government sourced grants from multilateral and bilateral donors thus its demand in liquidity dropped. The Government also issued its revised Medium-Term Debt Strategy 2021-2025 with the main objective being to maintain debt at sustainable levels. 2021 saw a total estimated repayment of K1.046 billion compared to a foreseen borrowing of K2.647 billion. Auction invites were for 2, 3, 5, 6, 8, 9 and 10 years.

2. BSP Financial Group Limited

Banking and financial stock BSP, upholds its position to be the leading bank across the country and the South Pacific providing banking services to people in places where other banks can’t tap into. The BSP Group delivered strong results for its investors including Nasfund with a dividend yield of 14.4% on PNGX and 14.8% on the ASX. Nasfund remains in the top 5 shareholding position of BSP owning 9.7% of issued shares.

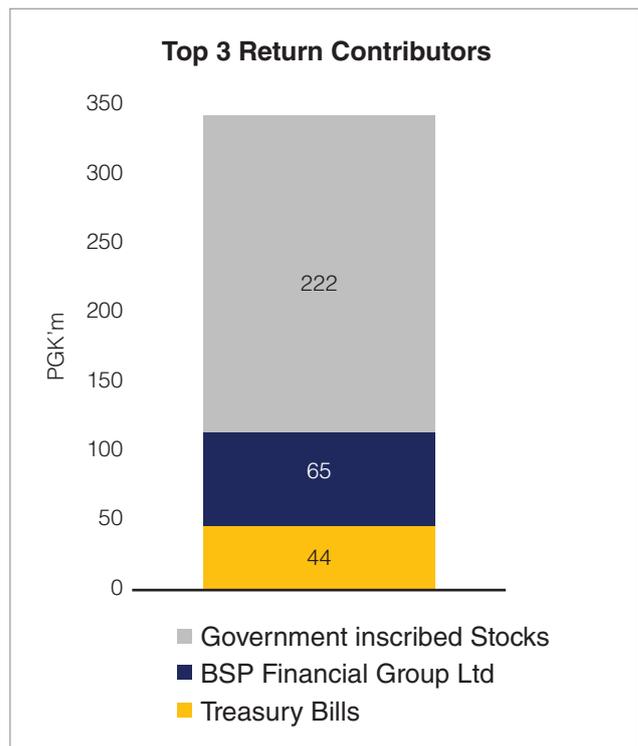
The Group changed its name from the Bank of South Pacific Limited to BSP Financial Group Limited. A milestone achievement was the approval to list on the Australian Stock Exchange in 2021. BSP officially traded on 25th May 2021 as BFL on the ASX noting that there were no new issued shares per this dual listing. On the back of this, there were AML issues which the Group corrected.

In November 2021 as per of the Income Tax Act the Government handed down the Market Concentration Levy of K190.0 million payable from the profits of any bank who owns 40.0% of the market share in the country. The Group by default fell in that category, hence will have an impact on its net profit and dividend distribution in 2022 throughout and will have a downside effect to its shareholders. Negotiations are underway with the government as this Tax Act was Gazettal on 7th February 2022.

3. Government Treasury Bills

Aligned to our Fixed Income Strategy, a certain volume is invested in the short-term government securities - Treasury Bills. This has also been proven to be a secured investment for Nasfund throughout 2021 as the Fund manages its cash flows during a period of economic recovery.

Figure 3. Top 3 Return Contributors



Industry Engagement



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

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 K14.9 billion with over 800,000 members nationwide across the public and private sector workforce.

1. As the industry body, ASFPNG primary objectives are to:
2. Represent the interests of the ASF's and associated entities
3. Provide policy advice to BPNG and Government on superannuation.
4. Advocate the interests of members.

Among its tasks in 2021, was to work with the regulator (Bank of Papua New Guinea) on legislative review to the current laws governing the industry. This is expected to be completed in 2022, with proposed amendments to go before parliament. ASFPNG is supported by Nasfund through the provision of office space and administration support.

Today the ASF's are:

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

Members are:

- BSP Capital
- PricewaterhouseCoopers
- Kina Funds Management

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.



Corporate Social Responsibilities

Partnership with ‘Trees for Life Program’

To commemorate World Environment Day, the Fund joined the Port Moresby Nature Park to promote the Trees for Life Program with a goal to plant 3000 trees by 2030.

As the country’s leading superannuation provider, we have a responsibility to promote the preservation and sustainability of our environment.

Given the important role the natural environment in Papua New Guinea plays in the global climate, we acknowledge the need to do our bit to help ensure our natural environment is preserved for future generations.

With various activities leading up to the official celebration of World Environment Day tomorrow (June 5, 2021), it is an opportune time for the Fund to announce our efforts in playing our part in protecting, and restoring the environment.

Through the “Trees For Life Program” led by POM Nature Park, the Fund is committed to planting 300 trees each year until 2030, all across the country.

The tree-planting exercise will become an annual event for our branch network, and will continue in the coming years until we reach our target.

Just as we as a Fund are custodians of our member’s retirement savings, we would also like to play our part in helping the natural environment grow and flourish for generations to come.

In 2021 our employees have collectively planted 250 trees in Port Moresby, Lae, Madang, Goroka and Mt. Hagen respectively.

Photo: Staff from Headquarter and NCD branches took part in the first tree for life planting activity in Port Moresby.



Nasfund | PNG Cancer Foundation signs MOU

In October 2021, Nasfund signed a Memorandum of Understanding (MoU) with and PNG Cancer Foundation (PNGCF).

The MoU was for a partnership in the distribution of awareness materials on cancer awareness through the Fund’s branch network throughout Papua New Guinea.

The Foundation expressed its gratitude to Nasfund Board and Management for the timely support in getting the information pamphlet across the Fund’s vast network to educate and raise awareness among members and their families on the prevention of cancer. The intent was also to encourage healthy lifestyle choices among Papua New Guineans.

As the official distribution point for the PNGCF Awareness Information materials, Nasfund’s extensive branch network played a key role in supporting the foundation’s public health and education outreach programs.

This collaboration is important, especially during these times where continuous engagement has become difficult due to the recent COVID-19 surge.

As part of our Corporate Social Responsibility (CRS) we service our members throughout the country by continuously raising awareness on issues surrounding health and well-being.

This partnership saw Cancer Awareness print materials displayed across our Branch network.

Photo: Vincent Lialu signing MoU with PNGCF Executive Officer Priscilla Napoleon.



Property & Facilities Manager Statement - Ashton Brunswick Ltd



Nasfund 2021 update for the Annual Report prepared by Ashton Brunswick

2021 was a challenging year due to the ongoing impact of Covid – 19, both in terms of the operational management and the economic environment which has affected many tenants within the portfolio.

PNG's economic performance for most of 2021 has been subdued but is expected to rebound in 2022. This is heavily reliant on the mining sector returning to pre pandemic levels. GPD Growth is expected to exceed 4% during 2022 up from 1.3% in 2021.

When we closed out 2021, there were green shoots emerging as we are experiencing several new entrants into the market for residential apartments and commercial offices. This was a good indicator that confidence is building.

Improving the overall performance of the Nasfund portfolio is Ashton Brunswick's clear focus and that coupled with a strategic approach on asset positioning is seen as positive for the portfolio and Nasfund.

Understanding Nasfund's key requirements to generate a stable annuity stream with long term growth and a high level of tenant engagement has been the strategy in managing the portfolio.

We are delighted with the level of property services provided to Nasfund and are continuously developing new ways to improve our delivery; whether it be through reporting and data distribution, leasing and marketing strategies, capex/project management tracking or our tenant engagement and communications strategy.

We are proud of the high-level strategic partnership with Nasfund in PNG through our strategic alliance with Colliers .

We are accessible, visible and work in partnership with the Nasfund Executive team to cocreate a bespoke best in class Portfolio Management team in PNG. Ashton Brunswick has the depth of relationships to tap into deep intelligence whether it be in PNG or offshore. We have access to some of the best minds within the property industry.

We are committed to ensuring Nasfund have the best performing portfolio in PNG and understand the importance of this Investment category portfolio and the percentage it relates to the overall SAA and are

continuously looking at ways to enhance the performance of the portfolio.

We have continued to build and recruit new team members to develop a sustainable team on the ground who are fully mentored fully by our Head of Advisory and our Strategic Alliance Partners Colliers.

Property Management at a glance

We continue to work on streamlining our processes to bring efficiencies into our daily operating model. Our tenant engagement process is being well received by the tenants within the portfolio and is demonstrated by the high number of lease renewals completed during the year.

Leasing to secure income for Nasfund

We are pleased to advise that during 2021 we have been successful in closing out new leases and lease renewals for 40 apartments, 11,300m2 office space and K25.5 million per annum in revenue for Nasfund.

Facilities Management - maintaining assets for occupier satisfaction

2021 was a challenging year however we have managed to maintain building operations and keep our workplaces safe and compliant despite multiple lockdowns due to COVID 19 positive cases which added additional expenses to the operating costs

A strategic programme was implemented for preventative maintenance and upkeep of aging equipment.

The ongoing power instability/fluctuations with the supply has impacted our PC Boards, Compressors, Controls to fail throughout the year as the power being supplied is inconsistent which has a long-term impact on the electronic equipment.

Capital expenditure - to enhance operational performance of each asset

We continue to identify, manage and complete the various projects identified under the Capital Expenditure programme to ensure the ongoing improvement and length of service of each asset and to improve operation, efficiency, and capacity in all of the Nasfund Portfolio.

Property & Facilities Manager Statement - Ashton Brunswick Ltd



ASHTON
BRUNSWICK

We would like to thank the Board and Management of Nasfund for entrusting Ashton Brunswick with the management of their property portfolio and helping you improve Nasfund members' investment outcomes.

