



# ANNUAL REPORT **2023**

COMRADE TRUSTEE  
SERVICES LIMITED

Defence Force Retirement Benefit Fund





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# OUR VISION, MISSION & VALUES

## OUR VISION

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

## OUR MISSION

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

## OUR CORPORATE VALUES

To achieve our mission statement, all CTSL directors and employees, and our core service providers, must adhere to our corporate values:

### Act with Honesty

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

### Maintain Integrity

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

### Possess Ubuntu

Behaving well towards others and acting in ways that benefits the company. Always putting the interest of our members first. We will avoid drama by exhibiting civility, empathy and restraint.

### Practice Excellence

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

### Demonstrate Leadership

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

### Provide Professionalism

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

### Be Committed

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

These values challenge us to meet the highest professional and ethical standards in our relationships with members, suppliers and the community.



On behalf of the Board of Directors of Comrade Trustee Services Ltd (CTSL) it is my distinct pleasure and honour to present our 2023 Annual Report.

CTSL is emerging from extremely challenging times and the positive results in this report bear testament to the excellence and dedication of our Executive Management and staff, and to the integrity and work ethic of our Board of Directors.

It is worth highlighting the fact that our full Board of seven Directors has been in place for less than five months, since 3 August 2023, with three of us commencing six months earlier on 3 February 2023. Much has been achieved for good governance, oversight, discipline and growth in this short space of time, and I am proud of our entire team as we have worked hard together to achieve these results.

Allow me to share some of the highlights of 2023.

#### FINANCIAL PERFORMANCE

Our Fund performed well against a backdrop of global instability, high inflation, and a subdued economic climate.

Our net profit in 2023 was K48.8 million – an increase of K33.5 million or 219% from 2022.

This was distributed between the Accumulation account and the Defined Benefits account in a 45/55 allocation respectively, resulting in a 7.3% crediting rate for Accumulation members. Our net assets grew to K713.9 million – an increase of K83.6 million or 13.2% from 2022. We also improved our reserve position with an increase in reserves from K485,000 for the year prior to K518,000 for 2023. Our fund's solid performance is attributed to growth in our investments and valuation gains, all of which we have treated with the appropriate prudence.

I wish to congratulate our Chief Executive Officer (CEO) Charlie Gilichibi, Executive Management, and staff on these excellent financial results.



## BOARD OF DIRECTORS

2023 marked the first year since July 2019 that CTSL has benefited from a fully appointed Board of Directors.

On 3 February 2023, the Bank of Papua New Guinea (BPNG) appointed an Interim Board to CTSL for a term of six months. Its main role, along with typical Board duties, was to install a full Board by 3 August 2023. The Interim Board consisted of Independent Directors Chetan Chopra, Fiu Williame-Igara and myself, Michelle Hau'ofa, with Shareholder Directors Commodore Philip Polewara and Colonel Fred Aile. I was appointed Board Chair by the Board – the first indigenous Papua New Guinean woman to chair a Superannuation Fund Board – and I thank my colleague Directors for the honour to serve in this capacity. Seno Wekina was appointed Company Secretary for this interim period. Once established, we moved swiftly to ensure that we delivered on BPNG's directives in a timely manner.

Appointing a Board is an exacting and intensive process. To ensure the highest level of accountability, independence and professionalism, a Board Assessor was appointed to administer the process. Total Governance Solutions, a Queensland-based company, was the successful tenderer from four highly qualified applicants. Unfortunately, there are no Papua New Guinean companies currently in this space and we hope this situation will change. We are grateful to Total Governance Solutions for working to our deadlines with proficiency in a compressed timeframe.

After an exhaustive process, including a Board assessment, skills gap analysis, and advertising for and interviewing candidates, a list of seven candidates approved by the Commander of the Papua New Guinea Defence Force (PNGDF), Major General Mark Goïna, was submitted to BPNG on 21 July 2023. On 3 August 2023, BPNG endorsed the appointment of the full Board, being Independent Directors Chetan Chopra, Charles Lee, Vera Raga, Warwick Vele and myself, with Shareholder Directors Commodore Philip Polewara and Colonel Fred Aile. Unfortunately, Ms Williame-Igara indicated that she was not available to continue after the term of the Interim Board. We thank Ms Williame-Igara for her invaluable contributions while a Director.

**With a full complement of Directors, the Board Chair and Committee Chairs were appointed by the Board as follows:**

### **Chair, Board of Directors**

Michelle Hau'ofa

### **Chair, Audit, Risk & Compliance Committee**

Chetan Chopra

### **Chair, Investment Committee**

Charles Lee

### **Chair, Remuneration & Nominations Committee**

Vera Raga

### **Chair, Membership Committee**

Warwick Vele

**On 31 August 2023, Raka Raula was appointed to the position of Board Secretary, and on 18 December 2023, Pais Noki was appointed to the position of Chief Internal Auditor. We thank Seno Wekina for his services as Company Secretary during the interim period.**

**All appointments were appropriately endorsed by BPNG through their Fit and Proper process.**

## ISSUES

There are several challenging legacy issues that our Board is handling which have largely arisen from the absence of a Board in previous years. We have identified these challenges and have begun work with great diligence in the short period we have held office. These are some of the legacy issues we have been addressing:

### Governance

Our Board is committed to the principles of good governance and has embedded fiscal and administrative discipline and oversight of the Fund through the Committee structure. Good governance at all levels assures our stakeholders that the Fund is in safe hands and is operating at the highest levels of integrity and compliance. We are committed to protecting and growing our Fund by providing a clear growth strategy and ensuring its timely implementation. Our Committee Chairs are industry experts who are dedicated to the wellbeing of our Fund and our members.

### Backdated CPI payments to Pensioners

Under previous management, the Consumer Price Index (CPI) adjustments for pensioners had been put on hold since 2019. Our Board recognised this as a matter for urgent action and, after careful scrutiny of the relevant facts and financial and legal implications, the Board resolved to pay the CPI increases backdated to 2019. In June 2023, a total of K1.8 million was paid into the accounts of our pensioners to resolve this issue.

### Accumulation and Defined Benefits Accounts

CTSL is the only fund with both Accumulation and Defined Benefits accounts; the result of an amendment in 2015 which led to the bifurcation of the Fund. This legacy issue has administrative and financial challenges, not the least of which is the distribution of annual profits which directly affects payments to members. With the goals of best financial outcomes for all members, resolving administrative issues, and a healthy Fund for the future, we are exploring options on treatment of the bifurcation with the support of our Regulator BPNG and the assistance of an Actuary. This process and a final decision will be complete by 2025.

### Opening of the Fund

Somewhat tied to the bifurcation of the Fund, and the subsequent administrative and financial challenges, is the need to open up membership to those outside of the PNGDF. This will ensure that our cash flows remain in excess of payouts, and will support the ongoing viability of the Fund. We are consulting closely with our Regulator and other stakeholders and acknowledge our responsibility to provide competitive financial returns, member benefits, and a high degree of comfort for our members. We expect to have this resolved in 2024.

### Unfunded State Liability

We greatly appreciate the support of the State through the Department of Treasury and will continue to work towards the implementation of a strategy to actively and significantly reduce total liability.

### Toea Homes Limited

Toea Homes Limited (THL) is a 100% owned subsidiary of CTSL and is developing residential land for sale adjacent to Taurama Barracks in Port Moresby and Igam Barracks in Lae. We are pleased to announce the establishment of the first THL Board to provide financial and administrative governance over THL as it has inherited significant administrative and logistical challenges, including unrealised balance sheet valuations. Chaired by Charles Lee with Board Directors Vera Raga, Warwick Vele, Commodore Philip Polewara, Colonel Fred Aile and myself, the THL Board reports to the CTSL Board via our Investment Committee.

### Stakeholder Engagement

We are thankful for the positive relationships we have with our stakeholders and continue to build on these based on professional respect and a common goal to protect and build our Fund.

We thank our main stakeholder, the PNGDF, for their continued positive engagement. Our Board policy is to have at least one Board meeting per annum outside of Port Moresby to engage with our PNGDF members and retirees where they are, and communicate and discuss key messages. In 2023 we held meetings in Lae and in Wewak, which were both highly successful in terms of engagement, dialogue and strengthening relationships.

We thank the Government of Papua New Guinea through the Department of Treasury for the ongoing dialogue and support to address outstanding State Liability.

We thank our Regulator, BPNG, for their continued guidance and support.



## OTHER FOCUS AREAS

### Strategy

On 30 November 2023, after several workshops involving management, staff, and Directors, our Board endorsed a three-year Strategic Plan to take CTSL forward. It is a living document delegated to our CEO, Executive Management and staff, and closely monitored at all levels to ensure that we are moving in the direction we have set.

### Member Benefits

Services and benefits for our members is a priority area, and by June 2023 our Interim Board had established two key partnerships that would bring immediate tangible benefits to our members. The first was with Pacific International Hospital (PIH) for discounted specialist medical care and medicines at all PIH facilities nationwide, and the second with Hardware Haus and its parent company City Pharmacy Limited for discounted products at all outlets nationwide. We continue to foster good relationships with the business community in Papua New Guinea for the benefit of our members.

### Our People

Everything we have achieved is possible because we have staff committed to their work and to achieving the organisation's objectives. We place great value on our people and on their holistic wellbeing, which we believe includes providing a positive working environment, remuneration and benefits. We are therefore pleased to support policies that have tangible, positive impacts on our people.

One such policy is the Parental Leave Policy, formerly Maternity Leave Policy. This policy change recognises the important role that fathers have in families. It now covers paid leave for 12 working weeks and is applicable six weeks before the baby's due date and up to 12 months after the baby is born.

Our Fit and Healthy Workforce program is in place to support staff and their families to engage in regular fitness activities for individual, family and corporate health and wellbeing. Leading by example, this policy also applies at Board level, where we make deliberate choices to support small catering businesses that provide healthy meals to our meetings. We have also ceased buying soft drinks and instead provide water, tea or coffee.

Other innovations being considered for staff include: a proposal to change the salary payment from the traditional two weeks in arrears to one week in arrears/one week in advance; a staff housing scheme; and a nine-day working fortnight.

We are also proud to support a strong culture of upskilling our staff with continued professional development that includes leadership and executive training at esteemed institutions such as Harvard Business School, as well as Bachelor and Master's degree programs.

## THE FUTURE

While it is good to celebrate our results for 2023 and reflect on how far we have come, we cannot stay looking backwards for very long. CTSL has a bright future and we now look ahead with positivity and anticipation.

Our Processes Strategy underpins our commitment to good governance and prudent oversight of our Fund. The strategy continues to build on: fiscal discipline; fit-for-purpose reporting systems across all financial, risk and compliance areas; risk mitigation and management; and ensuring integrity and compliance throughout our operations.

Our Financial Strategy sets an ambitious but achievable growth plan, which includes: solidifying our current portfolio by increasing our property occupancy rates; divesting our portfolio of underperforming investments; developing and selling our housing projects in Port Moresby and Lae; and identifying new investment opportunities in country and offshore through an optimal working relationship with our Licensed Investment Manager. It also includes prudent and strategic management of our expenses.

Our Membership Strategy sees us increasing member benefits including: key Financial Literacy programs to provide income into the future; and growing our membership base.

Our Learning and Growth Strategy sees us taking care of our people development, as outlined earlier, and enhancing our understanding and implementation of cyber security.

Addressing these issues will contribute greatly to continued improved financial and social outcomes for our Fund. Be assured that our Board is diligent in the application of our duties, adhering to the highest standards of integrity, transparency, and good governance, and is wholly committed to protecting and growing the Fund in a sustainable, prudent manner.

Finally, I thank our CEO Charlie Gilichibi for his fine leadership of CTSL through difficult times, and our Executive Management and staff for their individual and collective commitment to CTSL. I also thank our Directors for their professionalism, capacity for hard work over and above the call of duty, and the mutual respect and camaraderie we share. It is an honour to be part of this team, to lead by example, and to continue to pursue excellence in everything we do for the benefit of our members.

God bless you and your families.



**Michelle Hau'ofa**  
Board Chair





## CEO'S STATEMENT

**Dear Members and Stakeholders,**

Given the challenges of recent years, I am happy to inform that 2023 marked a turning point for the Fund from strategic, governance and operational perspectives.

The Fund transitioned from Statutory Management in February to an Interim Board, followed by the appointment of a permanent Board in August of 2023.

A major improvement is that the Fund now has cash or cash-equivalents just under 20% of the net assets. This positions the Fund in a good place to restructure the balance sheet for future growth. In an economy that faces significant challenges, and with increased controls on capital outflows, it is not as easy to find sound assets for investing. This is a country-wide challenge faced by other superannuation funds and all investors in the country.

CTSL recruited a Company Secretary and a Chief Internal Auditor in 2023. Further, a full-time Toea Homes Limited (THL) team was established to streamline and improve the sales effort and project management activities comprising a Team Leader Sales, a Sales Officer, and an Accounting Officer.

CTSL and THL migrated from the Attaché accounting system to Xero. The new system is fit for purpose and addresses key challenges faced by the trustee in the recent past.

**1** Total comprehensive income (K49 million) increased by 219% against K15.3 million in 2022

**2** The Board approved a 7.3% interest crediting rate to member accounts

**3** Net assets increased by K84 million (11.7%) to K714 million

**4** Contributions to net asset growth came from K49 million in net profit after tax (NPAT) and K35 million from net member contributions

**5** Management expense ratio continues to show a favourable downward trend from 2.4% in 2021 to 2.1% in 2022, and 1.8% in 2023

**6** Cost-to-income ratio continues to show a favourable downward trend from 57.9% in 2021 to 41.2% in 2022 and 21.1% in 2023

**7** The Accumulation scheme assets ratio to defined benefit assets improved to 49–51 from a previous 45–55. This is due to ongoing receipts from the State for Unfunded Contributions since 2022.

CTSL ACHIEVED SOUND FINANCIAL RESULTS FOR 2023





A new three-year Strategic Plan (2024–2026) was adopted by the Board in December 2023. Key priorities in the Strategic Plan are:

- Managing operating costs and risks
- Growing cash
- Optimising investment returns
- Improving member services and brand awareness
- Improving processes and technology to lift productivity
- Recruiting, retaining and developing talent in the organisation for the long term.

CTSL developed a governance, risk and compliance framework and is putting in place capacity around this framework to ensure that it supports the strategic intent of creating sustainable value for our members and stakeholders.