Your sincerely,

Richard Sapias
Managing Director
Ashton Brunswick

Sara Pratt
Head of Advisory
Ashton Brunswick



Licenced Investment Manager Statement - BSP Capital Ltd



Dear Nasfund members,

2021 was a mixed year

Despite the ongoing pandemic, 2021 was a positive year for most global markets. US equities returned close to 29% and ended the year less than 1% from a record high, while only a handful of markets, including China, were down on the year. Equity performance was supported by a strong rebound in World economic growth and continued accommodative fiscal and monetary policies despite inflation rising to multi-decade highs.

Meanwhile in PNG, the negative effects of the pandemic still lingered throughout, resulting in increased uncertainty. The successive waves of the Covid-19 pandemic and widespread vaccine hesitancy also contributed to very low uptake of the vaccines with about only 2 percent of the PNG population fully vaccinated placing significant strain on the domestic healthcare system. Stronger output in the agricultural sector (palm oil, coffee and cocoa) and higher commodity prices saw increased receipts, as the production in the extractive industry dwindled largely due to the closure of the Ok Tedi and Simberi mines as well as the delays experienced with the re-opening of the Porgera mine. Inflation in PNG was estimated to have gone up 5.8% in 2021 compared to the prior year according to the IMF. Real GDP rebounded with a modest growth of 1.7 percent in 2021.

Investment portfolio performance

In 2021, nasfund's net funds under management grew K396 million to K6.1 billion (7% annualised growth rate). The Fund's asset allocation between its four asset classes largely remained static, with a slight increase in International assets (12% of total assets up from 10%) and a slight decline in Liquid assets (19% of total assets down from 20%). The vast majority of new cash flows into the Fund were used to purchase more units in Vanguard International Share Index Fund (K106.1m), Treasury Bills up by K51.3m, and funding of the Mainland Holdings Shareholder loan.

Before expenses, nasfund generated a gross cash income of K512 million on its investments in 2021, generating a gross cash yield of 8%. This cash yield comfortably achieved the Fund's target cash yield of 4.5% per annum. Yielding Illiquid assets generated the vast bulk of the cash yield (K352 million) while the Liquid asset class generated K47 million in cash income. Nasfund's portfolio cash yield was driven by the performance of three investments: Government Bonds (K194.5 million); T-Bills (K75.1 million); and the Bank of South Pacific dividend (K55 million). In 2021 these investments contributed 65% of the cash income made by the portfolio. The Fund also enjoyed strong returns from its International shares portfolio (K108.7 million). The biggest drags on returns in 2021 were valuations on unlisted equities (SP Brewery and Panamex), and Domestic property made provisions for construction work on Solwara Apartments and IPA Haus.

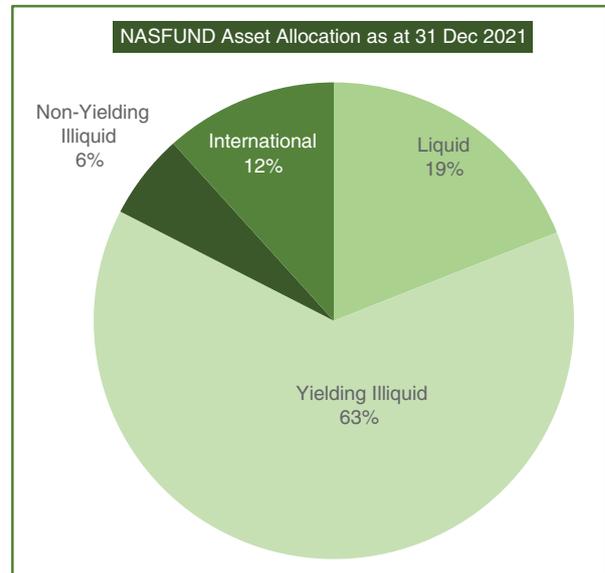
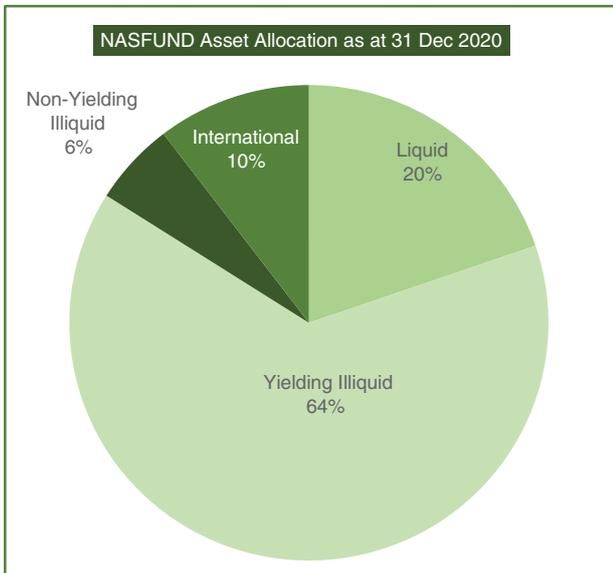
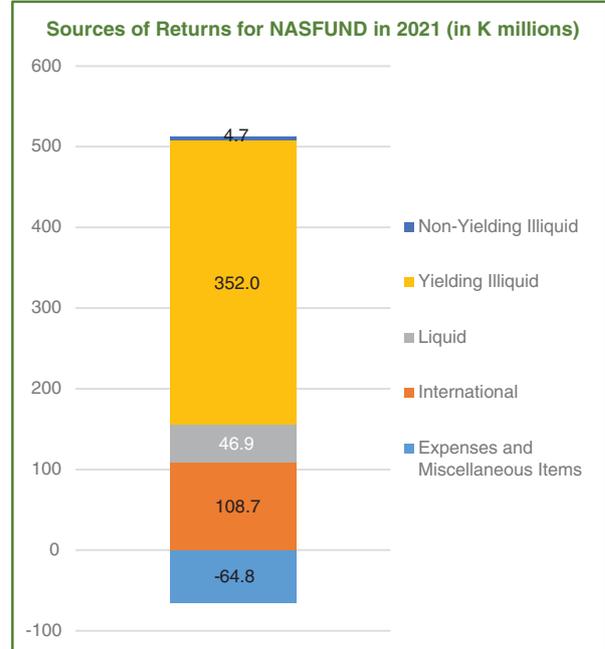
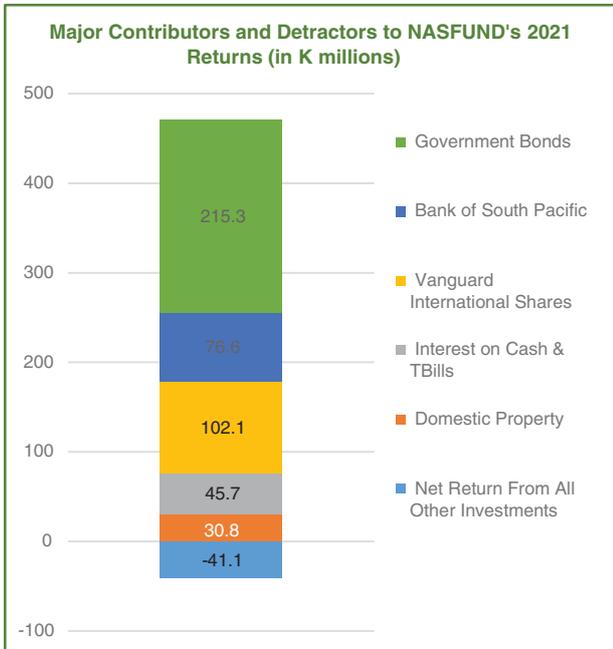
After expenses, nasfund generated a K447.5 million return on its investments in 2021, recording a 7.2% return before taxes. Yielding Illiquid assets generated the vast bulk of positive returns (K352 million) offsetting expenses and miscellaneous items (-K68 million) and an improved performance from the Non-Yielding Illiquid asset class of K4.7 million, largely supported by City Pharmacy, and revaluation of the Factory."

Where to from here

Looking ahead, the domestic economy is estimated to grow by 4.8% in 2022, attributed to the resurgence from the mining sector. The reopening of Porgera Mine and the positive price environment for the existing Papua LNG project are expected to support this growth. The continuing expansion of the Papua LNG Project and the P'nyang development are anticipated to increase employment opportunities, government revenues and export earnings, while also creating investment opportunities for both local and international investors.

The Fund's investment strategy continues to aim to deliver sustainable and adequate outcomes for all. As Nasfund's investment adviser we are always looking

Licensed Investment Manager Statement - BSP Capital Ltd



at new opportunities and managing emerging risks in the investment portfolio. The passive semi-automated investment strategy currently pursued will continue to support growth, cash yield and deliver benefits to your superannuation investment.

In conclusion, on behalf of BSP Capital's Board and staff, we thank the nasfund Board, management and staff for once again according us the opportunity to work together in ensuring your investment outcomes are enhanced.

Sincerely,

 Gheno Minia
 General Manager,
 BSP Capital

Licensed Fund Administrator Statement - Kina Superannuation Services Ltd



Kina Investments & Superannuation Services Limited (KISS), Licensed Fund Administrator and a wholly owned subsidiary of Kina Securities Limited, is pleased to provide to NASFUND and its members its report for the year ending 31 December 2021.

2021 Year in Review

Amidst the COVID-19 pandemic that continued to cause disruptions to business and life in PNG in 2021, our focus did not deviate from striving to deliver superior customer service and high Fund Administrative standards for NASFUND and its more than 600,000 members. This continues to be our number one priority.