I make special mention of our key stakeholders for their continued and invaluable support over 2023 to make it a successful one for the Fund:

- Bank of Papua New Guinea
- PNGDF Command and Hierarchy
- Department of Treasury
- Department of Lands.

I thank the Board Chair Michelle Hau'ofa, and the Board of Directors for their shrewd leadership and guidance over 2023. The good work of the regulator, PNGDF, and Treasury Department are all highly valued and appreciated.

Finally, to our management and staff, thank you for your meaningful contributions to make 2023 a great year for our members. I look forward to everyone's support for us to achieve more success in 2024.

**Charlie Gilichibi**  
Chief Executive Officer

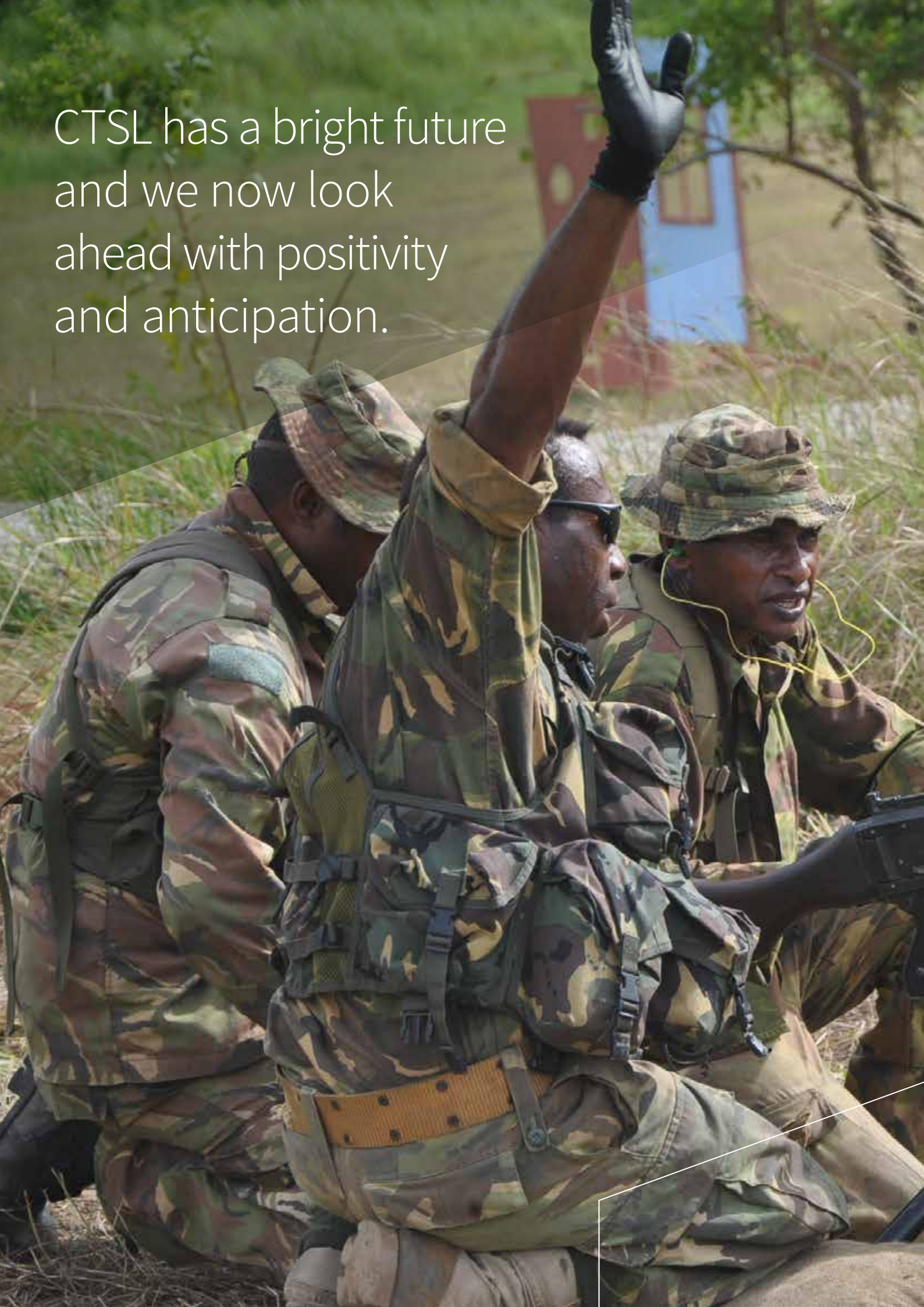


# FIVE-YEAR FUND PERFORMANCE ANALYSIS

STATISTICAL INFORMATION	2023	2022	2021	2020	2019
<b>Assets &amp; Liabilities</b>					
Net Asset Value (NAV) (K)	713,945,989	630,335,046	615,041,308	618,845,051	598,638,402
Growth Rate	13.3%	2.5%	-0.06%	3.4%	4.7%
<b>Profitability</b>					
Total Comprehensive Income (K)	48,844,850	15,299,986	10,746,300	24,654,300	31,473,652
Interest Crediting Rate	7.3%	2.3%	2.0%	5.0%	6.5%
Reserves (% NAV)	0.07%	0.08%	0.01%	0.00%	0.25%
<b>Members</b>					
Accumulation Members	4075	4,257	4,324	4,104	3,959
Defined Benefits Members	1,771	1,784	1,904	1,903	1,915
<b>Expenses</b>					
Total Expenses (K)	13,229,893	13,406,362	15,045,104	11,661,330	14,193,499
Management Expense Ratio	1.9%	2.1%	2.4%	1.9%	2.4%
Cost-to-Income Ratio	21.1%	41.2%	57.9%	32.2%	32.4%
Fund Administrator's Fees (K)	924,438	988,810	916,947	795,356	545,725
Investment Manager's Fees (K)	1,088,998	1,287,787	1,558,048	1,296,635	1,516,774
Full-time Staff	37	33	34	26	33
<b>Cash flows</b>					
Contributions (K)	63,315,250	31,935,186	30,818,508	30,381,376	27,041,496
Benefit Payments (K)	28,549,157	31,941,434	45,368,551	34,829,027	31,732,373
Net Contributions (K)	34,766,093	-6,248	-14,550,043	-4,447,651	-4,690,877
Number of AC Members Paid	397	357	301	288	187
<b>Member Returns</b>					
Gross Return (Fair Value Gains)	20,605,975	-6,257,904	-7,017,407	9,204,450	10,209,308
Gross Return (Cash Income)	42,049,698	38,800,759	33,010,135	26,963,035	33,544,093
Net Profit After Tax Return	48,844,850	15,299,986	10,746,300	24,654,300	31,473,652
<b>LESS</b>					
Transfer to/from Reserve	33,048	397,859	78,636	-1,491,431	-1,802,329
EQUAL	48,877,898	15,697,845	10,824,936	23,162,869	29,671,323
Crediting Rate to Member	7.3%	2.3%	2.0%	5.0%	6.5%



CTSL has a bright future  
and we now look  
ahead with positivity  
and anticipation.





A Board comprises individuals who can contribute critically needed skills, experience, perspective, wisdom, time and other resources to the organisation.



**Michelle Hau'ofa**

**AGE 54 / RESIDENCE** PORT MORESBY, PNG

**Chairperson & Independent Director**

Undertaking a Master of Business Administration with Torrens University, and for continuing professional development is an alumnus of the Harvard Business School and the London School of Economics and Political Science certificate programs.

**CONTRIBUTION TO THE BOARD**

Michelle brings to the role broad experience in business, property development, corporate governance, community development and public health program administration. Michelle has previously served on the boards of Westpac PNG as an Independent Director, and Transparency International PNG as Treasurer and later Secretary. Along with her corporate board positions, Michelle contributes to her community by serving on the advisory boards of Callan Services for Persons with Disabilities National Unit as Deputy Chair, and Samaritan Aviation. Michelle maintains an active membership of the PNG Institute of Directors and the Australian Institute of Company Directors.

**OTHER CURRENT EXTERNAL APPOINTMENTS**

Toea Homes Ltd, Samaritan Aviation, Callan Services for Persons with Disabilities, Roger Hau'ofa Kidney Foundation.

**DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES**

Nil

**AFFILIATIONS**

Member PNG Institute of Directors and Australian Institute of Company Directors.







## Rear Admiral Philip Polewara CBE

**AGE 57 / RESIDENCE** MURRAY BARRACKS,  
PORT MORESBY, PNG

**Non-Independent Director  
& Shareholder: Represents the  
contributory members of the Fund.**

Bachelor of Business in Public Policy  
from University of PNG and a Master of  
Liberal Arts in International Relations  
from Salve Regina University in  
Newport, US.

### CONTRIBUTION TO THE BOARD

Rear Admiral Polewara served as a Naval  
Officer in various capacities on Landing  
Craft Heavy and Fast Patrol Boats as a  
Navigating Officer and Executive Officer.  
His operational experiences include the  
command of various Naval Units from 1992  
to 2022, including security operations during  
the Bougainville crisis.

The Rear Admiral is a graduate of the US Naval  
Staff College, the US Joint Forces Staff College,  
and the US Naval Command College. He also  
served as an International Fellow at the Naval  
War College after graduating in 2013.

### OTHER CURRENT EXTERNAL APPOINTMENTS

PNG Defence Force and Toea Homes Ltd.

### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

### AFFILIATIONS

Member PNG Institute of Directors  
and Australian Institute  
of Company Directors.



## Colonel Fred Aile

**AGE 53 / RESIDENCE** MURRAY BARRACKS,  
PORT MORESBY, PNG

**Non-Independent Director:  
Represents the contributory  
members of the Fund.**

Bachelor of Business Administration,  
majoring in Accounting from Pacific  
Adventist University and graduate  
of the Malaysian Armed Forces Staff  
College in 2010 and the US Naval  
Command College 2018/2019.

### CONTRIBUTION TO THE BOARD

Colonel Aile represents the contributory  
members of the Fund. He served as an  
Infantry Officer in various capacities as  
a Platoon Commander up to a Battalion  
Commander in the two Infantry Regiments,  
and as a Staff Officer at the Headquarters  
PNG Defence Force, Murray Barracks. He has  
served on Bougainville, Regional Assistance  
to Solomon Islands (RAMSI) and National  
State of Emergencies.

### OTHER CURRENT EXTERNAL APPOINTMENTS

PNG Defence Force and Toea Homes Ltd.

### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

### AFFILIATIONS

Member PNG Institute of Directors  
and Australian Institute  
of Company Directors.



## Charles Lee

**AGE 39 / RESIDENCE** PORT MORESBY, PNG

**Independent Director,  
Chair – Investment Committee**

Bachelor's degree in Business  
Economics from the University of  
Papua New Guinea and postgraduate  
qualifications from Kaplan Institute  
Australia, Sydney University of  
Technology and Melbourne Business  
School in Applied Finance, Financial  
Analysis and Management respectively.

### CONTRIBUTION TO THE BOARD

Charles has over 18 years of practical  
experience in superannuation, banking,  
investment advisory, funds management  
and insurance, both at the executive  
management and board levels.

He was a former Chief Investment  
Officer at Nasfund before taking on Board  
and Committee roles at BSP Financial Group,  
Capital Insurance Group where he was Chair  
of the Audit and Risk Committee, Trukai  
Industries, and Amalgamated Packaging  
Limited. Charles was the recipient of the 2018  
Papua New Guinea Institute of Director's  
Young Director of the Year Award.

### OTHER CURRENT EXTERNAL APPOINTMENTS

Chairman – Toea Homes Ltd.

### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

### AFFILIATIONS

Member PNG Institute of Directors  
and Australian Institute  
of Company Directors.



## Chetan Chopra

AGE 65 / RESIDENCE PORT MORESBY, PNG

### Independent Director, Chair – Audit, Risk & Compliance Committee

Qualified Chartered Accountant from India, CPA from Australia and PNG, Master of Business Administration, Melbourne Business School, University of Melbourne, Australia.

#### CONTRIBUTION TO THE BOARD

Chetan is a widely experienced finance executive and joins the CTSL Board after spending the past six years as CFO of Kina Securities Limited. Prior to that, he was the CFO of PNG's largest superannuation fund, Nambawan Super Limited. An accountant by profession, Chetan previously worked for many years as a PNG partner for KPMG and as CFO for Dun & Bradstreet South Asia. He has also held several senior leadership roles in both private companies and public sector organisations, including the Australian Taxation Office.

Chetan brings a complementary mix of entrepreneurial CFO skills and financial governance expertise which he has developed during 35 years working in the financial services industry in investment, superannuation and financial services globally, including 16 years in PNG. He has significant experience-based understanding of provincial and community development needs in PNG communities, supported by extensive networks, professional relationships, and business partnerships globally and in PNG.

#### OTHER CURRENT EXTERNAL APPOINTMENTS

Paradise Group Ltd and Invexa Business Solutions Limited.

#### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

#### AFFILIATIONS

Member PNG Institute of Directors and Australian Institute of Company Directors.



## Warwick George Vele

AGE 56 / RESIDENCE PORT MORESBY, PNG

### Independent Director, Chair – Membership Committee

Bachelor's in Science from the University of Sydney, Australia.

#### CONTRIBUTION TO THE BOARD

Warwick brings to the role a wealth of industry experience in superannuation, banking and finance, ICT, and investment roles. His capability also extends to International Development, both in the regional and global space. He was previously the Chief Technology Officer and then the General Manager Strategic Partnerships for Kina Securities Limited. Warwick was also the Chief Operating Officer at Nasfund. His current role is Program Implementation Director for DT Global (which acquired Cardno International Development).

#### OTHER CURRENT EXTERNAL APPOINTMENTS

Toea Homes Ltd.

#### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

#### AFFILIATIONS

Member PNG Institute of Directors and Australian Institute of Company Directors.



## Vera Raga

AGE 51 / RESIDENCE PORT MORESBY, PNG

### Independent Director, Chair – Remuneration and Nomination Committee

Bachelor of Law, University of Papua New Guinea.

#### CONTRIBUTION TO THE BOARD

Vera was previously a board member of Nasfund and NCSL before joining the board of CTSL, so he has experience in the superannuation and savings and loans industries. Vera is also the Executive Officer of the Association of Superannuation Funds of Papua New Guinea. He has also been a board member of past and present companies and state-owned government and regulatory boards including National Housing Corporation and Special Economic Zone Authority (SEZA) of Papua New Guinea.

Vera practises law as an associate to Diwenis Lawyers. Vera has extensive experience as a trade union advocate for workers, has been a member of the National Tripartite Consultative Council (NTCC) representing the PNG Banks & Financial Institutions Workers Union, and he maintains a good network in the best interest of the Fund.

#### OTHER CURRENT EXTERNAL APPOINTMENTS

Toea Homes Ltd.

#### DIRECTORSHIPS OF OTHER BANK OF PNG REGULATED ENTITIES

Nil

#### AFFILIATIONS

Member PNG Institute of Directors, Australian Institute of Company Directors and PNG Law Society.

## THE FUND

The Fund is an established Authorized Superannuation Fund (ASF) pursuant to Section 8 of the Superannuation General Provisions Act 2000 (SGP Act) with a current active contributor base of 4,257 and 1,589 pensioners as of 31 December 2023.

The primary objective of the Defence Force Retirement Benefits Fund (DFRBF) is to provide retirement benefits to members and their dependents upon discharge from the Defence Force, or in the event of medical discharge and/or death.

In addition to this, the SGP Act allows access to retirement savings before retirement for purposes related to housing.

## LICENSED CORPORATE TRUSTEE

Comrade Trustee Services Limited (CTSL) has been approved by the Bank of Papua New Guinea (BPNG) as the licensed corporate trustee for the Fund.

As the licensed trustee, it has ultimate legal responsibility for the prudent management of the Fund and, subject to the requirements of the Superannuation Act and the governing rules of the Fund, has the power, authority and the discretion generally to do all such acts as it considers necessary or expedient for the sound administration, maintenance, investment and preservation of the Fund.

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

## SHAREHOLDER INFORMATION

There are five shareholders who each hold one ordinary share “in trust” on behalf of the members of the Fund. These shares attach no beneficial rights to the shareholder, except to ensure compliance with the Companies Act 1997 and the Superannuation Act, and are transferable – in the case of the Commander of the Defence Force, to his successor and, in the case of the other shareholders when they cease to be Directors of the company, to their successors. Shareholders of the company as at the year-end are listed in the table below.

NAME OF SHAREHOLDER	CLASS OF SHARES	NO. OF SHARES	VALUE (K)	SPECIAL NOTES
Major General Gilbert Toropo, DMS, CBE	Ordinary	1	K1.00	Share held in trust for members
Moses Koiri	Ordinary	1	K1.00	Share held in trust for members
Colonel Fred Aikung, LSGCM, OBE (Rtd)	Ordinary	1	K1.00	Share held in trust for members
Colonel Raymond Numa DMS, MBE, CBE	Ordinary	1	K1.00	Share held in trust for members
Captain (N) Philip Polewara, DMS, MBE	Ordinary	1	K1.00	Share held in trust for members
<b>TOTAL</b>		<b>5</b>	<b>K5.00</b>	

## CORPORATE GOVERNANCE

The Board is committed to upholding and implementing the principles of good corporate governance. This is considered critical as recent experiences have shown that the lack of good corporate governance has contributed directly to corporate fraud and, in worst-case scenarios, corporate failures leading to a serious erosion of confidence in those entrusted with the responsibility of managing companies – the Directors.

The enhanced accountability, transparency and integrity flowing from improved corporate governance creates value for shareholders and other stakeholders, reduces costs, increases competitiveness and restores confidence.

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

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

## THE TRUSTEE

CTSL is the successor in law to the DFRBF Board and has been approved by the BPNG as the licensed trustee for the Fund.

As a licensed trustee, it has ultimate legal responsibility for the prudent management of the Fund and, subject to the requirements of the Superannuation Act and the governing rules of the Fund, has the power, authority and the discretion generally to do all such acts as it considers necessary or expedient for the sound administration, maintenance, investment and preservation of the Fund.

## THE BOARD

The names of members of the Board at the date of this report, including their remuneration, status on the Board and information relating to their attendance at meetings for the 12 months to 31 December 2023 are listed in the table below.

The Board complied with its approved calendar of meetings planned for the year. All meeting papers are circulated seven days in advance to all Directors. This enables adequate time to read and understand the matters requiring Board action and ensures that informed decisions are made for ultimate benefit of the Fund.

## ATTENDANCE OF MEETINGS

Director	Fee Received	Board Status	Date of Appointment/Resignation	Board Meeting	Audit, Risk & Compliance Committee	Remuneration & Nomination Committee	Investment Committee	Membership Committee
Michelle Hau'ofa	133,692.82	Current	02/08/2023	8/8	4/4	5/5	2/2	1/1
Rear Admiral Philip Polewara, CBE	93,883.57	Current	02/08/2023	8/8	1/2	2/3	3/4	1/1
Colonel Fred Aile	93,883.57	Current	02/08/2023	8/8	4/4	5/5	2/2	N/A
Charles Lee	45,427.50	Current	04/08/2023	4/4			2/2	
Chetan Chopra	101,138.08	Current	02/08/2023	8/8	4/4	5/5	2/2	
Warwick Vele	45,716.54	Current	04/08/2023	4/4			2/2	1/1
Verag Raga	47,230.78	Current	04/08/2023	4/4	2/2	2/2		N/A
Fiu Igara	54,513.00	Resigned	04/08/2023	3/4	1/2	1/3	1/2	

## AUDIT RISK & COMPLIANCE COMMITTEE

The Committee had full membership and held four meetings during the year. The role of the Committee includes reviewing: the Fund's financial statements; audit reports; company's accounting policies; internal control systems and procedures (including risk assessment and management strategies); the actuarial report; tenders; annual budgets; investment policy and guidelines; and related matters. Members of this committee as at 31 December 2023 are shown below.

Committee Member	Committee Status
Chetan Chopra	Chairman
Michelle Hau'ofa	Member
Vera Raga	Member
Rear Admiral Philip Polewara	Member
Colonel Fred Aile	Member
Fiu Igara	Member

## BOARD MEETINGS

Statutory Manager was in place up to 2nd of February 2023. An interim board was appointed by BPNG from 3rd of February to 2nd of August 2023.

A full board of five independent directors and two shareholder directors were appointed by BPNG from 2nd of August 2023 facilitated by Total Governance Solutions (TGS) as an independent board assessor. TGS is a Brisbane based entity that provides governance services around the Australasian region.

## REMUNERATION & NOMINATIONS COMMITTEE

The Committee had full membership and held five meetings during the year. The role of the Committee includes succession planning, review and recommendation of candidates for Board vacancies, review of Board fees and remuneration, appointment of executive management, review of salary and remuneration including terms of employment of senior management and related matters. Members of this committee as at 31 December 2023 are shown below.

Committee Member	Committee Status
Vera Raga	Chairman
Michelle Hau'ofa	Member
Chetan Chopra	Member
Rear Admiral Philip Polewara	Member
Colonel Fred Aile	Member
Fiu Igara	Member



## INVESTMENT COMMITTEE

The Committee had full membership and held four meetings during the year. The role of the Committee is to assist the Board of Directors in fulfilling its responsibility to provide oversight for the investments of the fund, in line with the investment strategy and policy. The Committee shall provide reports and make recommendations to the Board on matters pertaining to the Fund's investments. Members of this committee as at 31 December 2023 is shown below.

Committee Member	Committee Status
<b>Charles Lee</b>	Chairman
<b>Michelle Hau'ofa</b>	Member
<b>Chetan Chopra</b>	Member
<b>Rear Admiral Philip Polewara</b>	Member
<b>Colonel Fred Aile</b>	Member
<b>Fiu Igara</b>	Member
<b>Warwick Vele</b>	Member

## MEMBERSHIP COMMITTEE

The Committee had full membership and held one meeting during the year. The role of the Committee is to assist the Board of Directors in fulfilling its responsibility to provide an oversight of the membership and any related issues, enquiries or complaints on behalf of the members that should be dealt with at this committee and implement the Fund's strategic objectives, operational matters and systems relevant to key delivery of member services, products and benefits. The Committee shall provide reports and make recommendations to the Board on matters pertaining to the Fund's membership. Members of this committee as at 31 December 2023 are shown below.

Committee Member	Committee Status
<b>Warwick Vele</b>	Chairman
<b>Michelle Hau'ofa</b>	Member
<b>Rear Admiral Philip Polewara</b>	Member
<b>Colonel Fred Aile</b>	Member
<b>Vera Raga</b>	Member



## EXECUTIVE TEAM



**Charlie Gilichibi**  
**Chief Executive Officer**

Mr. Charlie Gilichibi joined Comrade Trustee Services Limited as Chief Executive Officer on January 27, 2020, bringing over 20 years of experience in the superannuation industry. He holds an MBA from the University of Papua New Guinea, a Bachelor's degree in IT from the University of Canberra, and a Diploma in Economics from the International Training Institute. His leadership credentials include advanced management programs from INSEAD (Singapore) and Melbourne Business School (University of Melbourne), along with an advanced finance program from the Wharton School, University of Pennsylvania.

Mr. Gilichibi's career highlights include serving as IT Manager (2004–2013) and Chief Officer of Member Services (2017–2019) at Nasfund, and as Chief Operating Officer at Nambawan Super from 2014 to 2016. He is a professional member of both the PNG Institute of Directors (PNGID) and the Australian Institute of Company Directors (AICD).



**Mark Kanawi**  
**General Manager – Investments**

Mr. Mark Kanawi commenced employment with Comrade Trustee Services Limited on the 10th of April 2017 as General Manager Investments. Mr. Kanawi has year's wealth of Experience with a Bachelor in Business & Management from the University of Papua New Guinea and is a member of the PNG Institute of Directors.



**Seno Wekina**  
**General Manager – Legal**

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



**Freddy Manihoru**  
**General Manager – Member Services**

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



**Darusilla Musi**  
**General Manager – Human Resource & Admin**

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



**Jackraho Morea**  
**General Manager – Finance**

Mr. Jackraho Morea commenced employment with Comrade Trustee Services Limited on 21st March 2022 as General Manager Finance. Mr. Morea has over 14years of experience in Finance and Accounting in Executive Roles and a Bachelor in Commerce from the University of Technology and is a member of CPAPNG.

## GOVERNANCE, RISK AND COMPLIANCE (GRC)

2023 was a year of transition for CTSL in its governance. The following activities relating to GRC were performed:

**2ND OF FEBRUARY 2023**

**Twelve months' tenure of Statutory Manager, Peter Aitsi, ended.**

**3RD FEBRUARY 2023**

An interim board made up of five directors recommended by the Statutory Manager were endorsed by the Chief of Defence as the shareholder of the Fund, and approved by the acting Governor of Bank of PNG, Elizabeth Genia. The interim directors were composed of independent directors – Michelle Hau'ofa, Fiu Igara, Chetan Chopra, and shareholder representatives Commodore Philip Polewara and Col Freddie Aile. The interim chair was Michelle Hau'ofa.

**17TH FEBRUARY 2023**

**The interim board appointed Seno Wekina, General Manager Legal as Acting Company Secretary.**

**27TH MARCH 2023**

As recommended by the Bank of PNG, the interim board recruited a board assessor, Total Governance Solutions (TGS) based out of Brisbane to develop a skills matrix, qualifications criteria and methodology to work with the interim board to install a permanent board by 3rd of August 2023.

**28TH APRIL 2023**

**Advertisements were placed for directors. The board assessor assessed the applicants, including those from the interim board. With the endorsement of the Chief of Defence Force, seven names were recommended to the Bank of PNG for approval.**

**27TH JULY 2023**

The board recruited Raka Raula as Company Secretary

**3RD AUGUST 2023**

**Acting Governor for Bank of PNG, Elizabeth Genia approved the recommended list of seven directors which included Michelle Hau'ofa, Chetan Chopra, Vera Raga, Charles Lee as independent directors and Commodore Philip Polewara and Col Freddie Aile as directors representing PNGDF members.**

**4TH AUGUST 2023**

The board resolved to appoint Michelle Hau'ofa as Chairwoman of the full Board.

**31ST AUGUST 2023**

**Board sub committees were established – Investments Committee, Audit and Risk Committee, Remuneration and Nomination Committee and Membership Committee.**

**9TH NOVEMBER 2023**

CTSL finalized its risk register as part of its governance, risk and compliance framework.

**14TH DECEMBER 2023**

**The board approved CTSL's three-year strategic plan (2024-2026).**

**18TH DECEMBER 2023**

The board recruited Paias Noki as the Chief Internal Auditor.

Board Meeting Dates from interim to permanent board (whole of 2023):

Month	Date
<b>JANUARY</b>	
<b>FEBRUARY</b>	Friday, 17: Meeting 01/2023
<b>MARCH</b>	Monday, 27: Meeting 02/2023
<b>APRIL</b>	Thursday, 27: Meeting 03/2023
<b>MAY</b>	
<b>JUNE</b>	
<b>JULY</b>	Thursday, 27: Meeting 04/2023
<b>AUGUST</b>	Friday, 04: Meeting 05/2023 Thursday, 31: LAE Special Board Meeting 01/2023
<b>SEPTEMBER</b>	Thursday, 28: Board Meeting 06/2023
<b>OCTOBER</b>	
<b>NOVEMBER</b>	
<b>DECEMBER</b>	Thursday, 14: Board Meeting 07/2023

Over the course of 2023, the directors in the interim board and permanent board were compensated based on the director fees schedule for 2019.

## MEMBER SERVICES

The Member Services team and CEO conducted over 10 engagement activities visiting all the military units in the southern region which included Murray Barracks headquarters, Murray Barracks Force Support Battalion (FSB), Goldie Barracks, Taurama Barracks and Lancron Naval Base while for the northern region engagement activities were conducted for the three units at Igam (Lae), Moem Barracks in Wewak and Lombrum Naval Base in Manus. 2,376 members were reached throughout the course of the year.

CTSL upholds the highest standards of customer care and delivered the following to our members:

- answered over 3,347 enquiries through our electronic omni-channel platform Freshdesk which receives feeds from Phone Calls, Emails, LinkedIn, Facebook, Webchat and WhatsApp.
- 279 members exited the Fund with a total payout K29,025,761.21
- 118 members received housing advances with total advances of K2,878,527.22
- K34 million was received from the Treasury Department for unfunded employer contributions and allocated to member accounts. CTSL has received just under K50 million in unfunded state contributions since 2022 and fully settled outstanding state liabilities for member accounts from those who joined in 2015 to 2000.
- board approval was given to reinstate payment of CPI adjustments from annual surplus distribution to pensioners.