The enabling factor in achieving the level of service expected of us was a major infrastructure and software upgrade embarked on earlier in 2021. The overall performance of the fund administration is a testament to our continued commitment to investing in technology that allows us to create efficiencies within and around our work processes that benefits the Trustee and its members.

It was again a challenging year for Fund Administration with an average of 600 items received daily for processing, which was comparable to the volume of work received in 2020. In spite of the disruptions to business due to the COVID-19 pandemic and its significant impact on PNG and its people, we remained focused in providing exceptional customer service. A total of 149,188 work items were processed, compared to 153,106 in 2020.

In line with our focus on providing superior customer service, the introduction and provisioning of SMS notifications within the Member Details Amendment administration process was well received by the trustee. This provides a simple and efficient way to keep members informed about the status of the MDUF every step of the way from lodgement to successful completion without having to visit a branch office to make a follow up in person. This new process was driven by effective marketing campaigns and promotions by the Trustee and resulted in a significant number of members coming forward to have their biodata details updated.

In line with the Fund's strategic objective to retain its members and their superannuation savings in a safe and secure environment, a new process to manage regular payments was created. The new payment method allows an unemployed member to receive a benefit payment on a regular fortnightly basis in an automated fashion for up to 9 months. For impacted members this was a welcome initiative to address the usual monthly payment process which they felt took too long. Nonetheless, the number of Unemployment Benefit Payment Requests has remained consistently high for the past three years.

Despite the high work volumes, it is indeed a pleasure to maintain our service levels at the highest standard at all times possible.

For the record, in 2021:

- Overall membership grew by 2.95% to 622,938
- Contributions receipts of K589 million
- Benefit payments totalled K586 million
- Unemployment benefit increased by 2.81% compared to 2020
- Interest successfully credited to members account
- Funds under administration grew by 10.02% to K5.8 billion (inclusive of over K354 million in interest credit)

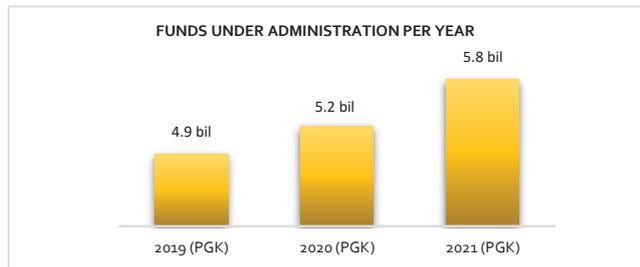
Fund Membership

There was 3.0% increase in overall fund membership to 622,938 at the end of December 2021. Number of mainstream super members grew by 3.0% to 587,451, Eda Supa members grew by 2.4% to 35,302 while RSA members dropped by 22 members. Below is the break-up of the membership base:

No. of members	Year 2019	Year 2020	Year 2021
Mainstream	550,750	569,909	587,451
Eda Supa	33,689	34,471	35,302
Retirement Savings Account (RSA)	240	207	185
Total	584,679	604,587	622,938

Funds Under Administration

Total funds under administration was K5.86 billion at the close of December 2021, an increase of 10.02% including K354 million credit interest allocated to members account as at 31/12/2021.



Contributions

Overall contribution receipts were K589 million at the close of 2021, which is a 3.26% increase compared to total receipts in 2020.

Member voluntary contributions increased by K29,409.68 from 2020 while member contributions decreased by K2.48 million (-1.1%) and employer contributions decreased by K3.11 million (-1%). Below is the break-up of each contribution type.

Description	2019 (PGK)	2020 (PGK)	2021 (PGK)
Member Contributions	204,103,671.34	221,375,263.40	218,890,418.23
Employer Contributions	285,922,208.97	311,221,458.54	308,113,659.70
Member Voluntary	23,166,814.59	24,868,094.66	24,897,504.34
Employer Voluntary	6,250,132.40	6,555,291.15	6,632,619.08
Member Salary Sacrifice	1,502,750.72	1,190,535.24	1,379,813.59
Housing Advance Repayment	13,270,375.08	14,842,676.39	14,820,949.69
Transfers from other ASF	3,807,040.19	3,216,884.15	4,048,147.70
Unallocated Contributions	26,093,027.32	-11,689,095.44	10,688,386.13
Total	564,116,020.61	571,581,108.09	589,471,498.46

Benefit Payments

Over K586 million was paid out in 91,995 payment transactions compared to K468 million in 2020, representing a massive increase of 25% in the value of benefit payments. This highlights the significant impact that the COVID-19 pandemic has had on businesses, resulting in a significant increase in the rate of unemployment.

Below is the break-up of each benefit payment type and its associated amount.

Description	2019 (PGK)	2020 (PGK)	2021 (PGK)
Normal Retirement	266,242,242.30	316,869,071.42	399,028,874.54
Medical Retirement	5,957,718.67	5,443,306.62	5,976,754.18
Death	17,841,486.02	18,760,572.03	26,624,939.84
Transfer Out (to other ASF)	6,142,032.45	5,804,050.63	18,892,788.40
Unemployment Benefits	40,402,355.32	69,181,811.44	71,185,254.99
RSA Payments	4,116,688.54	2,659,732.33	1,532,668.41
Housing Advance Payments	29,492,558.43	31,005,700.79	41,078,172.88
Tax on Full Benefit Payment	12,972,656.61	15,331,952.45	18,760,793.84
Tax on Partial Benefit Payment	1,914,105.56	2,958,840.03	3,461,921.42
Total	385,081,843.90	468,015,037.74	586,542,168.50

Online Services

2021 saw a great response from members and employers signing up for online services to take advantage of their efficiency and reliability. Acurity Online and Employer Online services ensure that members and employers have the convenience of accessing their Superannuation accounts anytime and anywhere. At the end of December 2021, there were 2,598 Employer Online users and 61,247 members subscribed and utilizing the Acurity Online System.



Looking Ahead

At Kina Investments & Superannuation Services Limited we value our partnership with NASFUND and are committed to strengthening our relationship in 2022 and beyond.

In line with Kina's strategy of taking advantage of technology and innovation KISS will introduce a number of service enhancements for the Trustee and its members in the coming year. These initiatives will occur against a backdrop of both organisations taking a collaborative approach towards process reviews to ensure efficiency, convenience and security. Our objective is to provide members with great customer service backed by the assurance that their retirement funds are well managed and protected.

We remain committed to investing in digital technology that will support and enable NASFUND's membership and employer base to interact with the Trustee seamlessly, anytime and anywhere.

We remain committed to working with NASFUND to advance systems and processes in order to deliver superior customer service and most importantly help its members achieve their goals for retirement.

A handwritten signature in blue ink, appearing to read "Clifford Riroriro".

Clifford Riroriro

Acting Senior Manager Fund Administration

National Superannuation Fund

FINANCIAL STATEMENTS FOR THE YEAR ENDED **31 DECEMBER 2021**

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National Superannuation Fund Financial statements for the year ended 31 December 2021

Fund Information

National Superannuation Fund ("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 House Harbour City Port Moresby, N.C.D. Papua New Guinea
Trustee	National Superannuation Fund Limited
Directors of the Trustee Company	Mr. Charles Vee - Chairman Ms. Tamzin Wardley, LM, MBE Mr. Kepas Wali Mr. Leon Buskens Ms. Florence Willie Mr. Michael Murphy Mr. George Panao Mr. Anthony Yauieb Ms Julienne Leka-Maliaki
Secretary	Ms. Doris Gedare
Auditors	Deloitte Touche Tohmatsu Level 9 Deloitte Haus Macgregor Street Port Moresby, N.C.D. 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 Limited
Lawyers	Ashurst Lawyers Dentons (PNG) Lawyers Posman Kua Aisi (PKA) Lawyers Warner Shand Lawyers Corrs Chambers Westgarth Allens Linklaters
Professional Indemnity Insurance	QBE Insurance

National Superannuation Fund
Financial statements for the year ended 31 December 2021

Report of the Trustee of the Fund

The Directors of the Trustee have the pleasure in submitting their report and the financial statements of National Superannuation Fund ("the Fund") for the year ended 31 December 2021.

Activities

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

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

Results

The net profit after tax for the year was K363.290 million (2020: profit after tax of K222.961 million).

Directors

The directors of the Trustee at the date of the report of the Fund 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 end 31 December 2021.

Remuneration of Trustee Directors

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

Director's name	31 Dec 2021	31 Dec 2020
	K	K
Charles Vee – Chairman	208,966	219,311
Tamzin Wardley, LM, MBE	198,276	210,345
Leon Buskens	193,103	200,000
Kepas Wali	186,207	196,551
Florence Willie	203,448	201,724
Michael Murphy	196,552	205,172
George Panao	201,724	151,725
Anthony Yaueib	208,621	160,345
Julienne Leka-Maliaki	203,793	57,345
Hulala Tokome, MBE (retired 31 May 2020)	-	96,552
Graham Ainui MBE, OL. (retired 26 March 2020)	-	48,276
Murray Woo, OBE (retired 24 February 2020)	-	46,552
Vera Raga (retired 24 February 2020)	-	48,276
	1,800,690	1,842,171

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

Remuneration of Employees

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

Interests Register

Interests of the Directors of the Trustee and key management personnel as recorded in the interests 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: 29 March 2022



Mr. Anthony Yaueib
Chair of the Audit and Risk
Committee

Date: 29 March 2022

National Superannuation Fund
Financial statements for the year ended 31 December 2021

Trustees' Declaration

In our opinion, the financial statements set out on pages 56 to 94 are drawn up so as to give a true and fair view of the financial position as at 31 December 2021 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

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

- 1) Identified the key financial and operational risks;
- 2) Established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes;
- 3) Ensured the risk management systems are operating effectively and are adequate in regards to the 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.

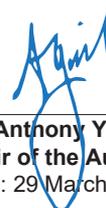
The Financial Statements have been drawn up in accordance with International Financial Reporting Standards and the requirements of the Superannuation (General Provisions) Act 2000 and requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at PORT MORESBY this 29th day of March 2022.

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



Mr. Charles Vee
Chairman
Date: 29 March 2022



Mr. Anthony Yaueib
Chair of the Audit and Risk Committee
Date: 29 March 2022

National Superannuation Fund
Financial statements for the year ended 31 December 2021

Management's Declaration

In our opinion, the financial statements set out on pages 56 to 94 are drawn up so as to give a true and fair view of the financial position as at 31 December 2021 and the financial performance for the year ended on that date of the National Superannuation Fund in so far as they concern members of the National Superannuation Fund.

Management has satisfied themselves that it has:

- 1) Identified the key financial and operating risks;
- 2) Established systems to control and monitor those risks including adherence to prudent policies and procedures, reasonable operating limits and adequate and timely reporting processes;
- 3) Ensured the risk management systems are operating effectively and are adequate in regards to the 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 International Financial Reporting Standards and the requirements of the Superannuation (General Provisions) Act 2000 and requirements of the Trust Deed of the National Superannuation Fund dated 31 May 2002.

DATED at PORT MORESBY this 29th day of March 2022.

For and on behalf of the Management of National Superannuation Fund



Mr. Ian A Tarutia, OBE
Chief Executive Officer
Date: 29 March 2022



Mr. Rajeev Sharma
Chief Financial Officer
Date: 29 March 2022

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 2021, 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 2021, 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 National Superannuation Fund (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 2021, 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 National Superannuation 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 the 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, the 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 the 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 are 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.

We communicate with management and the 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

- Relevant ethical requirements for auditor independence are set out in IESBA international Code of Ethics for Professional Accountants. Due to certain members of the audit team being members of the Fund as required by law, some of the relevant ethical requirements are not met. We have communicated with The Board of Trustees of the Fund and the Bank of PNG regarding the safeguards implemented to reduce any threats to our independence to an acceptable level, and these are considered sufficient to enable us to issue our independent auditors' report to the Board of Trustee of the Fund.
- Proper accounting records have been kept by the Fund as far as appears from our examination of those records.



DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James

Partner

Registered under the Accountants Act 1996

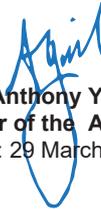
Port Moresby, 29 March 2022

**National Superannuation Fund
Statement of Financial Position
As at 31 December 2021**

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Investment assets			
Cash at bank and on hand	22	226,503	254,800
Investment in Financial Assets	8	2,902,075	2,637,531
Property receivables		35,023	15,088
Equity investments	9	2,316,346	2,169,078
Current tax asset	12 (b)	-	12,594
Investment properties	10	529,135	533,515
		6,009,082	5,622,606
Other assets			
Withholding taxes recoverable		6,440	222
Other receivables		1,811	2,009
Property and equipment	11	11,486	8,848
		19,737	11,079
Total Assets		6,028,819	5,633,684
Current Liabilities			
Sundry creditors and accruals	13	41,806	28,470
Current tax liability	12 (b)	13,612	-
Provisions for employee entitlements	14	996	825
		56,414	29,295
Non-current liabilities			
Deferred tax liability (net)	12 (c)	29,776	27,452
Provisions	14	2,388	3,249
		32,164	30,701
Total liabilities		88,578	59,996
Net Assets		5,940,241	5,573,689
Represented by			
Liability for accrued benefits			
- Allocated funds		5,510,188	5,275,611
- Unallocated contributions		62,487	52,406
- Unallocated earnings		367,566	245,672
Revaluation reserve	15	-	-
Total member funds		5,940,241	5,573,689



Mr. Charles Vee
Chairman
Date: 29 March 2022



Mr. Anthony Yaueib
Chair of the Audit and Risk Committee
Date: 29 March 2022

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
For the year ended 31 December 2021

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Investment income			
Finance Income - Interest income	17	274,616	246,626
Dividend Income	17	117,272	107,490
Property rentals		51,318	56,876
Movement in net fair value of investments	16	103,264	(19,829)
Impairment losses on financial assets		(6,854)	(38,405)
Gain/(loss) on disposal of shares		-	(213)
Net foreign exchange gain/(loss)	18	(24,554)	(6226)
		515,062	352,200
Less: property costs		(23,573)	(21,004)
Net investment income		491,489	331,196
Other income and expenses			
Sundry income		957	749
Profit / (Loss) on disposal of fixed assets		-	24
		957	773
Expenditure			
Staff related expenses	19	(25,209)	(21,398)
Fund administration fee		(9,199)	(8,768)
Investment management fee		(5,673)	(7,990)
Advertising		(1,521)	(2,464)
Depreciation		(1,680)	(2,204)
Board expenses		(2,053)	(2,253)
Bank of PNG regulatory fees		(4,224)	(3,464)
Other administration expenses		(13,066)	(13,368)
		(62,625)	(61,909)
Profit before tax		429,821	270,061
Income tax expense	12	(66,531)	(47,100)
Profit for the year		363,290	222,961
Other comprehensive income		-	-
Total comprehensive income for the year		363,290	222,961

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 2021**

	Allocated Funds K'000	Unallocated Contribution K'000	Unallocated Earnings K'000	Revaluation Reserve K'000	Total K'000
As at 1 January 2020	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
Profit for the year	-	-	363,290	-	363,290
Total comprehensive income for the year	-	-	363,290	-	363,290
Contributions received	-	589,376	-	-	589,376
Allocated contributions	579,295	(579,295)	-	-	-
Interim interest	5,861	-	(5,861)	-	-
Benefits paid to members	(586,114)	-	-	-	(586,114)
Interest allocated to members' accounts	235,535	-	(235,535)	-	-
As at 31 December 2021	5,510,188	62,487	367,566	-	5,940,241

Allocated funds represent National Superannuation Fund's obligation to pay benefits to members and beneficiaries arising as at 31 December 2021.

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

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

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

National Superannuation Fund
Statement of Cash flows
For the year ended 31 December 2021

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Cash flows from operating activities			
Interest received		259,814	234,249
Net rent received		42,834	55,432
Dividend received		117,050	107,470
Wages and administration payments		(74,361)	(74,606)
Income tax (paid)	12	(18,403)	(17,183)
Net cash from operating activities		326,934	305,361
Cash flows from investing activities			
Purchase of property and equipment	11	(2,351)	(1,790)
Proceeds from sale of property and equipment		-	148
Proceeds from sale of property investments		-	9,129
Investments in equity		(31,185)	(2,435)
Investments in government securities and other loans		(295,730)	(275,061)
Investments in investment property		(4,673)	(5,022)
Net cash (used in) investing activities		(333,939)	(275,030)
Cash flows from financing activities			
Contributions received		589,376	573,830
Benefits paid		(586,114)	(467,926)
Net cash from financing activities		3,262	105,904
Increase/ (Decrease) in cash and cash equivalents			
Effect of exchange rate fluctuations		(24,554)	12,350
Cash and cash equivalents at the beginning of the year		254,800	106,216
Cash and cash equivalents at the end of the year	22	226,503	254,800

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

1. General Information

Operations of Nasfund

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

Under the Trust Deed number 220228, National Superannuation Fund Limited is the Trustee of the Fund 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 House, 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 2020, 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 2021 were authorised for issue by the Board of Directors of the Trustee, on 10/03/22 and signed on the 29/03/2022.

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; and
- investment property carried at fair value through profit and loss.

Functional and presentation currency

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

Investments in controlled and associated entities

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

Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting 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:

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 benchmarking 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 of the material investments within the portfolio. Such fair values were determined based on the capitalization of rent, with adjustments to reflect any changes in economic conditions since the date of the 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 judgments and estimates or utilised different basis for determining fair value.

The fair value methodology and any unobservable inputs that would be applicable to estimation for investment properties are considered in notes 4 (i) and 10 (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 judgment. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, future cash flows, discount to net asset, 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 methodologies and 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 probable 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 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, excluding liabilities for future benefits payable to members, and it has sufficient liquidity to meet its debts as and when they fall due.

Application of new and revised International Financial Reporting Standards

The Fund has adopted the new and revised International Financial Reporting Standards, and these have had little impact to the statement of the Fund in the current year.

New and Revised IFRSs in issue but not yet effective

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

Amendments to IAS 1	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract
Amendments to IAS 9	Financial Instruments
Amendments to IAS 1 and IFRS	Disclosure of Accounting Policies Practice Statement 2
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods, except as noted below.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

Application of new and revised International Financial Reporting Standards (continued)

New and Revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 *Presentation of Financial Statements—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 the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on 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 to the counterparty of cash, equity instruments, 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 IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and 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.

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 *Provisions, Contingent Liabilities and Contingent Assets—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 consist of both the incremental costs of fulfilling that contract (examples would be direct labour 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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
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Application of new and revised International Financial Reporting Standards (continued)

New and Revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

Application of new and revised International Financial Reporting Standards (continued)

New and Revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities;
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- 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 that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Analysis of the COVID-19 Pandemic (COVID-19)

The Trustee acknowledges the effects COVID-19 is having on the Fund and considers that all reasonable steps have been taken to ensure the values at 31 December 2021 are appropriate. The robust risk management systems in place have seen the Fund appropriately navigate the 2021 financial year. The Trustee continues to monitor the effects of COVID-19 on the operation of the Fund and has carefully considered the financial disclosures contained within these financial statements. It should be noted that certain external valuers have included statements in their respective valuation reports, as at 31 December 2021, that the valuation is subject to valuation uncertainty due to the ongoing economic impacts stemming from the COVID-19 pandemic. Nasfund considers the valuations to be materially appropriate for the purpose of recording these investments at fair value as at 31 December 2021.