CTSL engaged PNG Stock Exchange (PNGX) as a strategic partner to develop a financial literacy course tailored to our members. These courses will be delivered to our members by PNGX from 2024.

## PEOPLE AND CULTURE

CTSL places great priority on its people and culture.

Over the course of 2023, the following activities took place:

- Reviewed the organizational structure under a full board to make sure it is fit for purpose;
- Beefed up the management team by recruiting a company secretary and chief internal auditor;
- Financial literacy training for staff was done by CEFI;
- Developed monthly well-being activities for employees;
- Conducted 12 townhall engagement activities with employees;

## FINANCE AND ACCOUNTS

- A new cloud-based accounting system that is simple and fit-for-purpose was introduced in October 2023. Planning and migration work started in July to replace a previous dual system of Attache and using Excel spreadsheets to process transactions and recording of accounting data.
- A financial accountant role was created with the recruitment of an experienced person to fill this role.
- An accounts officer was recruited to beef up the accounting function.
- There was significant work around improving streamlined workflows, reconciliations and reporting through the use of the new accounting system – Xero





# FUND MANAGER'S REPORT



## **Frontier Equities Limited**

### **Licence Investment Manager (LIM) Statement 2023**

Dear CTSL Members,

2023 was a better year for the fund compared to 2022. Local and global markets, while still volatile, recovered positively as the world became more comfortable with a higher inflation and interest rate environment.

Domestically, PNG was buoyed by news that discussions with major resourcing projects were finally progressing with hopes that several of these project's agreements would be in place by year end. Investor confidence was seeing signs of optimism after some previously challenging years. Despite this enthusiasm Porgera mine only re-opened in the last month of the year whilst negotiations for other key projects including the Papua LNG and Wafi-Golpu mine projects had not reached a conclusion.

Globally, both equities and bonds recovered as valuations became too good to ignore for investors. Global fixed income became particularly interesting with interest rates offering a decent risk-adjusted return (finally), while private market offerings – such as private equity and credit – seemed to be in favour for many investors.

### **Investment Portfolio Performance**

In 2023 the fund's investment portfolio performance improved. The key contributors included the fixed income asset class comprising of Government Inscribed Stocks and Corporate Bonds. This asset class contributed 9% to the portfolio's growth.

For equities gross returns increased from 18.6% to 31.2% driven by capital gains and dividends derived from BSP Financial Group a year-on-year notable performer. These gains were, however, offset by several underperforming unlisted equities that require prudent optimisation in the future.

The Funds domestic property asset class that has otherwise been subdued since the end of the construction phase of the PNG LNG project experienced improved income growth. This was driven by an increase in occupancy across the existing commercial office assets and re-balancing of the asset class through non-core property sales yielding net positive returns.

For CTSL's international portfolio 2023 it was a year that delivered significant returns for the Fund. This improved performance compared to 2022 was underpinned by capital gains and dividend income received from key equity holdings including Vanguard, Kina Securities Limited and Santos. Other notable performers were the improvement in returns on cash holdings due to higher interest rates and a weaker kina against the major currencies that provided an uplift for the asset class.

After expenses the CTSL recorded a 11.4% annualised return before taxes. The net funds under management rose from K632.2 million to K676.5 million and the return-on-investment equalled K72.3 for the year.



### Moving Forward

The World Bank is forecasting a slower growth projection for 2024 and beyond, with global trade set to decelerate, and borrowing rates to remain at elevated levels which will create a more challenging environment for governments and business compared to the previous 10 years. This means that forward-looking, the global investment landscape is predicted to be volatile.

In PNG it will be important for the government to enhance confidence in the investment environment through closing out the major resource projects in the pipeline. The threat of inflation is expected to remain in 2024 and the government will need to consider what other interventions outside its monetary policy that will deploy to control the cost of living. Other key factors such as infrastructure and security will need to remain a focus for the country to strengthen investor confidence and attract new capital.

Once again, we are proud to continue this partnership with CTSL. As the investment's adviser to the fund, we continue to actively monitor and optimise CTSL's investment portfolio and seek investment opportunities that can deliver sound risk adjust returns for its members.

Adam Kramer  
Director

Rabbie Namaliu  
General Manager



## Fund Administrator's Statement

Kina Investment & Superannuation Services Limited

### 2023 Year in Review

Kina Investment and Superannuation Services Limited (KISS) is pleased to present its annual fund administration statement for Comrade Trustee Services Limited (CTSL) for the period ending December 31, 2023.

#### Financial Highlights:

- Total Membership Under Administration: 4,257
- Total Funds Under Administration: PGK 521,747,079.44
- Total Contributions Received: PGK 23,514,213.19
- Total Benefits Paid: PGK 32,010,227.31 (State share contributions formed the majority, approximately PGK 25 million)
- Total Pension Membership: 1,589
- Total Pension Paid: PGK 14,706,570.29

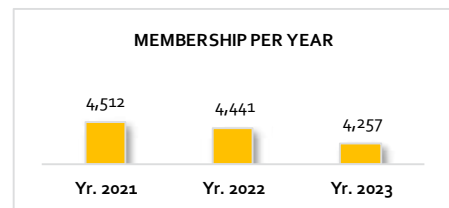
#### Successful Implementation:

- Modernized Workflow Platform: We transitioned to a robust and scalable modern workflow platform to streamline our processes and ensure provisioning of efficient fund administration service.
- We successfully implemented the 6.3% CPI increase for all pensioners in 2023 – 5% in March followed 1.3% in June 2023.
- We successfully implemented a version upgrade of the core registry platform.

KISS prioritises ongoing enhancements of its fund services for CTSL. This commitment is underscored by a collaborative partnership, ensuring CTSL has access to a team of highly skilled and experienced professionals dedicated to delivering exceptional service.

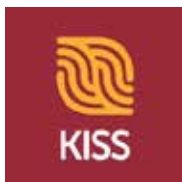
#### Fund Membership

As of December 31, 2023, the fund's total membership stands at 4,257 individuals. 28% of these members have dedicated more than 20 years of service, while the remaining 72% have contributed for a comparatively shorter duration. Notably, the defined benefit scheme comprises 182 members, whereas the accumulation scheme boasts a substantial membership of 4,075 individuals.



Fund	Yr. 2021			Yr. 2022			Yr. 2023		
	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total
Accumulation	3,860	464	4,324	3,878	379	4,257	3,789	286	4,075
Defined Benefit	86	102	188	88	96	184	88	94	182
Total	3,946	566	4,512	3,966	475	4,441	3,877	380	4,257





## Funds under Administration

Total funds under administration at year ending 31 December 2023 was K521.75 million.

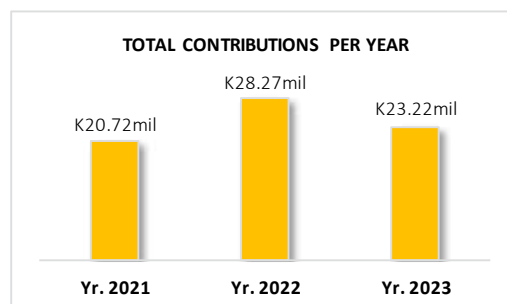
Fund	Yr. 2021			Yr. 2022			Yr. 2023		
	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total	Active Membership	Inactive Membership	Total
Accumulation	496,410,825.65	24,545,736.97	520,956,562.62	514,353,462.18	10,650,853.36	525,004,315.54	503,959,408.76	12,543,675.12	516,503,083.88
Defined Benefit	3,376,889.98	1,348,159.08	4,725,049.06	3,820,091.75	1,247,860.66	5,067,952.41	4,096,712.29	1,147,283.27	5,243,995.56
Total	499,787,715.63	25,893,896.05	525,681,611.68	518,173,553.93	11,898,714.02	530,072,267.95	508,056,121.05	13,690,958.39	521,747,079.44

## Contributions

As of December 31, 2023, the total contributions received and allocated for both the Defined Benefit and Accumulation schemes amounted to K23.51 million. Notably, the Accumulation scheme experienced a decline in incoming contributions, totalling K5.05 million. This reflects a significant decrease of 18% across all contribution components when compared to the figures from 2022.

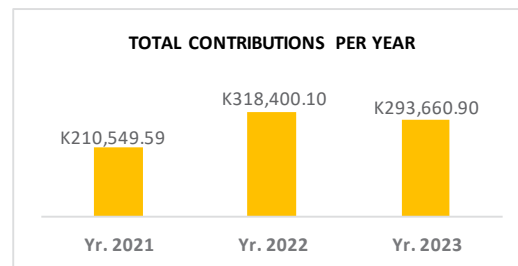
### Accumulation fund

Description	Yr. 2021	Yr. 2022	Yr. 2023
Member Contributions	6,597,022.30	10,250,992.27	7,891,868.06
Employer Contributions	9,225,554.09	14,350,223.52	11,975,921.86
Member Voluntary	1,573,384.21	2,920,835.06	2,726,780.94
Employer Voluntary	0.00	0.00	0.00
Member Salary Sacrifice	8,847.54	1,693.91	11,150.22
Housing Advance Repayment	176,115.61	432,352.87	459,483.76
Transfers from other ASF	3,134,249.20	311,957.56	155,347.45
State Share	0.00	0.00	0.00
Unallocated Contributions	0.00	0.00	0.00
Total	20,715,172.95	28,268,055.19	23,220,552.29



### Defined Benefit fund

Description	Yr. 2021	Yr. 2022	Yr. 2023
Member Contributions	176,015.81	261,566.59	233,852.89
Employer Contributions (Gratuity)	0.00	- 6,568.45	0.00
Housing Advance Repayment	10,356.79	32,880.30	21,514.45
Member Voluntary	24,176.99	40,521.66	38,293.86
Unallocated Contributions	0.00	0.00	0.00
Total	210,549.59	318,400.10	293,660.90



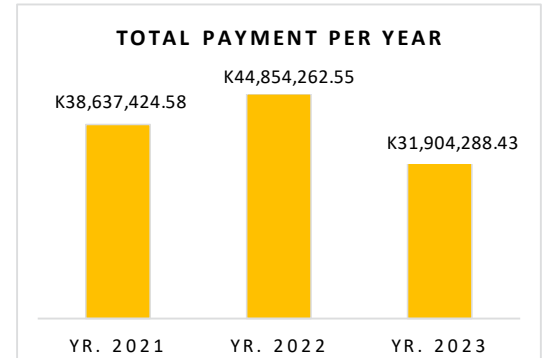
## Benefit Payments

In 2023, total benefit payments across both Defined Benefit and Accumulation schemes reached K 32.01 million, reflecting a 29% decrease compared to the prior year's K 45.03 million. The fund diligently facilitated Unfunded State Share payments, disbursing K 25.9 million to 152 existing members upon receiving government funding. Withdrawal trends remained consistent with the previous year for most payment types in both schemes, except for a significant increase exceeding 100% in housing advance payments for Defined Benefit members.



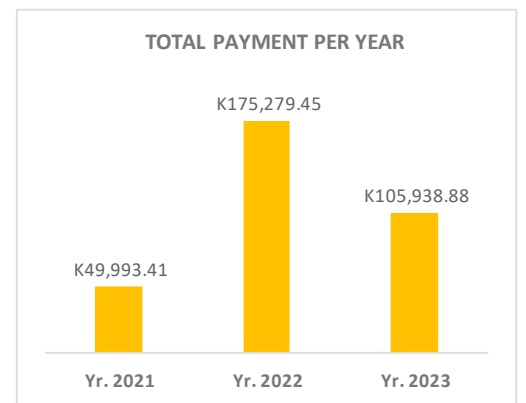
#### Accumulation fund

Description	Yr. 2021	Yr. 2022	Yr. 2023
Normal Retirement	23,268,585.63	8,689,966.46	1,509,408.30
State Share Payments	8,895,291.27	30,388,780.56	25,986,076.72
Medical Retirement	0.00	0.00	0.00
Death	3,366,047.00	1,508,062.69	549,451.15
Transfer Out (to other ASF)	253,527.95	473,840.42	338,883.22
Unemployment Benefits	21,382.55	8,123.55	8,756.46
Housing Advance Payments	2,027,137.36	2,910,442.14	2,878,527.22
Tax on Full Benefit Payment	802,728.48	874,677.52	74,197.09
Tax on Partial Benefit Payment	2,724.34	369.21	558,898.27
<b>Total</b>	<b>38,637,424.58</b>	<b>44,854,262.55</b>	<b>31,904,288.43</b>



#### Defined Benefit fund

Description	Yr. 2021	Yr. 2022	Yr. 2023
Refund/Commutation	0.00	46,943.84	0.00
Normal	15,134.03	13,021.97	12,616.35
Medical	0.00	47,925.49	0.00
Death	17,631.48	40,990.72	0.00
Transfer Out (to other ASF)	0.00	0.00	0.00
Transfer Out (to DFAC)	4,923.69	0.00	0.00
Housing Advance Payments	10,500.00	20,000.00	92,905.46
Tax on Full Benefit Payment	1,804.21	6,397.43	417.07
Tax on Partial Benefit Payment	0.00	0.00	0.00
<b>Total</b>	<b>49,993.41</b>	<b>175,279.45</b>	<b>105,938.88</b>

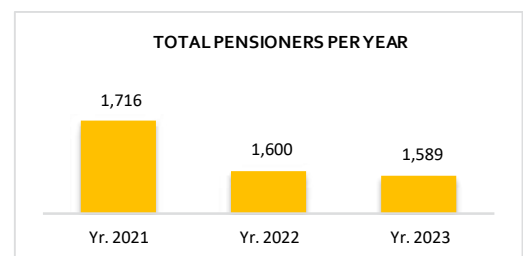


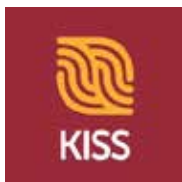
#### Pension

Pension payments in 2023 totalled PGK 14.7 million, reflecting a modest increase for pensioners. This rise is attributed to CTSL's implementation of the Pension Checklist exercise, leading to consistent monthly disbursements averaging PGK 3.1 million, compared to the previous average of over PGK 1.2 million. By year-end, the total number of pensioners reached 1,589, with suspended pensions significantly reduced to 403. The beneficiary pool comprises 482 widows and 12 child pension recipients.

#### Pension statistics

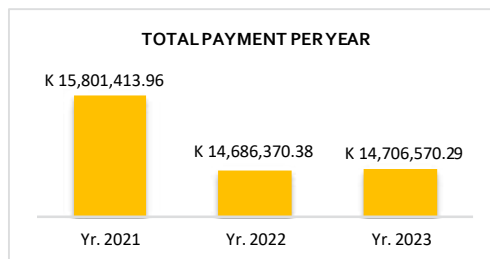
Description	Yr. 2021	Yr. 2022	Yr. 2023
Normal	1,419	1,134	1,186
Suspended	297	466	403
Widow	527	486	482
Child	16	13	12
Age greater than 65	1,110	1,073	1,147
Eligible for six months advance	852	794	720
<b>Total (Normal + Suspended)</b>	<b>1,716</b>	<b>1,600</b>	<b>1,589</b>





#### Pension payments

Payments	Yr. 2021	Yr. 2022	Yr. 2023
On-off Pension	3,002,570.59	3,117,593.62	2,344.33
Regular	12,798,843.37	11,568,776.76	14,704,225.96
<b>Total</b>	<b>15,801,413.96</b>	<b>14,686,370.38</b>	<b>14,706,570.29</b>



#### Future outlook

Leveraging recent system advancements and the potential of emerging technologies, Kina Investments and Superannuation Services Ltd is dedicated to propelling CTSL to new levels of success in 2024 and beyond.

Building upon the foundation of our long standing partnership, we are committed to elevating the quality of our services and empowering CTSL to achieve its strategic goals. This commitment will be realised by prioritizing key areas that enhance security, efficiency, and user-friendly experience for all CTSL members.

Looking ahead, we are committed to continue our collaborative partnership with CTSL in 2024 and beyond. Together, we can work strategically to secure a brighter financial future for all members.

Deepak Gupta

Executive General Manager – Wealth Management & Corporate Advisory

# 2023 HIGHLIGHTS

## COMRADE TRUSTEE SERVICES LIMITED ANNUAL REPORT DATA

### FUND SIZE

K630.34m

Net Assets at 31 Dec 23

### NET SURPLUS

K48.84m

Net Surplus at 31 Dec 23

### MEMBERSHIP

5,864 Members across  
both schemes

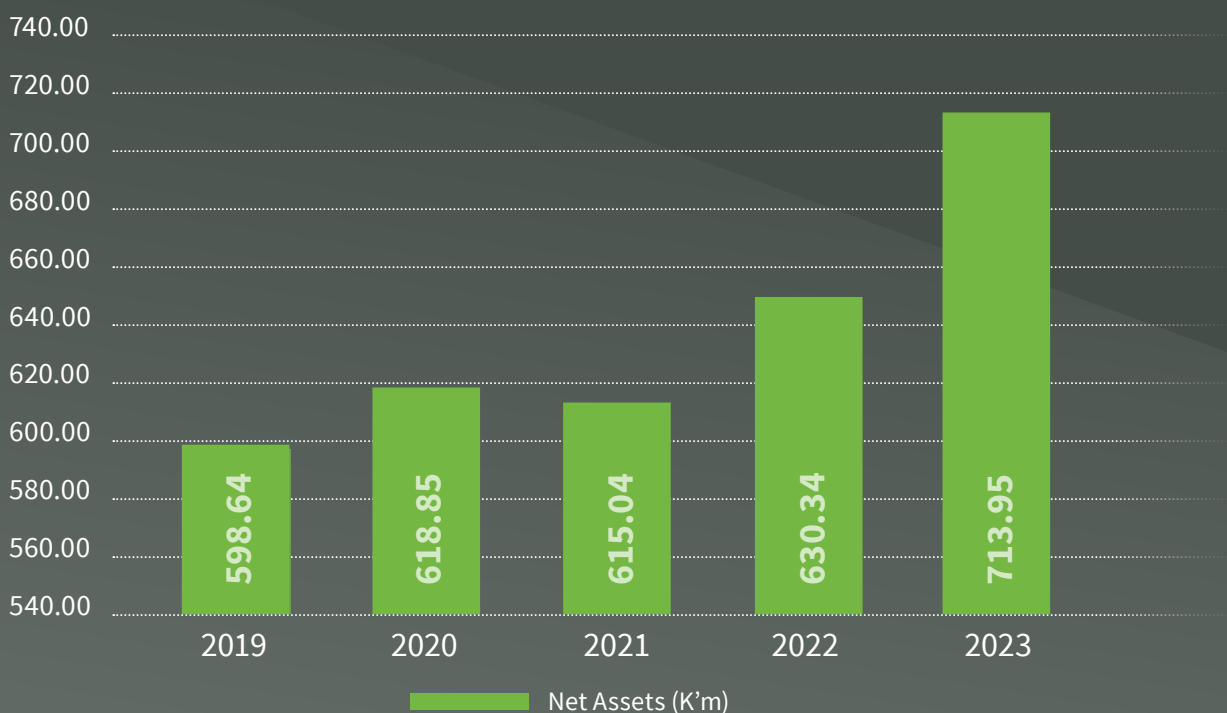
### CREDITING RATE

7.3% For the  
year 2023

### FIVE YEAR PERFORMANCE SUMMARY

Year	2019	2020	2021	2022	2023
Net Assets (K'm)	598.64	618.85	615.04	630.34	713.95
Net Asset Growth (K'm)	26.78	20.21	-3.81	15.30	83.61
5 Year CAGR	5.70%	4.09%	2.22%	1.97%	3.59%

### 5-YEAR NET ASSET GROWTH





# INVESTMENT PORTFOLIO

Investment Portfolio	2023	2022	Current Allocation	Neutral Allocation*
Asset Classification	K	K	%	%
<b>Domestic</b>				
Cash	108,533,114	58,993,803	15.8%	10.0%
Fixed	58,331,486	60,729,900	8.5%	20.0%
Equities	276,671,770	257,039,023	40.2%	27.0%
Properties	153,695,850	164,554,850	22.3%	15.0%
<b>DOMESTIC TOTAL</b>	<b>597,232,220</b>	<b>541,317,576</b>	<b>86.8%</b>	<b>72.0%</b>
<b>International</b>				
Cash	24,617,202	20,110,910	3.6%	1.0%
Fixed	0	0	0.0%	5.0%
Equities	66,112,422	59,140,987	9.6%	22.0%
<b>INTERNATIONAL TOTAL</b>	<b>90,729,624</b>	<b>79,251,897</b>	<b>13.2%</b>	<b>28.0%</b>
<b>TOTAL PORTFOLIO VALUE</b>	<b>687,961,844</b>	<b>620,569,473</b>	<b>100.0%</b>	<b>100.0%</b>

Value as at 31-Dec

## MAJOR INVESTMENTS\*\*

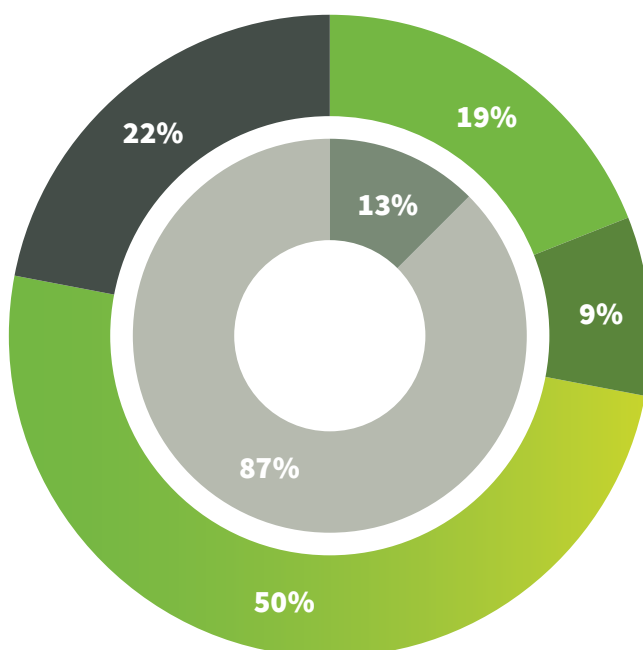
Investments	Asset Class	Exposure
<b>Bank South Pacific</b>	Listed Equities	24.8%
<b>Taurama Commercial</b>	Properties	9.47%
<b>Toea Homes Limited</b>	Unlisted Properties	8.94%
<b>Defens Haus</b>	Properties	6.51%
<b>Government Inscribed Stock</b>	Fixed Income	5.53%

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

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

## PORTFOLIO AT A GLANCE

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



## EQUITIES PORTFOLIO

		2023	2022	Movement
Domestic	GICS Sectors	K	K	
<b>Listed</b>				
Bank South Pacific	Financials	170,647,912	154,579,605	16,068,307
City Pharmacy	Consumer Staples	2,035,768	2,448,075	(412,307)
Kina Asset Management Ltd	Financials	4,883,424	5,426,027	(542,603)
Credit Corporation	Financials	4,164,666	3,852,316	312,350
<b>TOTAL DOMESTIC LISTEDS</b>		<b>181,731,770</b>	<b>166,306,023</b>	<b>15,425,747</b>
BPT(PNG) Ltd	Consumer Discretionary	13,300,000	11,216,000	2,084,000
Post Courier	Consumer Discretionary	2,450,000	2,260,000	190,000
South Pacific Brewery	Consumer Discretionary	17,700,000	15,767,000	1,933,000
Toea Homes Limited	Real Estate	61,490,000	61,490,000	0
<b>TOTAL DOMESTIC UNLISTED</b>		<b>94,940,000</b>	<b>90,733,000</b>	<b>4,207,000</b>
<b>TOTAL DOMESTIC EQUITY PORTFOLIO</b>		<b>276,671,770</b>	<b>257,039,023</b>	<b>19,632,747</b>
International	GICS Sectors	K	K	
<b>Listed</b>				
Santos Ltd	Energy	12,684,857	12,329,268	355,589
Newmont Corporation (Newcrest Mining Ltd)	Materials	1,887,312	1,289,455	597,857
Kina Securities Ltd	Financials	16,470,902	17,733,871	(1,262,969)
<b>TOTAL INTERNATIONAL LISTEDS</b>		<b>31,043,071</b>	<b>31,352,594</b>	<b>(309,523)</b>
<b>Unlisted</b>				
Vanguard International Shares Indexed Fund	Financials	35,069,351	27,788,393	7,280,958
<b>TOTAL INTERNATIONAL UNLISTED</b>		<b>35,069,351</b>	<b>27,788,393</b>	<b>7,280,958</b>
<b>TOTAL INTERNATIONAL EQUITY PORTFOLIO</b>		<b>66,112,422</b>	<b>59,140,987</b>	<b>6,971,435</b>
<b>TOTAL EQUITY PORTFOLIO</b>		<b>342,784,192</b>	<b>316,180,010</b>	<b>26,604,182</b>

Value as at 31-Dec

## PROPERTY PORTFOLIO

		2023	2022
Properties	Type	K	K
Defens Haus	Commercial	44,800,000	47,000,000
Comrade Haus	Commercial	18,400,000	18,400,000
**Stop N Shop	Commercial	0	8,600,000
Latitude 9	Residential	9,000,000	9,000,000
Ela Makana 2	Residential	10,631,000	10,690,000
Ela Makana 1	Land Bank	5,705,000	5,705,000
Taurama Commercial	Land Bank	65,159,850	65,159,850
<b>TOTAL PROPERTIES</b>		<b>153,695,850</b>	<b>164,554,850</b>

Value as at 31-Dec

Source: 2023 Audited Financial Statements

\*\*At 31 December 2023, Stop N Shop was classified as asset held for sale.

## CASH & FIXED INCOME

		2023	2022
		K	K
<b>Cash</b>			
Cash on hand		3,000	1,077
Cash in Banks		14,774,817	42,829,000
Term Deposits with maturities less than 90 days		118,372,499	36,274,636
<b>TOTAL CASH</b>		<b>133,150,316</b>	<b>79,104,713</b>
<b>Fixed Interest</b>			
Inscribed Stock		38,077,207	41,792,448
HBS Convertible Note		14,906,575	18,937,452
Treasury Bills		5,347,704	0
<b>TOTAL FIXED INTEREST</b>		<b>58,331,486</b>	<b>60,729,900</b>
<b>TOTAL CASH &amp; FIXED</b>		<b>191,481,802</b>	<b>139,834,613</b>

Balance as at 31-Dec

Source: 2023 Audited Financial Statements





# DEFENCE FORCE RETIREMENT BENEFIT FUND

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
**31 DECEMBER 2023**

## Contents

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## TRUSTEES' DECLARATION TO MEMBERS

For the year ended 31 December 2023

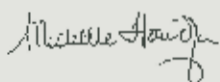
In our opinion, as Trustee of the Defence Force Retirement Benefit Fund (the "Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the financial statements, including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2023 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, we are of the opinion that:

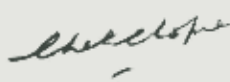
- a) the results of the Fund's operations for the year have not been materially affected by items, transactions or events of an abnormal nature or character. All significant transactions during the year have been appropriately identified and disclosed in the financial statements.
- b) no circumstances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

Dated at Port Moresby this 30th day of April 2024.

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



**Michelle Hau'ofa**  
Chairwoman



**Chetan Chopra**  
Director

## MANAGEMENT'S STATEMENT

For the year ended 31 December 2023

In our opinion, as management of the Trustee of the Defence Force Retirement Benefit Fund ("the Fund"), the accompanying financial statements of the Fund which comprise of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Net Assets, the Statement of Cash Flows, and the Notes to the financial statements including a summary of significant accounting policies, give a true and fair view of the Fund's financial position and performance as at 31 December 2023 in accordance with International Financial Reporting Standards, the Superannuation (General Provisions) Act 2000, the Defence Force Retirement Benefits Fund Act and the Superannuation Prudential Standards issued by the Bank of Papua New Guinea.

Further, we are of the opinion that:

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

Dated at Port Moresby this 30th day of April 2024.

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



**Charlie Gilichibi**  
Chief Executive Officer



**Jackraho Morea**  
General Manager, Finance

## DIRECTORS' REPORT

For the year ended 31 December 2023

The directors of Comrade Trustee Services Limited take pleasure in submitting this report and the annual financial statements of the Fund for the financial year ended 31 December 2023 in compliance with the provisions of the Companies Act 1997 and the Superannuation (General Provisions) Act 2000. The Fund remained under Statutory Management up to 2nd of February 2023. An interim board was appointed by BPNG for a period of six months up to 2nd August 2023. A permanent board was installed from 3rd of August 2023.