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 of 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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

3. Significant accounting policies

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

a) Member accounts

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

b) Investment assets

In accordance with 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, IRC approved.

e) Financial instruments

(i) Non-derivative financial assets

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

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

Government Securities

Government securities including treasury notes are recognised at amortised cost and assessed for impairment annually. Amortised cost approximates fair value of these instruments.

Loans and Receivables

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment.

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

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 within other income in profit or loss.

(iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund, and its cost can be measured reliably. The carrying amount of the replaced part is 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 part of an 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 for the current and comparative periods are as follows:

Office 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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

3. Significant accounting policies (continued)

g) Investment property

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

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

h) Impairment of assets

(i) Financial assets (including receivables)

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

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

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

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

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

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

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

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

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

(ii) Non-financial assets

The carrying amount of the Fund's non-financial assets, other than investment property 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. 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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

3. Significant accounting policies (continued)

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 services are rendered by employees.

(ii) Other long-term employee benefits

The Fund's obligations 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 benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(j) Provisions

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

k) Revenue recognition

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

Dividend revenue

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

Interest revenue

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

Movement in net market value of investments

Changes in the fair value of investments are recognised as income or expense if a loss, 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 a straight line basis.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

3. Significant accounting policies (continued)

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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 Chief Investment Officers. The Chief Financial Officer and 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 included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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

Trade and other receivables

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

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

Investments

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 repayments of members balances, withdrawals and loans; this exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(iii) Market risk

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

(iv) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards; 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 (2020: 8.4%). Employees contribute to the Fund during the year at a minimum rate of 6.0% of the gross salaries (2020: 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.

The Fund meets all the above requirements

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8 Investment in Financial Assets

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Treasury Bills		751,250	700,000
Interest Bearing Deposits	(c)	61,995	47,193
Government Inscribed Stock	(a)	1,914,685	1,734,345
Sovereign Community Infrastructure Treasury Bill (SCITB)	(b)	28,348	28,348
Notes and other loans	(d)	145,797	127,645
		2,902,075	2,637,531
a) Government Inscribed Stock			
		31 Dec 2021 K'000	31 Dec 2020 K'000
GIS		1,949,510	1,767,964
Provision for impairment	(e)	(34,825)	(33,619)
		1,914,685	1,734,345
b) Sovereign Community Infrastructure Treasury Bill ("SCITB")			
	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
SCITB		68,581	68,581
Interest receivable from SCITB		35,250	35,250
Provision for impairment	(e)	(75,483)	(75,483)
		28,348	28,348
<p>The Sovereign Community Infrastructure Treasury Bill (SCITB) was issued by the Treasurer on behalf of the Independent State of Papua New Guinea (State) by National Capital Limited (NCL) as the State's Agent under the Treasury Bills Act 1974 . However, the State disputed its liability to repay the SCITB and consequently, the Fund commenced legal proceedings for the recovery of the amount it subscribed for the SCITB as well as any accrued interest. On 28 August 2017, the National Court ordered NCL to return to the Fund approximately K56.4 million which was held by NCL in several bank accounts. These monies were recovered thus lowering the principal remaining to approximately K68.6 million. As at the end of 2021, the balance of the SCITB remains in dispute and the Fund is continuing its legal recovery of these funds (including any accrued interest).</p>			
c) Interest Receivable			
	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening Balance accrued interest		47,193	34,815
Increase/ (Decrease) in accrued interest		14,802	12,378
Closing Balance		61,995	47,193

National Superannuation Fund
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8. Investment in Financial Assets (continued)

d) Notes and other loans

	Note	Maturity (years)	Average Yield	31 Dec 2021 K'000	31 Dec 2020 K'000
Panamex Limited		1	12.10%	10,000	10,000
Tawaili Resort Limited	(i)	-	-	4,057	4,057
Heritage Park Hotel Limited		1	12.5%	28,309	28,828
Mainland Holdings		3	10%	91,026	62,126
The Edge		-	-	6,600	6,600
PNG Air (note 8(e))	(ii)	-	-	45,000	45,000
City Centre Development (CCD)		-	-	18,091	20,091
				203,083	176,702
<i>Less: provision for impairment</i>	8 (e)			(57,286)	(49,057)
				145,797	127,645

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

(i) In 2012 the Fund provided for the loan to Tawaili 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 addition 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 a 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 is as follows:

	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance	158,159	111,755
Provision for impairment on SCITB (note 8(b))	-	735
Provision for impairment on Government Inscribed Stock (note 8(a))	1,206	20,669
Provision for impairment loan to PNG Air (note 8(d))	-	25,000
Provision for impairment on Mainland Holdings	7,805	-
Provision for impairment on CCD	310	-
Provision for impairment on The Edge	113	-
Closing balance	167,593	158,159

Provision for impairment is comprised of the following:

	31 Dec 2021 K'000	31 Dec 2020 K'000
Tawaili Resort (note 8(d))	4,057	4,057
Provision for impairment on SCITB	75,483	75,483
Provision for impairment on Government Inscribed Stock	34,825	33,619
PNG Air (note 8(d))	45,000	45,000
Provision for impairment on Mainland Holdings	7,805	-
Provision for impairment on CCD	310	-
Provision for impairment on The Edge	113	-
	167,593	158,159

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9. Equity Investments

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Quoted investments – domestic	(a)	692,579	666,929
Quoted investments – international	(a)	694,388	589,992
Unquoted investments	(b)	929,379	912,157
		2,316,346	2,169,078

(a) Quoted investments

Summary of revaluation of quoted Investments is as follows:

	31 Dec 2020 K'000	Revaluation K'000	Transfer K'000	31 Dec 2021 K'000
Quoted shares domestic				
PNG Air	250	-	-	250
Bank of South Pacific Limited	543,821	11,330	-	555,151
City Pharmacy Limited	17,289	15,562	-	32,851
Credit Corporation (PNG) Limited	105,569	(1,242)	-	104,327
	666,929	25,650	-	692,579
Quoted shares international				
Santos Limited (i)	61,654	372	-	62,026
Vanguard	479,023	106,145	-	585,168
Steamships Trading Company Limited	49,315	(2,121)	-	47,194
	589,992	104,396	-	694,388

Reconciliation of movement in quoted investments is as follows:

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance		1,256,921	1,240,044
Additions / (Disposal) or transfers during the year		-	(15,275)
Fair value gain / (loss)		130,046	32,151
Closing balance		1,386,967	1,256,921

- (i) On 17 December 2021, Santos purchased 100% of Oil Search Limited. As such, all Oil Search shareholder were issued new Santos shares. There was no change to the number of shares held.

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9. Equity Investments (continued)

(b) Unquoted investments at fair values

Summary of revaluation of unquoted investments is as follows:

Unquoted investments	Note	Percentage Holding	2021 Valuation Model	2020 Valuation Model	2020 K'000	Revaluation K'000	Other movements K'000	2021 K'000
Amalgamated Packaging Limited		30.00%	(i)	(ii)		350	-	
Hornibrooks NGI Limited		21.13%	(i)	(i)		(700)	-	
Brian Bell & Company Limited		20.31%	(ii)	(ii)		4,500	-	
The Edge Limited		100.00%	(ii)	(ii)		(1,700)	-	
City Centre Developments Limited		100.00%	(ii)	(ii)		(653)	-	
South Pacific Brewery Limited		0.72%	(ii)	(ii)		(1,800)	-	
Pacific Balance Fund		22.00%	(i)	(i)		-	-	
Toyota Tsusho (PNG) Limited		0.61%	(i)	(i)		-	-	
Hillside Garden		50.00%	(i)	(i)		-	-	
Panamex Limited		41.10%	(ii)	(ii)		(2,709)	(3,541)	
Heritage Park Hotel		60.00%	(i)	(i)		3,150	-	
Malagan Limited		100.00%	(ii)	(ii)		3,626	-	
Carpark Limited		100.00%	(ii)	(ii)		664	-	
Gewani Ltd		100.00%	(ii)	(ii)		(709)	-	
Capital Insurance Group Ltd		19.20%	(ii)	(ii)		500	-	
Loloata Island Resort		50.00%	(i)	(iii)		-	3,250	
Mainland Holdings Ltd		78.27%	(i)	(i)		(21,730)	34,726	
Total unquoted investments					912,157	(17,211)	34,435	929,379

(i) Net Assets on a Going Concern Basis

(ii) Capitalisable Maintainable Earnings ("CME")

(iii) Cost

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9. Equity Investments (continued)

(b) Unquoted Investments at fair values (continued)

Reconciliation of movement in unquoted investments is as follows:

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening Balance		912,155	934,464
Additions / disposals during the year		-	(5,800)
Fair value gain/ (loss)	16	(17,211)	(16,509)
Other adjustments	(i)	34,435	-
Closing balance		929,379	912,155

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

(i) Other adjustments in current year relate to the transactions by the Fund with Mainland Holding, Loloata and Panamax arising from advances and repayments of working capital requirements.

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

Bank of South Pacific Limited	9.25%
Vanguard	8.75%

(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) Net Assets on a Going Concern Basis

Under this model, fair value is based on the identifiable net assets of the investee. 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.

(ii) Capitalisable Maintainable Earnings ("CME").