### Board of Directors

The interim board as a condition for their appointment by the regulator, BPNG, engaged an external board assessor who did comprehensive work to recruit a permanent board. The directors of the permanent board installed from the 3rd of August 2023 are:

- Michelle Hau'ofa
- Chetan Chopra
- Charles Lee
- Vera Raga
- Warick Vele
- Commodore Philip Polewara
- Col Fred Aile

### Trustee Secretary

Ms. Raka Raula

### Review of operations

The Fund reported a net surplus after income tax and before other comprehensive income of K48,844,850 (2022: 15,299,986) and an increase in net assets for the year of K83,610,943 (2022: increase of K15,293,738).

### Changes in state of affairs

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

### Change in accounting policies

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

### Entries in the interest register

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

### Directors' remuneration

Remuneration paid to Directors has been disclosed in note 22.3 to the financial statements.

### Donations

No donations were made during the current year (2022: Nil).

### Independent audit report

The financial statements have been audited by Ernst & Young and should be read in conjunction with the Independent Auditor's report on pages 5 to 7. Fees paid for external audit services are disclosed in Note 20.2 to the financial statements.

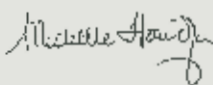
### Subsequent events

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


Dated at Port Moresby this 30th day of April 2024.

Signed in accordance with a resolution of the Directors.

### On behalf of the Directors



**Michelle Hau'ofa**  
Chairwoman



**Chetan Chopra**  
Director



## **Report by the Defence Force Retirement Benefit Fund auditor to Comrade Trustee Services Limited (the Trustee)**

### **Opinion**

I have audited the financial statements of the Defence Force Retirement Benefit Fund (the Fund) for the year ended 31 December 2023 comprising the statement of financial position, statement of comprehensive income, statement of changes in net assets and statement of cash flows.

In my opinion, the financial statements present fairly, in all material respects, in accordance with International Financial Reporting Standards and the Superannuation (General Provision) Act 2000 the financial position of the Defence Force Retirement Benefit Fund as at 31 December 2023 and the results of its operations, cash flows and changes in net assets for the year ended 31 December 2023.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial report in Papua New Guinea, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

### **Responsibilities of the trustee for the financial statements**

The Fund's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

My 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 audit report that includes my 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 these financial statements.

As part of an audit in accordance with the International Standards on Auditing, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- ▶ Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my 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.
- ▶ Obtained 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.
- ▶ Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- ▶ Concluded on the appropriateness of the trustee'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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- ▶ Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

### **Report on other legal and regulatory requirements**

The Superannuation (General Provision) Act 2000 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

A handwritten signature in black ink, which appears to read 'M. Savage'.

Matthew Savage  
Partner  
Port Moresby  
30 April 2024

## STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	Note	2023	2022
		K	K
<b>Assets</b>			
Cash and cash equivalents	7	133,150,316	79,104,713
Receivables from State	8	7,768,021	11,585,838
Financial assets:			
At fair value through profit or loss	9.1	342,784,192	316,180,010
At amortized cost	9.2	58,331,486	60,729,900
Investment properties	10	153,695,850	164,554,850
Asset classified as held for sale	11	8,600,000	-
Property and equipment		1,268,132	664,463
Other assets	12	9,507,269	7,182,012
Related party receivables	22.1	14,392,891	12,586,136
Current tax assets	13.4	1,402,363	1,025,367
Deferred tax assets	13.3(a)	284,711	268,317
<b>Total assets</b>		<b>731,211,252</b>	<b>653,861,606</b>
<b>Liabilities</b>			
Member's Benefits Payable	14	10,998,597	19,745,837
Employee provisions		892,931	770,947
Deferred tax liabilities	13.3(b)	781,263	738,506
Other liabilities	15	4,592,472	2,271,271
<b>Total liabilities</b>		<b>17,265,263</b>	<b>23,526,560</b>
<b>Net assets available to pay benefits</b>	16	<b>713,945,989</b>	<b>630,335,046</b>

Full notes to the financial statements are provided beginning page 33.



## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		2023	2022
	Note	K	K
<b>Revenue</b>			
<i>Investment revenue</i>			
Interest income	17	6,867,552	7,517,978
Dividends		30,311,804	29,561,578
Property income net of property expenses	18	2,890,472	2,941,343
Change in fair value on investment properties	10	(6,190,515)	(3,240,015)
Change in fair value of financial assets	9.3	26,796,490	(3,017,889)
<b>Net investment revenue</b>		60,675,803	33,762,985
Other net income/(expense)		1,979,870	(1,220,130)
<b>Total revenue</b>		62,655,673	32,542,855
<b>Administrative and management expenses</b>			
Trustee administration and management expenses	20	11,216,457	11,129,765
Fund administration and investment fees	21	2,013,436	2,276,597
<b>Total administrative and management expenses</b>		13,229,893	13,406,362
<b>Net profit before income tax</b>		49,425,780	19,136,493
Income tax expense	13.1	580 930	3,836,507
<b>Net profit after income tax</b>		48,844,850	15,299,986
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		48,844,850	15,299,986

Full notes to the financial statements are provided beginning page 33.

## STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2023

		2023	2022
	Note	K	K
Net profit for the year available to pay benefits		48,844,850	15,299,986
Contributions from members and state	19.2	63,315,250	31,935,186
Benefits paid to members	19.1	(28,549,157)	(31,941,434)
<b>Change in net assets for the year</b>		<b>83,610,943</b>	<b>15,293,738</b>
Net assets available to pay benefits at the beginning of the year		630,335,046	615,041,308
<b>Net assets available to pay benefits at the end of the year</b>		<b>713,945,989</b>	<b>630,335,046</b>

Full notes to the financial statements are provided beginning page 33.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		2023	2022
	Note	K	K
<b>Cash flows from operating activities</b>			
Interest received		9,115,754	6,840,251
Dividends received		30,007,930	29,561,578
Property income received		2,890,472	2,941,343
Contributions received from members & state		63,178,056	60,341,186
Cash receipt from the state share of benefits		3,817,817	2,500,820
Contributions from members other than PNGDF		781,243	786,953
Benefits paid to members		(37,940,446)	(68,755,069)
Cash payment to employees and suppliers		(15,502,037)	(17,276,186)
<b>Net cash flows from operating activities</b>		<b>56,348,789</b>	<b>16,940,876</b>
<b>Cash flows from investing activities</b>			
Proceeds from maturity of government inscribed stock		14,000,000	-
Purchase of treasury bills		(5,323,555)	-
Purchase of government inscribed stock		(10,000,000)	-
Investment in convertible note		-	(5,000,000)
Payment received on convertible note		4,000,000	-
Purchase of property and equipment		(1,241,361)	(218,167)
Additions to investment properties		(3,931,515)	(2,549,963)
Investment in Toea Homes Limited		(1,806,755)	(1,535,788)
Advanced receipt from sale of investment properties		2,000,000	-
<b>Net cash flows (used in) investing activities</b>		<b>(2,303,186)</b>	<b>(9,303,918)</b>
<b>Net increase in cash and cash equivalents</b>		<b>54,045,603</b>	<b>7,636,958</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>79,104,713</b>	<b>71,467,755</b>
<b>Cash and cash equivalents at the end of the year</b>	7	<b>133,150,316</b>	<b>79,104,713</b>

Full notes to the financial statements are provided beginning page 33.

# Notes to the financial statements

For the year ended 31 December 2023

## 1. DESCRIPTION OF THE FUND

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

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

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

Total membership for the Fund as at 31 December 2023 was:

	ACCUMULATION BENEFIT MEMBERS	DEFINED BENEFIT MEMBERS	TOTAL
Contributors	4,075	182	4,275
Pensioners	-	1,589	1,589

The fund administration and investment management functions were outsourced to and performed by Kina Investment & Superannuation Services Limited (KISS) and Frontier Equities Limited respectively, in compliance with the Superannuation (General Provision) Act 2000.

The principal place of business of the Fund is:

**Comrade Trustee Services Limited**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

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

### 2.2 Basis of preparation

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

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

### 2.3 Summary of significant accounting policies

#### (a) Revenue recognition

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

#### Interest revenue

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

#### Dividend revenue

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

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

### Property rental income

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

### (b) Taxes

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

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

### Current income tax

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

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

### Deferred tax

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

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

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

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

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

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

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

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

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

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

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of significant accounting policies (continued)

#### (c) Property and equipment

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

<b>Furniture and fittings</b>	15%
<b>Motor vehicles</b>	30%
<b>Office equipment</b>	20%
<b>Renovations</b>	10%
<b>Software</b>	33%

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

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

#### (d) Investment property

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

Land and buildings, classified as investment property, are valued at 31 December 2023. In determining the fair value for financial reporting purposes, reference is made to the valuations performed by registered valuers ("the valuers") whose valuation reports indicate several methods that have been considered as a part of the valuation process and include methods such as capitalisation method, summation method and discounted cash flow method.

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

The registered valuers:

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

#### (e) Financial assets

##### i. Recognition and initial measurement

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

##### ii. Classification and subsequent measurement

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

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

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

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

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

##### (2) Amortized cost

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

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

For BPNG Treasury bills, under investment securities classification, the 12-month ECL for these financial instruments are not material as:

- The financial instruments have a low risk of default,
- The BPNG, in the short term, is expected to have a strong capacity to meet its obligations given past behaviour, despite Papua New Guinea's relatively poor international credit rating and
- The Fund's management, in the longer term, believe the adverse changes in economic and business conditions, will not reduce the ability of BPNG to meet its obligations to pay Treasury bills upon maturity.

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

### **(3) Reclassifications**

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

### **(4) Financial Liabilities**

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

### **iii. Fair value measurement**

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

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

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

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

### **iv. Amortized cost measurement**

Unlisted shares were independently valued as at 31 December 2023 as adopted by the Statutory Manager/Board. This valuation was performed by Price Waterhouse Coopers as an independent professional valuer. The methodology used in the analysis was a combination of future maintainable earnings, dividend yields and discounted cash flows of assets, respectively as appropriate to the shares except for Toea Homes Ltd, a 100% subsidiary, where the adjusted net asset value is applied.

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

### **v. Impairment of financial assets**

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Summary of significant accounting policies (continued)

#### (e) *Financial Assets (continued)*

##### v. Impairment of financial assets (continued)

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

The Bank does not allow the Fund to issue loans to members and also does not allow interest bearing deposits with Financial Institutions that are not on the Bank's approved list. This mitigates the risk of possible impairments for the assets held at amortised cost. In addition, the Fund has K38.1 million out of its total assets of K731.2 million sitting as investments with the Bank through purchasing of the Government Inscribed Stocks. These have a high credit risk rating which further reduces the possible risk of impairments of these assets.

#### (f) *Loans and impairment losses*

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

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

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

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

#### (g) *Cash and cash equivalents*

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

#### (h) *Foreign currency*

##### Functional presentation currency

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

##### Transactions and balances

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

#### (i) *Changes in accounting policies and comparatives*

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

#### (i) *Employee benefits*

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

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

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

##### Defined contribution plans

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

### (k) Provisions

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

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

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

### (l) Goods and services tax

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

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

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

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

### (m) Payables

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

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

### (a) New Accounting Standards with impact on the Fund introduced in 2023.

The new and amended standards which are effective for annual periods beginning 1 January 2023 had no impact on the operations of the Fund in terms of its applications.

### (b) Standards to be issued on and after 1 January 2024

The Fund will adopt, where applicable, the following standards, amendments to existing standards and interpretations when these become effective. Except as otherwise indicated, the Fund does not expect the adoption of these new standards and interpretations to have a significant impact on its financial statements:

Description	Effective for annual periods beginning on or after
<b>Amendments to IAS 1 - Classification of Liabilities as Current or Non-current</b>	1 January 2024
<b>Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback</b>	1 January 2024
<b>Amendments to IAS 10 - Fair Value Measurement of Non-financial Assets of Not-for-Profit Public Sector Entities</b>	1 January 2024
<b>Amendments to IAS 1 - Amendments to IASB 107 and IASB 7 - Disclosures of Supplier Finance Arrangements</b>	1 January 2024
<b>Amendments to IAS 3 - Disclosure of Non-current Liabilities with Covenants: Tier 2</b>	1 January 2024
<b>IFRS S 1 General Requirements for Disclosure of Sustainability-related Financial Information</b>	1 January 2024
<b>IFRS S2 Climate-related Disclosures</b>	1 January 2024
<b>Amendments to IAS 7 and IFRS 7 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</b>	1 January 2024
<b>Amendments to IAS 5 - Lack of Exchangeability</b>	1 January 2024
<b>Amendments to IAS 9 - Insurance Contracts in the Public Sector</b>	1 July 2026



### 3. CONTRIBUTION ARRANGEMENTS

#### Defined Benefit scheme

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

#### Accumulation scheme

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

#### Contribution Receipts

##### Member contributions

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

##### State (Employer) Contribution

#### Defined benefit scheme

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

#### Accumulation scheme

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

### 4. LIABILITY FOR ACCRUED BENEFITS UNDER DEFINED BENEFIT

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

Significant assumptions applied in the actuarial report are as follows:

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

Accrued benefits were valued as part of a comprehensive review undertaken as at 31 December 2020 as follows:

	2020
	K
Liability for accrued benefits	136,197,000
Net value of assets	347,423,000

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

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

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

	2020
	K
Total net assets available to pay benefits	618,845,000
Accumulation Fund	(271,422,000)
Net value of assets under Defined Benefit	347,423,000

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

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

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

Although the actuarial report is prepared as at 31 December 2020, in terms of the requirements of Section 24 of the Defence Force Retirement Benefits Act, Chapter 76, the next actuarial investigation of the fund should be carried out no later than 31 December 2024 for the year ending 31 December 2023.

## 5. LIABILITY FOR ACCRUED BENEFITS UNDER ACCUMULATION SCHEME

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

The Fund is only liable to pay the 6% component of the member's contribution, the Fund's enhancement values and interest earned at the time of transfer in addition to the interest and contributions received after the transfer to the date of exit from the Fund. This liability is limited to the AC scheme net asset of K348.6million (see note 16.1(ii)).

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

### Valuation of investment properties

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

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### Valuation of financial assets and liabilities

The Fund carries most of its non-quoted financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, and volatility rates, the amount of changes in fair value would differ if the Fund utilised a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity. (See note 2.3.e.4.iii).

### Receivable from the State

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

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

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

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

As at 31 December 2023, the State owes the Fund K7.7 million (Refer to Note 8) in respect of the State's share of members' benefits payments made by the Fund for both the AC and DB schemes.

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

As at 31 December 2023 the State's crystallised liability due for settlement to AC members who have since resigned and exited the PNG Defence Force stands at K2.6 million out of a total of K209.7 million owed to the AC members. This balance does not include the current year's interest. The Fund is not obliged to pay on behalf of the State and this liability is not recognised in the books of the Fund until the State releases money into the Fund.

## 7. CASH AND CASH EQUIVALENTS

	2023	2022
	K	K
Cash on hand	3,000	1,077
Cash in banks	14,774,817	42,829,000
Term deposits with original maturity less than 90 days	118,372,499	36,274,636
	133,150,316	79,104,713

## 8. RECEIVABLES FROM STATE

	2023	2022
	K	K
State's share on benefits paid	7,768,021	11,585,838
	7,768,021	11,585,838

## 9. FINANCIAL ASSETS

### 9.1 Financial assets at fair value through profit or loss

	Note	2023	2022
		K	K
Listed shares	24.1.1	247,844,192	225,447,010
Unlisted shares	24.1.2	94,940,000	90,733,000
		342,784,192	316,180,010

### 9.2 At Amortized Cost

	Note	2023	2022
		K	K
Government Inscribed stock	23.2	38,077,207	41,792,448
Convertible note in HBS	23.2	14,906,575	18,937,452
Treasury bills	23.2	5,347,704	-
		58,331,486	60,729,900

In prior year, HBS (PNG) Ltd issued a K10 million and K5million convertible note to the Fund on 2021 and 2022, respectively. The interest is payable at a rate of 8% per annum, accruing daily from the issue date up to and including the date on which the convertible notes are converted or redeemed in accordance with the agreement. The Fund will have the option to convert the Convertible Notes into shares upon the occurrence of a liquidity event (IPO, trade sale, capital raising).

Subsequently, the Fund and HBS (PNG) Ltd entered a deed of variation after it defaulted to pay the redemption amount of K21 million. The variation agreement includes the deletion of a clause on converting notes into secured debt instruments with interest and extension on the repayment schedule of the redemption amount.

Government inscribed stocks are held to their maturity which varies between 2024 and 2031. Interest ranges from 4.4% to 12%.

The fund purchased Treasury bills with Bank of Papua New Guinea during the year. This are short-term discounted paper with fixed maturities redeemable at par on maturity.

Government inscribed stock, convertible note from HBS and Treasury Bills are carried at amortised costs in accordance with IFRS 9.

### 9.3 Change in value of financial assets

	2023	2022
	K	K
Net fair valuation gain/(loss) for listed financial assets at fair value through profit or loss	<b>22,397,182</b>	(3,756,123)
Net fair valuation gain/(loss) for unlisted financial assets at fair value through profit or loss	<b>4,207,000</b>	(2,278,000)
Net gain movement for amortised cost assets	<b>192,308</b>	3,016,224
Gain/(loss) on change in fair value through profit and loss	<b>26,796,490</b>	(3,017,899)

## 10. INVESTMENT PROPERTIES

	2023	2022
	K	K
Balance at beginning of financial year	<b>164,554,850</b>	165,244,903
Additions	<b>3,931,515</b>	2,549,962
Reclassification to Assets held for sale	<b>(8,600,000)</b>	-
Net loss from fair value adjustments	<b>(6,190,515)</b>	(3,240,015)
Balance at end of financial year	<b>153,754,850</b>	164,554,850

The fair value of the Fund's investment properties as at 31 December 2023 has been arrived at by considering valuation assessments carried out by LJ Hooker Real Estate which is an unrelated entity to the Trustee and having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Investment Property	Valuation Basis 2023	Value as at 31 December 2023	Valuation Basis 2022	Value as at 31 December 2022
		K		K
Comrade Haus	Capitalization	<b>18,400,000</b>	Capitalization	18,400,000
DefensHaus	Capitalization	<b>44,800,000</b>	Capitalization	47,000,000
SNS Boroko	Capitalization	-	Capitalization	8,600,000
Taurama Commercial Land	Direct Comparison	<b>47,981,000</b>	Direct Comparison	47,981,000
Taurama Commercial WIP	Cost	<b>17,178,850</b>	Cost	17,178,850
Ela Makana 1 Residential House	Summation	<b>5,705,000</b>	Direct Comparison	5,705,000
Ela Makana 2 Apartment	Summation	<b>10,631,000</b>	Direct Comparison	10,690,000
Latitude 9 Apartment	Summation	<b>9,000,000</b>	Direct Comparison and depreciated replacement cost	9,000,000
		<b>153,695,850</b>		164,554,850



## 10. INVESTMENT PROPERTIES (CONTINUED)

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

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

Direct capitalisation is a fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates of 10% - 11 % (2022: 10% - 11 %), vacancy rates of 15% (2022: 10% - 15%) and outgoings of 30% - 34.75% (2022: 10% - 15%). The estimated fair value would increase or decrease if capitalization rate, vacancy rate or outgoings will be higher or lower.

### Operating lease arrangements

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

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

## 11. ASSET CLASSIFIED AS HELD FOR SALE

	2023	2022
	K	K
Investment property held for sale (SNS Boroko)	8,600,000	-
	8,600,000	-

In December 2023, the Fund entered into a contract for sale of land with Pacifica Travel Services Limited. The total purchase price is K10 million apportioned to K3.90 million and K6.10 million for land and improvements, respectively. The buyer made an initial deposit of K2.00 million on December 2023 and this is currently disclosed in Note 15. At 31 December 2023, the investment property relating to SNS Boroko was classified as asset held for sale. The sale was completed on 28 March 2024 upon receipt of the balance of the sale proceeds of K8.00 million at settlement.

## 12. OTHER ASSETS

	2023	2022
	K	K
GST tax receivable	4,673,568	4,673,568
Debtors – Corporate	837,218	999,356
Accrued interest: Term deposits and Government Inscribed Stock	1,268,738	1,083,836
Prepayments	436,865	358,711
Sundry debtors	1,482,345	66,541
Other sales tax	808,535	-
	9,507,269	7,182,012

GST receivable represents credits sitting in CTSL books. This has accumulated over time as GST credits received, in particular those on investment projects, surpassed the GST payable collected from the Fund's rental income. Dividends and interest income do not attract GST while capital gain is exempt from tax.

## 13. INCOME TAXES

### 13.1 Income tax expense recognised in profit or loss

	2023	2022
	K	K
<b>Comprising:</b>		
Current tax	580,930	-
Current tax: Uncertain tax provision	-	3,500,000
Deferred tax: Current year charge	(343)	336,507
<b>Income tax expense</b>	<b>580,587</b>	<b>3,836,507</b>

In prior year, a tax charge of K3.5 million which relates to provision for tax assessments in previous years. The Fund is not in agreement with the assessments and has filed an objection which is currently pending with the tax authorities. The Board of Directors believes that the recorded provision is reasonable as at 31 December 2023.

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

Note	2023	2022
	K	K
<b>Income Tax expense</b>		
Profit before tax	49,425,780	19,136,493
Income tax expenses calculated at 25%	12,356,445	4,784,123
Tax effect of permanent differences	(5,260,068)	1,825,594
Dividends rebate	(6,508,435)	(6,408,900)
Tax effect of temporary differences	(7,355)	-
Uncertain tax provision	-	3,500,000
Under/(over) provision in prior year	-	135,690
<b>Income tax expense</b>	<b>580,587</b>	<b>60,729,900</b>

### 13.3 Deferred tax recognised during the year

	Opening balance	Prior Year adjustments	Recognised in P&L	Closing Balance
	K	K	K	K
<b>(a) Deferred tax assets</b>				
<b>2023</b>				
<i>Temporary difference</i>				
Accruals	75,372	-	(289)	75,083
Employee benefits	192,945	-	26,709	219,654
Depreciation	-	-	15,995	15,995
	<b>268,317</b>	<b>-</b>	<b>42,415</b>	<b>310,732</b>
<b>2022</b>				
<i>Temporary difference</i>				
Accruals	17,589	-	57,783	75,372
Employee benefits	131,714	-	61,231	192,945
Depreciation	107,343	-	(107,343)	-
	<b>256,646</b>	<b>-</b>	<b>11,671</b>	<b>268,317</b>

### 13.3 Deferred tax recognised during the year (continued)

	Opening balance	Prior Year adjustments	Recognised in P&L	Closing Balance
	K	K	K	K
<b>(b) Deferred tax liabilities</b>				
<b>2023</b>				
<i>Temporary difference</i>				
Interest receivable	735,191	-	46,072	781,263
Depreciation	3,314	-	3,314	-
	<b>738,505</b>	<b>-</b>	<b>42,758</b>	<b>781,263</b>
<b>2022</b>				
<i>Temporary difference</i>				
Interest receivable	390,325	-	344,866	735,191
Depreciation	-	-	3,314	3,314
	<b>390,325</b>	<b>-</b>	<b>348,180</b>	<b>738,505</b>

### 13.4 Current tax asset

	2023	2022
	K	K
Withholding tax	<b>957,583</b>	916,139
Income tax provision	<b>444,780</b>	109,228
	<b>1,402,363</b>	1,025,367

### 14. MEMBER'S BENEFIT PAYABLE

	2023	2022
	K	K
Members unclaimed monies and State accumulation scheme funding <sup>1</sup>	<b>5,942,181</b>	15,470,664
Payable to Nambawan <sup>2</sup>	<b>5,056,416</b>	4,275,173
	<b>10,998,597</b>	11,585,838

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

2 In 2021, the Fund took responsibility of Accumulation Accounts from other entities other than PNGDF, which were previously administered by Nambawan Super. Per the Central Bank's directive, DFRBF is a closed fund limited only to member of PNGDF. The Fund was then directed to return all its superannuation contributions other than PNGDF back to Nambawan Super. As at 31 December 2023, the contributions were vet to be transferred to Nambawan Super.

### 15. OTHER LIABILITIES

	2023	2022
	K	K
Advance receipt from sale of investment property	<b>2,000,000</b>	-
BPNG Licence fees	<b>251,126</b>	536,890
Fund investment and administration	<b>357,435</b>	210,757
Tenants advance rentals & security bonds	<b>827,200</b>	754,442
Wages and salary tax <sup>1</sup>	<b>206,329</b>	208,330
Audit fees	<b>300,330</b>	301,489
Other accruals	<b>650,052</b>	259,363
	<b>4,592,472</b>	2,271,271

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

## 16. NET ASSETS AVAILABLE TO PAY BENEFITS

### 16.1 Statement of Members Funds

	Note	2023	2022
		K	K
<b>Members Funds</b>			
<b>(i) - Defined Benefit</b>			
Balance at beginning of year		345,332,758	344,848,379
Operating results (Note 16.2)		26,864,668	8,567,992
Net assets Available to pay Defined Benefits		372,197,426	353,416,371
Contributions received	19.2.1	8,139,033	7,734,143
Benefits paid	19.1.1	(15,022,677)	(15,817,756)
<b>Net assets Available to pay Defined Benefits at the end of the year</b>		<b>365,313,782</b>	<b>345,332,758</b>
<b>(ii) - Accumulation Benefit</b>			
Balance at beginning of year		285,002,288	270,192,929
Operating results (Note 16.2)		21,980,182	6,731,994
Net assets Available to pay Accumulation Benefits		306,982,470	276,924,923
Contributions received	19.2.2	55,176,217	24,201,043
Benefits paid	19.1.2	(13,526,480)	(16,123,678)
<b>Net assets Available to pay Accumulation Benefits at the end of the year</b>		<b>348,632,207</b>	<b>285,002,288</b>
<i>Comprising of:</i>			
Members Accounts - opening balance		284,517,412	270,105,912
Movements for the year		41,649,737	8,077,365
Interest allocation		21,947,134	6,334,135
Members Accounts - closing balance		348,114,283	284,517,412
Reserve*		517,924	484,876
<b>Total Accumulation Members Funds</b>		<b>348,632,207</b>	<b>285,002,288</b>
<b>(iii) - Total Members Funds</b>			
Defined Benefits		365,313,782	345,332,758
Accumulation Benefits		348,632,207	285,002,288
<b>Total Members Funds</b>		<b>713,945,989</b>	<b>630,335,046</b>

## 16.2 Apportioning of Net Operating Surplus

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

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

	Total	Accumulation Benefit	Defined Benefit
	K	K	K
Income	62,655,673	28,195,053	34,460,620
Expenses	(13,229,893)	(5,953,452)	(7,276,441)
Tax	(580,930)	(261,419)	(319,511)
<b>Net operating income from operations</b>	<b>48,844,850</b>	<b>21,980,182</b>	<b>26,864,668</b>
<b>Accounting apportioning ratios</b>	<b>100%</b>	<b>45%</b>	<b>55%</b>

## 17. INTEREST INCOME

	2023	2022
	K	K
<i>Interest income is earned from the following assets:</i>		
Financial assets at amortised cost	<b>4,022,452</b>	4,508,274
Cash and short-term funds	<b>2,845,100</b>	3,009,704
	<b>6,867,552</b>	7,517,978

## 18. PROPERTY INCOME NET OF PROPERTY EXPENSES

	2023	2022
	K	K
Rent	<b>6,739,335</b>	7,581,429
Less:		
Agent management expense	<b>(98,255)</b>	(85,959)
Other property expenses	<b>(3,750,608)</b>	(4,554,127)
	<b>2,890,472</b>	2,941,343