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

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

(iii) Cost

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

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Equity Investments (continued)

(e) Sensitivity analysis

The following is a sensitivity analysis of significant unobservable inputs:

	Effect on profit or loss Increase / (decrease)	
	31 Dec 2021 K'000	31 Dec 2020 K'000
Increase of 1% in market multiples	46,373	37,903
7% increase in earnings	42,309	43,505
Increase of 5% in discount rates	(164,710)	(126,452)

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

10. Investment properties

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Residential properties	(a)	48,633	49,433
Industrial properties	(a)	27,331	27,974
Commercial properties	(a)	437,012	440,464
Land		14,425	14,548
Work in Progress		1,734	1,096
		529,135	533,515

(a) Investment properties (at market value)

Summary of movement in revaluation of investment properties as follows:

	2021 Valuation Model	Capitalization Rates	2020 K'000	Revaluation K'000	Other movements K'000	2021 K'000
Residential properties						
Sol Wara Apartments	MC	10.81%		(2,532)	1,732	
Lot 18 Sect. 69 House Property	MC	11.00%		-	-	
Lot 3 Sect. 2 Madang Property	MC	-		-	-	
Lot 11 Sect. 13 KBB Property	MC	-		-	-	
Siroi Panu Units	MC	11.00%		-	-	
			49,433	(2,532)	1,732	48,633
Industrial properties						
API	MC	11.00%		-	-	
Gordons – Cameron Road	MC	11.11%		(643)	-	
			27,974	(643)	-	27,331

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10. Investment properties

	Note	2021 Valuation Model	Capitalization Rates	2020 K'000	Revaluation K'000	Other movements K'000	2021 K'000
Commercial properties							
Ravalian Haus	(ii)	MC	10.00%		2,696	4	
Able Computing Madang	(ii)	MC	10.00%		-	52	
ANZ Haus	(ii)	MC	10.00%		8,292	8	
Westpac Head Office Building	(i)	MC	-		-	-	
BSP Douglas Street	(i)	MC	-		(2,000)	-	
Madang Slipway	(i)	MC	-		-	-	
Kina Haus	(ii)	MC	10.00%		(10,506)	2,675	
Nasfund Haus Lae	(ii)	MC	11.50%		-	51	
NCSL Head Office	(i)	MC	-		-	65	
IPA Haus	(ii)	MC	12.50%		(5,208)	1	
Burns Philp	(ii)	MC	-		(1,919)	25	
The Face	(ii)	MC	-		(1,328)	27	
The Factory	(ii)	MC	12.50%		3,579	33	
				440,464	(6,394)	2,941	437,012
Land							
Section 69, Lae	(i)	MC	-		-	-	
8 Mile and 9 Mile	(i)	MC	-		-	-	
Vacant Land, POM	(i)	MC	-		-	-	
Vacant Land, Lae	(i)	MC	-		-	(123)	
				14,548	-	(123)	14,425

National Superannuation Fund
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10. Investment properties (continued)

Reconciliation of movement in investment properties is as follows:

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance		533,515	543,545
Improvements, reclassifications, and additions		4,550	3,274
Work In Progress		640	1,096
Fair value gain/ (loss)	16	(9,570)	(14,400)
Closing balance		529,135	533,515

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(i).

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

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

(i) Direct market approach (DMA) is a market-based valuation technique which considers the most recent completed sales transactions and quoted market prices (when available) of similar properties in the location adjusted for 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 believes 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 NII in current year (2020: K38,230 million) have been categorised at Level 2 fair value as the inputs to the valuation techniques used made reference to recent market sales transactions of comparable properties.

The fair value measurement for investment properties of K529,135 million (2020: K494,191 million) have been categorised at Level 3 fair value as the inputs to the valuation techniques used made reference to significant unobservable inputs such as risk-adjusted capitalisation rates.

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10. Investment properties (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:

	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance	38,230	38,348
Improvements, reclassifications, and additions	(38,230)	(118)
Changes in fair value	-	-
Closing balance	-	38,230

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

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

(vi) Level 3 fair value

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

	31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance	495,285	505,197
Improvements, reclassifications, and additions	42,780	3,392
Work In Progress	640	1,096
Changes in fair value	(9,570)	(14,400)
Closing balance	529,135	495,285

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% to 11%. Accordingly, an increase in market lease rates and / or a decrease in market capitalisation rate would increase the fair value of the properties. A decrease in market lease rates and / or an increase in market capitalisation rate would decrease the fair value of the properties.

(vii) Sensitivity analysis

	Effect on profit or loss increase / (decrease)	
	31 Dec 2021 K'000	31 Dec 2020 K'000
Increase of 1% in capitalisation rates	29,592	28,611
10% increase in rentals	58,596	129,478
10% increase in sales prices and / or replacement costs	2,416	1,588

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

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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 2020	2,086	11,020	7,731	20,837
Additions	407	757	625	1,790
Disposals	(331)	-	-	(331)
At 31 December 2020	2,162	11,777	8,356	22,296

At 1 January 2021	2,162	11,777	8,356	22,296
Additions	483	1,868	-	2,351
Disposals	(387)	(60)	-	(447)
At 31 December 2021	2,258	13,585	8,356	24,200

Accumulated depreciation

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	3,699	14,321

At 1 January 2021	1,041	9,581	3,699	14,321
Depreciation for the year	466	609	605	1,680
Disposals	(359)	-	-	(359)
At 31 December 2021	1,148	10,190	4,304	15,642

Carrying amounts

At 31 December 2021	1,109	3,395	4,051	8,554
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At 31 December 2020	1,121	2,195	4,626	7,973
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Capital Work in Progress included in property and equipment

	2021 K'000	2020 K'000
Opening balance	876	2,151
Additions	-	-
Commissioned	2,056	(1,275)
Closing balance	2,932	876

Total property and equipment

At 31 December 2021	11,486
At 31 December 2020	8,849

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12. Income Tax

	31 Dec 2021 K'000	31 Dec 2020 K'000
(a) Income tax expense		
Current tax	55,001	47,404
Under provision of current taxes in previous years	11,530	(304)
	66,531	47,100
Accounting profit before tax	429,821	270,061
Tax on the profit for the year at 25%	107,455	67,515
Taxation effect of permanent differences		
- Non-deductible items	20,698	25,739
- Non-taxable items	(43,764)	(18,978)
Dividend rebate	(29,388)	(26,873)
Under provision in prior years	11,530	(304)
	66,531	47,100
(b) Income tax balance		
Opening balance of income tax receivable	12,594	2,909
Current tax payable	(66,531)	(47,100)
Under provision of taxes in previous years	(11,530)	304
Offset by withholding taxes recoverable	33,452	39,298
Payment during the year	18,403	17,183
	(13,612)	12,594

(c) Deferred tax balances

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

	Asset K'000	Liability K'000	Net K'000
<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)
<i>As at 31 December 2021</i>			
Property, plant and equipment	-	(80)	(80)
Investment property	-	(16,266)	(16,266)
Provisions	19,956	-	19,956
Interest receivable	-	(15,498)	(15,498)
Other	1,877	(19,765)	(17,888)
	21,833	(51,609)	(29,776)

13. Sundry creditors and accruals

	31 Dec 2021 K'000	31 Dec 2020 K'000
Sundry creditors and other accruals	12,836	4,671
Unearned interest on Treasury Bills	25,709	20,775
Bonds and repayable deposits	3,262	3,024
	41,806	28,470

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14. Provision

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Current			
Provisions for employee entitlements		996	825
Non-current			
Provision for long service leave		2,388	3,249
		2,388	3,249
The movement in provision for long service leave is presented as follows:			
Opening balance		3,249	2,890
Charge for the year utilised	19	(861)	359
Closing balance		2,388	3,249

15. Revaluation reserve

		31 Dec 2021 K'000	31 Dec 2020 K'000
Opening balance		-	5,845
Transfer to retained earnings		-	(5,845)
Closing balance		-	-

16. Movement in fair value

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

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

Unrealised in respect of those investments held at the end of the year:

	Note	31 Dec 2021 K'000	31 Dec 2020 K'000
Shares in listed companies	9(a)	130,045	16,880
Shares in unlisted companies		(17,211)	(22,309)
Investment properties	10	(9,570)	(14,400)
		103,264	(19,829)

Movement in related to net foreign exchange gain/(loss) shown separately on the face of the Statement of Profit or Loss and other Comprehensive Income:

Investment properties / unlisted companies / other	18	(24,380)	(6,226)
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Movement in fair value not attributed to foreign exchange gain/(loss)

	78,884	(13,603)
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17 Finance Income

		31 Dec 2021 K'000	31 Dec 2020 K'000
Interest Income			
<i>Financial Instruments measured at amortized cost:</i>			
Government Inscribed Stock		215,325	186,675
Bank Deposits		1,971	3,450
Treasury Bills		43,760	46,353
Loans		13,560	10,148
		274,616	246,626
Other:			
<i>Dividends received from Equity Investments:</i>			
Unlisted Equity		33,980	43,231
Listed Equity		83,292	64,259
		117,272	107,490
Total Finance Income		391,888	354,116

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

	31 Dec 2021	31 Dec 2020
	K'000	K'000
Auditors' remuneration – audit	378	386
Legal expenses	624	1,280
Gain on sale of property, plant and equipment	-	24
Net foreign exchange gain/(loss) – related to cash	(174)	(345)
Net foreign exchange gain/(loss) – related to investments	(24,380)	(6,226)

19. Staff related expenses

	Note	31 Dec 2021	31 Dec 2020
		K'000	K'000
Salaries and wages		13,965	14,333
Superannuation		1,292	1,171
Long service leave	14	(861)	359
Other expenses and benefits		10,813	5,535
		25,209	21,398

The number of full-time employees at the end of the year was 163 (2020: 162).

The number of employees whose remuneration exceeds K100, 000 for the year was 18 (2020: 17).