## 19. CONTRIBUTIONS RECEIVED AND BENEFITS PAID IN DETAIL

	2023	2022
	K	K
<b>19.1 Benefits Paid</b>		
<b>19.1.1 Defined Benefit Scheme</b>		
Pension and back pension	14,779,545	15,693,321
Refunds	150,227	104,435
Housing Advance Benefit Payments	92,905	20,000
<b>Total Defined Benefits Payment</b>	<b>15,022,677</b>	<b>15,817,756</b>
<b>19.1.2 Defined Accumulation Scheme</b>		
Normal benefits paid	10,640,320	13,204,743
Unemployment benefits paid	7,630	8,493
Housing Advance Benefit Payment	2,878,530	2,910,442
<b>Total Defined Accumulation Payments</b>	<b>13,526,480</b>	<b>16,123,678</b>
<b>19.1.3 Total Benefits paid</b>		
Defined Benefit Scheme	15,022,677	15,817,756
Defined Accumulation Scheme	13,526,480	16,123,678
<b>Total Benefits Paid</b>	<b>28,549,157</b>	<b>31,941,434</b>
<b>19.2 Contributions from members and state</b>		
<b>19.2.1 Defined Benefit Contribution</b>		
State share of contributions towards defined benefits payments	7,834,520	7,405,193
Defined Benefits Scheme Members 6% contribution	258,659	278,852
Housing Repayments	45,854	50,098
<b>Total Defined Benefits Contribution</b>	<b>8,139,033</b>	<b>7,734,143</b>
<b>19.2.2 Defined Accumulation Contribution</b>		
State 8.4% Contribution to Accumulation Scheme Members	21,041,028	14,857,841
Members 6% Employee Contributions	10,723,226	8,946,472
Housing Repayments	426,318	396,730
Unallocated Receipts*	22,985,645	-
<b>Total Defined Accumulation Contribution</b>	<b>55,176,217</b>	<b>24,201,043</b>
* During the year, the State paid K22,9m as Unfunded State Share (employer contribution) for the Accumulated Scheme members. As at 31 December 2023, the State still owes Accumulated Scheme members K209.7m as disclosed in Note 6.		
<b>19.2.3 Total Contribution</b>		
Defined Benefit Scheme	8,139,033	7,734,143
Defined Accumulation Scheme	55,176,217	24,201,043
<b>Total Contribution Receipts</b>	<b>63,315,250</b>	<b>31,935,186</b>

## 20. TRUSTEE ADMINISTRATION AND MANAGEMENT EXPENSES

	Note	2023	2022
		K	K
Staff expenses	20.1	5,572,493	4,858,163
Operating lease		1,179,672	1,226,795
Depreciation		617,692	528,946
Software cost		221,860	160,933
Other administrative expenses	20.2	3,624,740	4,354,928
		<b>11,216,457</b>	<b>11,129,765</b>
<b>20.1 Staff expenses</b>			
Salaries and wages		3,124,318	3,108,836
Sacrifice - accommodation		757,831	590,891
Sacrifice - Employer contribution		697	-
Training		293,951	34,157
Sacrifice - airfare		57,845	117,593
Sacrifice - school fee		182,176	120,654
Insurance - medical		67,418	85,477
Other staff expenses		1,088,257	800,564
		<b>5,572,493</b>	<b>4,858,163</b>

Note	2023	2022
	K	K

## 20.2 Other administrative cost

Details of other administrative expenses follow:

License fee <sup>2</sup>	(110,734)	551,406
Insurance	666,760	439,539
Office expense	153,813	150,866
Professional fees:		
Audit services <sup>1</sup>	459,937	886,554
Tax	147,724	77,440
Consulting	303,516	793,068
Legal	62,262	136,844
Other	68,561	17,040
Telephone	149,692	163,198
Internet service provider	261,019	215,026
Printing and stationery	160,050	154,532
Member services awareness	176,271	316,463
Electricity	54,345	87,130
Advertising	221,611	97,581
Board of Trustee expenses	615,486	-
Sundry expenses	381,935	268,241
Entertainment Expenses	34,550	-
Repairs & Maintenance	9,761	-
Disposal of fixed assets	(191,819)	-
	3,624,740	4,354,928

1 External Audit Service Fee is K240,000 while balance relates to additional out of scope.

2 Licence fee directly relates to Bank of PNG annual licence fee renewal.

## 21. FUND ADMINISTRATION AND INVESTMENT MANAGEMENT FEES

	2023	2022
	K	K
Fund administration fee	924,438	988,810
Investment management fee	1,088,998	1,287,787
	2,013,436	2,276,597

## 22. RELATED PARTY TRANSACTIONS

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

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

### 22.1 Toea Homes Limited

	2023	2022
	K	K
Related party receivable from THL	14,392,891	12,586,136

Toea Homes Limited (THL) is a wholly owned subsidiary of CTSL and was formed as a vehicle to manage the CTSL member home ownership scheme. THL is focused on developing a home ownership scheme for members of the Fund. The investment in THL is recorded at market value and is carried at K61,490,000 (2022: K 61,490,000).

THL is a 100% subsidiary of Comrade Trustee Services Ltd.

### 22.2 Key management personnel remuneration specified in aggregate in the year 2023

	2023	2022
	K	K
Salary	2,115,070	2,127,992
Non-monetary <sup>(i)</sup>	972,364	871,957
Superannuation - Employer	239,396	220,610
	3,326,830	3,220,559

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

### 22.3 Board of Directors remuneration during the year

	2023	2022
	K	K
Board remuneration	615,486	-

### 22.4 Other related party transactions

In 2015, the Fund acquired 5.25 million shares of Kina Securities Limited (KSL) at Initial Public Offering. KSL provides Fund Administration services to the Fund, through its 100% owned subsidiaries Kina Investment & Superannuation Services. Related fees paid are disclosed in Note 21.

During the 2023 financial year, the Fund earned interest on term deposits of K492,290 (2022: K190,947) while term deposits placed with Kina Finance Limited amounted to nil (2022: K nil). The Fund also received dividends amounting to K2,058,016 (2022: K2,291,803) and generated unrealised capital loss of K1,292,969 (2022: K144,257 gain) from its investment in KSL.

## 23. FINANCIAL RISK MANAGEMENT

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

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

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

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

### 23.1 Liquidity risk

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

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

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

### 23.2 Government security risk

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

### 23.3 Country risk

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

	2023	2022
	K	K
Listed securities (FVTPL)	66,112,422	59,140,987
Monetary financial assets (cash and cash equivalents)	662,506	20,110,910
<b>Total</b>	<b>66,774,928</b>	<b>79,251,897</b>

### 23.4 Interest rate risk

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

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

	Weighted average interest rate	Up to 1 Year	1 to 5 Year	Over 5 Year	Non-interest bearing	Total
		K	K	K	K	K
<b>31 December 2023</b>						
<b>Assets</b>						
Cash and cash equivalents	1.49%	133,150,316	-	-	-	<b>133,150,316</b>
Amount receivable from State	7.35%	-	7,768,021	-	-	<b>7,768,021</b>
<i>Financial assets:</i>						
FVTPL	-	-	-	-	342,784,192	<b>342,784,192</b>
Amortised Cost	6.86%	11,291,375	32,039,189	15,000,922	-	<b>58,331,486</b>
Other assets	-	-	-	-	4,833,701	<b>4,833,701</b>
<b>Liquidity and interest sensitivity gap</b>		<b>144,441,691</b>	<b>39,807,210</b>	<b>15,000,922</b>	<b>334,945,102</b>	<b>534,194,925</b>



### 23.4 Interest rate risk (continued)

	Weighted average interest rate	Up to 1 Year	1 to 5 Year	Over 5 Year	Non-interest bearing	Total
		K	K	K	K	K
<b>31 December 2022</b>						
<b>Assets</b>						
Cash and cash equivalents	1.10%	79,104,713	-	-	-	<b>79,104,713</b>
Amount receivable from State	6.40%	-	11,585,838	-	-	<b>11,585,838</b>
<i>Financial assets:</i>						
FVTPL	-	-	-	-	316,180,010	<b>316,180,010</b>
Amortised Cost	9.18%	-	46,937,452	13,792,448	-	<b>60,729,900</b>
Other assets	-				2,508,444	<b>2,508,444</b>
<b>Liabilities</b>						
Other liabilities	-				(21,808,778)	<b>(21,808,778)</b>
<b>Liquidity and interest sensitivity gap</b>		<b>79,104,713</b>	<b>58,523,290</b>	<b>13,792,448</b>	<b>296,879,676</b>	<b>448,300,127</b>

### 23.5 Foreign currency exchange risk

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

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

	2023	2022
	K	K
PGK Value of overseas currency denominated in AUD	<b>20,453,797</b>	16,342,009
PGK Value of overseas currency denominated in USD	<b>4,163,405</b>	3,768,901
	<b>24,617,202</b>	20,110,910

### 23.6 Fair values of financial assets and liabilities

#### (a) Fair value versus carrying values

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

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

#### (b) Fair value hierarchy

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	K	K	K	K
<b>31 December 2023</b>				
At fair value through profit or loss	247,844,192	-	94,940,000	<b>342,784,192</b>
<b>Total</b>	<b>247,844,192</b>	<b>-</b>	<b>94,940,000</b>	<b>342,784,192</b>
<b>31 December 2022</b>				
At fair value through profit or loss	225,447,010	-	90,733,000	<b>316,180,010</b>
<b>Total</b>	<b>225,447,010</b>	<b>-</b>	<b>90,733,000</b>	<b>316,180,010</b>

## 23.7 Credit risk

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

## 23.8 Equity price risk

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

	2023	2022
	K	K
<i>At fair value through profit or loss</i>		
Listed securities in PNG	181,731,770	163,904,798
Listed securities in Australia	66,112,422	65,298,335
<b>Total</b>	<b>247,844,192</b>	<b>229,203,133</b>

Assuming that the impact of equity price volatility is asymmetric, a shift in indices by 1% in either direction would impact the profit or loss by K2,478,442 (2022: K2,254,470).

## 24. DETAILED LISTING OF FINANCIAL ASSETS HELD BY THE FUND

### 24.1 Financial assets at fair value through profit or loss

#### 24.1.1 Listed shares

	Market Value 2023	Shareholding as a % of net assets of the Fund	Market Value 2022	Shareholding as a % of net assets of the Fund	Movements
	K		K	K	K
<i>Companies</i>					
Bank South Pacific	170,647,912	23.90%	154,579,605	24.52%	16,068,307
City Pharmacy	2,035,768	0.29%	2,448,075	0.39%	(412,307)
Santos Limited	12,684,857	1.78%	12,329,268	1.96%	355,589
Kina Asset Management Ltd	4,883,424	0.68%	5,426,027	0.86%	(542,603)
Credit Corporation	4,164,666	0.58%	3,852,316	0.61%	312,350
Newcrest Mining Ltd	1,887,312	0.26%	1,289,455	0.20%	597,857
Vanguard International Shares Index Fund	35,069,351	4.91%	27,788,393	4.41%	7,280,958
Kina Securities Ltd	35,069,351	2.31%	17,733,871	2.81%	(1,262,969)
<b>Total</b>	<b>247,844,192</b>	<b>34.71%</b>	<b>225,447,010</b>	<b>35.77%</b>	<b>22,397,182</b>

#### 4.1.2 Unlisted shares

	Market Value 2023	Shareholding as a % of net assets of the Fund	Market Value 2022	Shareholding as a % of net assets of the Fund	Movements
	K		K	K	K
<b>Companies</b>					
Toyota Tsusho (PNG) Ltd*	13,300,000	1.86%	11,216,000	1.78%	2,084,000
Post Courier Limited*	2,450,000	0.34%	2,260,000	0.36%	190,000
South Pacific Brewery Limited*	17,700,000	2.48%	15,767,000	2.50%	1,933,000
Toea Homes Limited**	61,490,000	8.61%	61,490,000	9.76%	-
<b>Total</b>	<b>94,940,000</b>	<b>13.30%</b>	<b>90,733,000</b>	<b>14.39%</b>	<b>(4,207,000)</b>

Unlisted equity investments are valued by the Fund based on the independent valuations by Pricewaterhouse Coopers (PwC) using net asset approach and capitalisation of maintainable earnings approach. Management adopted the mid end of the range in 2023 (2022: mid end of the range).

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

\*\* The value of THL was determined using the adjusted net assets approach. THL was the recipient of a state grant at the end of the year which resulted in an increase in the THL's net assets which is off setted by loss incurred during the year. State grant represents land granted to the entity for the development of a housing project.

#### 24.2 Government Inscribed Stock and Convertible note

	2023	2022
	K	K
Beginning balance	60,729,900	52,035,949
Purchases during the year	10,000,000	5,000,000
Maturity during the year	(14,000,000)	-
Adjustments through P&L	(3,746,118)	3,693,951
	<b>52,983,782</b>	<b>60,729,900</b>

## 25. AUDIT FEES

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

## 26. CONTINGENT LIABILITIES AND COMMITMENTS

Statutory Management has approved a 2023 capital budget which includes a K7.1 million commitment for the Defens Haus Upgrade and Modernization Program. As of 31 December 2023, K3.9 million was spent on the project.

The Fund has no contingent liabilities arising from its ordinary activities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, is currently not determinable and is not expected to have a material adverse effect on the financial statements. There were no other contingent liabilities as at 31 December 2023, other than mentioned above.

## 27. STATUTORY MANAGEMENT

The Bank of PNG with its powers and responsibilities as prescribed under the Superannuation (General Provisions) Act 2000 (the Act, SGPA), placed the Fund under a first Statutory Manager from 29th July 2019 to 18th January 2022. A second Statutory Manager was appointed from 2nd of February 2022 to 2nd of February 2023 with the mandate from the regulator, BPNG, to install a board and return the Fund to normalcy after it was identified to be solvent.

## 28. EVENTS AFTER BALANCE SHEET DATE

There were no other events that occurred after 31 December 2023, the balance sheet date, other than what has been disclosed in the notes to the financial statements that would require an adjustment or disclosure in the financial statements.

## 29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on 30th April 2024.







# CORPORATE DIRECTORY

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#### Services Limited

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## MANAGEMENT

### Charlie Gilichibi

Chief Executive Officer

### Seno Wekina

General Manager – Legal

### Freddy Manihoru

General Manager – Member Services

### Jackraho Morea

General Manager – Finance

### Mark Kanawi

General Manager – Investments

### Darusilla Musi

General Manager –  
Human Resource & Admin

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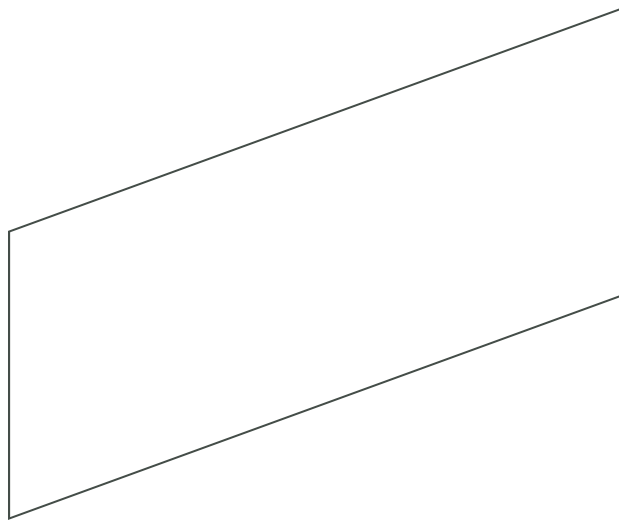
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