Total remuneration (Kina)	31 Dec 2021	31 Dec 2020
	No.	No.
K100,001 TO K150,000	3	3
K150,001 TO K200,000	4	3
K200,001 TO K250,000	1	1
K250,001 TO K300,000	1	1
K300,001 TO K350,000	2	2
K350,001 TO K400,000	2	3
K400,001 TO K450,000	1	-
K450,001 TO K500,000	1	2
K500,001 TO K550,000	1	-
K550,001 TO K600,000	-	-
K600,001 TO K650,000	-	-
K650,001 TO K700,000	-	-
K700,001 TO K750,000	-	-
K750,001 TO K800,000	-	-
K850,001 TO K900,000	-	-
K900,001 TO K950,000	-	-
K950,001 TO K1,100,000	-	-
K1,100,001 +	2	2
	18	17

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 2021, the Fund expensed K1.292 million in contributions (2020: K1.171 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		K590,000 per month
-withdrawal fees charged to exiting members		Nil
Investment portfolio management		0.11% of assets under management
-Custodial Services		
-Asset Consulting Services		
-Listed Funds Management Services		
-Unlisted Funds Management Services		

(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 2021:

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

The recovery of the balance of the SCITB is still in dispute. The Independent State of Papua New Guinea (State) claims that the SCITB is not a lawfully issued treasury bill. The Fund maintains, based on independent legal advice, that the issuing of the SCITB is legal and the funds advanced for the SCITB and any applicable interest are fully recoverable. The Fund commenced legal action against the State, the Bank of Papua New Guinea and National Capital Limited (NCL) for the return of the K125 million it advanced to the State in exchange for the SCITB. On 28 August 2018, the National Court ordered NCL to return to the Fund approximately K56.4 million which it held in several bank accounts. These monies have since been received by the Fund. Consequently the principal amount remaining in dispute is approximately K68.6 million. This amount and the accrued unpaid interest, is still being pursued in on-going legal proceedings.

As at the end of 2021, the Fund's lawyers prepared an interest calculation (for any accrued interest) which would assist the Fund in obtaining specific directions to expedite the matter.

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

During the first part of 2011, the Fund redeemed its holding of Notes issued by NNL in exchange for shares in BSP. These shares were a part of a parcel of shares which Motor Vehicles Insurance Limited (MVIL) had previously mortgaged to NNL. Kumul Consolidated Holdings (KCH) (parent of MVIL) initiated legal proceedings against NNL and MVIL by which KCH sought to have the BSP shares returned to MVIL. The Fund was joined as a party to these proceedings in June 2011 after the title to 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 the BSP shares which had been mortgaged to NNL including those transferred to the Fund should be returned to MVIL. On independent legal advice, the Fund is advised that KCH's claim should fail as it has good title to the parcel of the BSP shares and that any legal action against the Fund would not result in a negative outcome for the fund. As at the end of 2021, the Fund has made two applications to dismiss the proceedings. In both instances, the Court failed to exercise discretion as it still considers that the Fund is a necessary party to determine the issues in dispute. The Fund maintains that the outcome of these two applications do not take away from the fact that the Fund has a good defence.

(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 (2020: K39 million) to take account of the uncertainties of litigation (see note 8d).

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 has advised that those proceedings have prospects of success.

(c) Material contracts – operational

Contract	Services	Expiry Date
Kina Investments & Superannuation Services Limited	Administration	July 2024
Black Swan Limited	Security	March 2022
BSP Capital Limited	Investment Management	June 2024

(d) Material contracts - property management

Contract	Services	Expiry Date
Ashton Brunswick Limited	Facilities Manager	Dec 2024

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 and 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 2021 K'000	31 Dec 2020 K'000
Cash at bank and on hand	105,321	113,126
Interest bearing deposits and treasury notes	121,182	141,674
Cash and cash equivalents	226,503	254,800

Interest bearing deposits and treasury notes have a maturity of less than 90 days. Interest rates ranged from 0.5% to 6.25% (2020: 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 significantly influenced by such parties. Pricing policies and the terms of these transactions are approved by the Board of Directors.

Management and some members of the board of directors are also members of the Fund under normal commercial terms and conditions.

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 2021 K'000	31 Dec 2020 K'000
Opening balance owing to Nasfund	27	1
Administration services provided by Nasfund	-	26
Closing balance	27	27

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 (CEO), Anne Wilson (COMS), Seema Dass Raju (CRO), Rajeev Sharma (CFO), Judah Waffi (HOSP), Fiona Nelson (CIO), Rennie Wekina (CP), Doris Gedare (Company Secretary) and Vincent Lialu (Head of Human Capital)

(v) Compensation

Key management personnel compensation comprised of:

	31 Dec 2021	31 Dec 2020
	K'000	K'000
Salary and fees	7,563	7,097
Non-monetary benefits	389	688
Post-employment benefits	647	1,790
	8,599	9,574

(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 2021	31 Dec 2020
	K'000	K'000
- Sitting allowance	281	424
- Board fees	1,530	1,532
- Directors insurance	195	178
- Other Costs	47	125
	2,053	2,259

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

23. Related party transactions (continued)

(viii) Board and CEO personal interests as at 31 December 2021

Name	Nature	Organisations
Mr. Charles Vee	Director	Edge Limited, V-Tech Consultancy Limited Architectural Alliance Ltd.
	Shareholder	Architectural Allianz Ltd
Mr. Ian A Tarutia, OBE	CEO Director	Nasfund Nasfund Contributions Savings & Loan Society, Federation of Savings & Loan Societies PNG Chamber of Commerce of Industry, Seychelles Limited, East New Britain Properties Ltd, Cloud App Laboratories Ltd
	Shareholder	Bank South Pacific Ltd, Seychelles Ltd, PNG Air Ltd
	Director	ANZ PNG Limited, SP Brewery Limited, IPA, Gazelle International Hotel, Kopkop College, Oil Search Foundation, National Football Stadium
Mr. Leon Buskens	Shareholder	Santos Limited, KOPKOP College
	Director	ANZ PNG Limited, SP Brewery Limited, IPA, Gazelle International Hotel, Kopkop College, Oil Search Foundation, National Football Stadium
Mr. Kepas Wali	Director	Minerals & Petroleum Consultants Ltd, PNG Ports Corporation Ltd
Ms. Tamzin Wardley, LM, MBE	Director/Executive member	Royal Papua Yacht Club Inc.
	Director	Pacific Games 2015 Ltd, Westpac Bank Ltd Water PNG Limited
	Shareholder	Steel Industries Ltd, Santos Limited, Vanguard Ltd
Ms. Florence Willie	Director/shareholder	Konevilla No 1 Consultants Limited
Mr. Michael Murphy	Owner	Mike Murphy Actuarial
	Shareholder	Telstra Corporation Limited (AUS), AMP Limited (AUS), AON PLC (US/UK)
George Panao	Director Executive Member	G-Energy Solutions, Manufacturers' Council of PNG, Roger Hau'ofa Kidney Foundation
Anthony Yaueib	Director/ shareholder	Allen PNG Limited
Julienne Leka-Maliaki	Director/ shareholder	Logic Connect Ltd, PNG Air Ltd, Santos Limited

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

24. Financial instruments

(a) Credit risk

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

	31 Dec 2021	31 Dec 2020
	K'000	K'000
Government debt securities	1,943,033	1,762,693
Equity securities	2,316,346	2,169,078
Loans and receivables	145,797	142,645
Interest receivables	61,995	47,193
Property receivables	35,022	14,994
Other receivables	1,811	2,103
Interest bearing deposits and treasury notes	751,250	700,000
Cash and cash equivalents	226,503	178,052
	5,481,757	5,016,758

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 ageing of unimpaired property receivables at the reporting date was:

	31 Dec 2021	31 Dec 2020
	K'000	K'000
Current	1,176	831
31 - 60 days	917	171
61 - 90 days	756	183
over 90 days	7,138	5,356
	9,986	6,541

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

	31 Dec 2021	31 Dec 2020
	K'000	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 another financial asset.

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 contracted payments.

(c) Currency risk

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

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

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

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

As at 31 December 2021	AUD K'000	USD K'000	SBD K'000
Equity investments	109,220	585,168	79,550
Cash at bank	13,901	-	2,381
Gross balance	123,121	585,168	81,931
% of net asset value	2.1%	9.9%	1.4%
Foreign exchange rate	0.37	0.27	2.17
As at 31 December 2020			
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

Sensitivity analysis

A 10 percent strengthening of the PNG Kina against the above currencies at 31 December would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2021 and 2020.

	31 Dec 2021 K'000	31 Dec 2020 K'000
AUD	12,312	11,566
USD	58,517	47,902
SBD	8,193	7,913
	79,022	67,382

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

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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 2021 K'000	31 Dec 2020 K'000
<i>Fixed rate instruments</i>		
Financial assets (Government bonds and inscribed stock)	1,914,685	1,715,442
Treasury bills and interest-bearing deposits	751,250	700,000
Loans and other receivables	145,797	143,817
	2,811,732	2,559,259
<i>Variable rate instruments</i>		
State grant	-	-
Loans and other receivables	-	-
Total	2,811,732	2,559,259

(e) Other market price risk

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

As the Fund's financial instruments are carried at fair values with changes recognised in the statement of 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.

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

24. Financial instruments (continued)

(e) Other market price risk(continued)

Sensitivity analysis

Following analysis of historical data and expected investment rate movements during the 2021 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.

			Effect on net assets And profit increase K'000	Effect on net assets And profit Decrease K'000
Listed overseas shares	15%			
Listed local shares	10%			
Investment in unquoted companies	5%			
As at 31 December 2021	%	Carrying Amount K'000		
Listed overseas shares	15%	688,698	104,158	(103,305)
Listed local shares	10%	692,578	69,258	(69,258)
Investment in unquoted companies	5%	929,379	46,469	(46,469)
As at 31 December 2020				
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)

(f) Fair value versus carrying values

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

(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 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 presents the basis of determining the fair value of each class of the Fund's financial instruments measured at fair value subsequent to initial recognition.

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
As at 31 December 2021				
Equity securities	1,381,275	-	929,381	2,316,347
Investment Properties	-	-	529,135	529,135
	1,381,275	-	1,458,516	2,845,481
As at 31 December 2020				
Equity securities	1,256,921	-	912,157	2,169,078
Investment Properties	-	38,230	495,285	533,515
	1,256,921	38,230	1,407,442	2,702,593

National Superannuation Fund
Notes to, and forming part of, the financial statements
For the year ended 31 December 2021

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.

(ii) Financial instruments not measured at fair value

Debt securities

Debt securities, which includes 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 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 2021 K'000	31 Dec 2020 K'000
Opening balance	1,406,346	1,439,664
Changes in fair value	(26,781)	(30,791)
(Disposals / redemptions) or additions during the year	78,950	(1,431)
Closing balance	1,458,516	1,407,442

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 believes that the above reclassifications resulted in a better presentation of accounts and did not have any impact on 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 impacted. The Board has assessed the events subsequent to 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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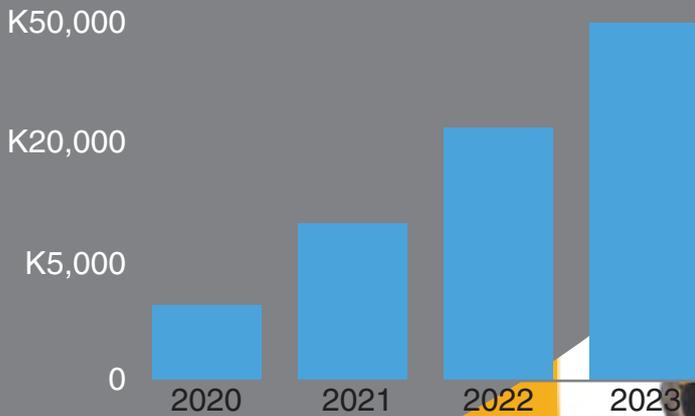
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- or visit your nearest branch.

Justin Olam -
Nasfund brand ambassador

Connect with us:    

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Collect your membership ID Card from your nearest Nasfund office and benefit from these great discounts today!

622,938+
Nasfund members enjoying discounts nationwide

150+ Discount partners
5 - 25% Discount offer

17
Branch Presence nationwide

NASFUND DISCOUNT PARTNERS FOR 2022

Nationwide	Discount	Lae	Discount	Goroka	Discount
Air Nuigini (cargo)	15%	AGD Printings	25%	Brian Bell & Co Limited	15%
Brian Bell & Co. Ltd	15%	BMBN Homecentre	10%	Brian Bell Chemical	15%
PNG Air	K50	Brian Bell & Co Ltd	15%	Bulldog supplies	5%
Port Moresby	Discount	Brian Bell Chemicals	15%	KKB / Kainantu Lodge	5%
Able Computing (PNG) Ltd	10%	Brian Bell Electricals	15%	Pacific Gardens Hotel	15%
All Workers Barber Services Ltd	20%	Chin H Meen & Sons Ltd	10%	Wewak	Discount
Anitua Hardware	10%	Lae International Hotel	10%-15%	Leon Hardware	10%
Badili Hardware	10%	Masslift New Guinea	10%	Seaview Hotel	10%
BizPrint & Scan	10%	Nesian Beauty	20%	Wabag	Discount
Brian Bell & Co. Ltd	15%	Niugini Builders Suppliers Ltd	5%	Ribito Hotel Limited	5%
Brian Bell Chemicals	15%	Nuigini Electrical Company	12.50%	Alotau	Discount
Brian Bell Electrical	15%	Phils Hotel	5%	Milne Bay Hardware (Brian Bell Supplier)	15%
Café Pacific	10%	PNG Pipemakers Ltd	5%	Samarai Plastics	10%
Camp Administration	10%	Theodist Limited	10%	Lihir	Discount
Cellar Restaurant	10%	Mt Hagen	Discount	Anitua Hardware	10%
Chin H Meen & Sons Ltd	15%	Brian Bell & Co Ltd	15%	Awella Books & Stationary	5%
Chin H Meen Entertainment Centre	10%	Brian Bell Chemicals	15%	Kavieng	Discount
City Health Care	10%	Country Farmers Hardware	5%	Bisi Trading Ltd	5%
Courts (PNG) Ltd	10%	FU Qing GOR Trading	5%	Bisi Trading Ltd	8%
Daltron Ltd	10%	Gilsenan Melpa Ltd	10%	Huilong Enterprise Limited	5%
Dental On Coronation	10%	Hagen Airport Motel	5%	Huilong Enterprise Limited	10%
Electrical Wholesalers Ltd	18%-20%	Jiwaka Mission Resort	5%	Island Builders Suppliers	10%
Essence Floral	25%	Kiminiga Hotel - Accommodation	15%	Joseph Tongs & co	5%
Etnambo Builders	10%	Kiminiga Hotel - Meals	20%	Kavieng Hotel	15%
Fx Business Centre	10%	Magani Motor Services	5%	PMM (Cofgro No.35) Ltd	15%
Glow Hair Boutique	10%	Manan Hardware & Electrical Services	5%	Red Star Investment Limited	10%
Holiday Inn and Suites	10%	McRoyal Hotel	10%	Tabubil	Discount
Hope Essence Dental Care	50%	Mountain plumbing and hardware supplies	15%	Brian Bell Chemicals	15%
Ideal Hardware	11%	Mt Wilhelm Hotel	5%	Camp Administration	10%
Ideal Hardware – Home Centre	15%	Mt William Hotel	5%	LBL Retail Shop	10%
Lamana Hotel	20%	PIH- Mt Hagen	10%- 50%	New Century Ltd	10%
Leon Enterprise Ltd	10%	Poiyo Ltd	5%	Poro Point	10%
Look Fresh Salon	10%	Shir Shar Computing & Electronics	15%	Unique Hardware	10%
Lotus Spa	15%	Steel Works	10%	Western Medicare Clinic	10%
Majestic Ocean Ltd - Bzzworld	10%	Total Homes Limited	5%	WP Constructions Ltd	15%
Mills Dental Care	10%	Kokopo	Discount	Kiunga	Discount
Monier Ltd	10%	Barlow Industries	3%	Dynamic Engineering & Construction Ltd - Electrical	15%
Mr. Mike	10%	Brian Bell & Co Ltd	15%	Dynamic Engineering & Construction Ltd -Hardware	12%
Nanga Medical & Dental Centre Ltd	12.50%	Brian Bell Chemicals	15%	Dynamic Engineering & Construction Ltd -Timber	10%
Neisian Beauty	20%	Electrical Services Suppliers	6.50%	Unique Hardware	10%
Oi Lau Timber Yard	20%	Hongland Hardware	10%	WP Constructions & Pharmacy Hardware	15%
PNG Pipemakers	5%	Plumbers & Builders Suppliers	6.50%	Vanimo	Discount
Prolink International	5%	Rabaul Refrigeration Services	6.50%	Aung Myae Ltd	10%
Relexo Shoe Shop	10%	Kimbe	Discount	Lin S Trading	10%
Remington Technology Limited	12.50%	Abel Computing	10%	Vanimo Forest Products	5%
Sed Optical	20%	BMBN Hardware and Home Centre	5%	Kundiawa	Discount
Sed Optical Ltd	20%	Kimbe Bay Hotel	10%	Etnambo Builders	10%
Solar Energy Solutions PNG	10%	Kimbe Bay Shipping Agencies	12%	Manus	Discount
Solar Energy Solutions PNG	12.50%	Liamo Reef Resort	10%	Handyman Home Centre Shop	7%
Solar Energy Solutions PNG	15%	Madang	Discount	Juromo Enterprise	10%
Solar Solutions PNG Ltd - Haier	15%	Brian Bell & Co. Ltd	15%	Kingfisher Lodge	10%
Solar Solutions PNG Ltd - Leadsun	10%	Brian Bell Chemicals	15%	Physique Ltd - Lorengau	10%/15%
Solar Solutions PNG Ltd - Sentinel	10%	Ela Enterprise	10%	Tapo's Lodge & Tours	5%
SR Curio investments Limited	16%	Jais Aben	15%	Buka	Discount
Tandoor on the Harbour	10%	Madang Resort	10%	silaragu & Sons Ltd	5%
Tasty Bite	10%	Surpass investment	5%	Bialla	Discount
The Shady Rest Hotel	10%			Dominant Trading	10%
The Stanley Hotel & Suites	5%			New Town Store Hardware	3%
Theodist Ltd	10%			Protonjar Consultancy	5%
Trends Beauty International	10%			Bialla Staywell Lodge	3%
Wellness	5%			Huvi Guest House	10%
2Fast Motors	10%				

Our 2021 Annual Report cover, designed by Ken Vovoki, depicts the changing face of business in Papua New Guinea.

It is of a woman, representing Nasfund as the custodian of our members' superannuation savings.

In this artwork, the woman is surrounded by an array of circumstances and challenges, illustrated by different waves of lines, dots, arrows, and a gloomy grey shading, which all reflect a state of gradual life after the effects of Covid-19.

The white on her face signifies her determination to be resilient.

The woman wears a traditional tattoo-designed mask, which is an ode to the diverse cultures of our country.

The mask protects her in her line of work, which enables her to move forward, breaking barriers and achieving positive results.



Leading in the new normal

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