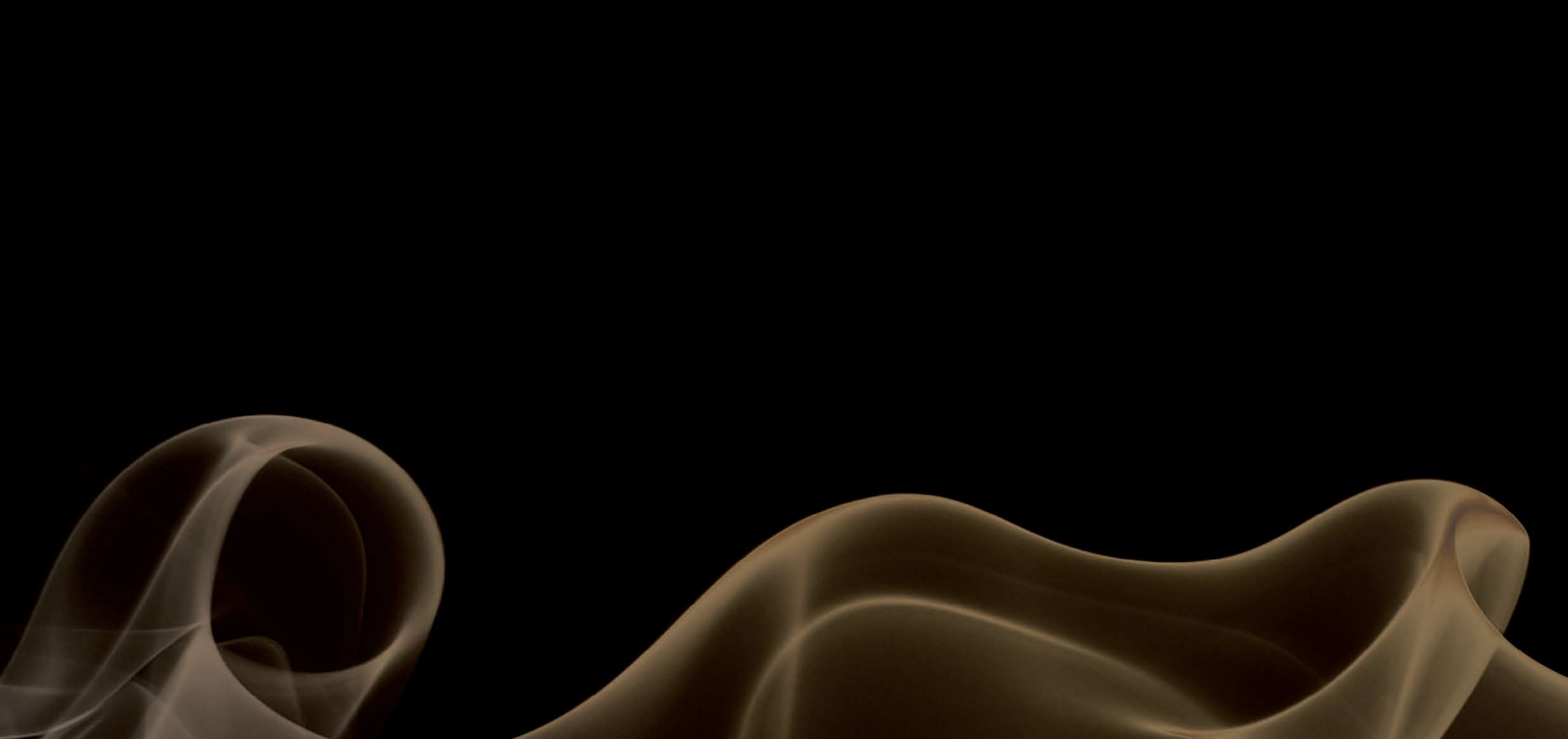
KINA ASSET MANAGEMENT LIMITED

ANNUAL REPORT 2009



KINA
ASSET MANAGEMENT
LIMITED

KINA ASSET MANAGEMENT LIMITED

Consolidated Annual Report for the financial year ended 31 December 2009

INVESTMENT OBJECTIVES

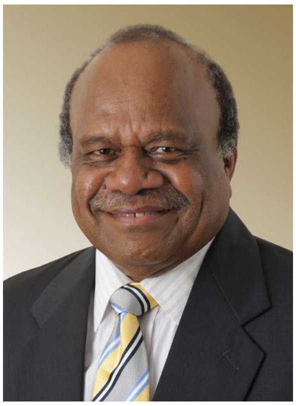
Over time the Company aims to:

- provide a positive rate of return to Shareholders via a combination of capital growth and income.
- provide Shareholders with regular dividends; and
- preserve the capital of the Company

APPROACH TO INVESTING

The investment philosophy is built on taking a medium to long-term view of value, which means the aim is to buy and hold stocks over the longer term.

Chairman's Report



The decision to launch KAML two years ago with strict, open and accountable governance processes, together with an investment strategy program which required extensive analysis advice and risk management, has resulted in a very healthy positioning of the company from the global economic recovery.

Despite the challenges of the past year in managing the ongoing effects of the Global Financial Crisis (GFC) Papua New Guinea's first publically listed investment company has reported a net profit of K4.26 million for calendar year 2009.

Our end of year report also shows that KAML's investment portfolio increased by K3.84 million or 9.38 per cent, rising from K40.89 million at the end of December 2008 to K44.72 at December 20, 2009.

While investors in the South Pacific had to observe and suffer the fallout from afar as the devastation of the financial system in the major trading centres of the world resulted in the worst financial crisis in 60 years, the positioning of KAML enabled shareholders to benefit with a profit outcome and a our ability to declare a modest first dividend.

KAML'S performance figures for 2009 are very positive for our shareholders and they continue to reflect the increased opportunities for investment and business development that now exist in PNG.

Indeed 2009 has been a landmark year for KAML as a fledgling investment management company we have had a significant turnaround from the previous year where we recorded a loss of K4.14 million in the launch year, facing all the adversities of the GFC.

During 2009 KAML'S investments increased by K1.51 million exclusive of exchange rate and K5.39 million inclusive, representing returns of 3.67 per cent and 12.59 per cent respectively

As your Chairman, I am extremely pleased with the outcomes, as it demonstrates in stark reality, that the PNG financial system has been able to dispose of the historic myth that the nation was a dissolute financial centre and dispels the reputation of last century that the nation was a so called economic basket case.

KAML's investment strategy has backed the PNG economy and PNG companies as a cornerstone for local investors to gain from the hard work and success of the nation as a developing economy.

Our strategic investment strategy was cautious, built on picking sound investments and also investments that would succeed as the 21st century PNG economy matured and grew.

KAML was committed to provide opportunities for investors to share in the major companies of PNG and their successes and also to invest in Australian and other South Pacific investment opportunities, as well as global growth investments.

We will be continuing our expansion strategy and looking at increasing our exposure to international markets including the United States of America and Asia.

Last year the performance results of the International Equities, Asia Fund and the global (Ex Australia) Index Fund all met or exceeded their respective benchmarks

To be tested as we have been in the first two years of operations and succeed while other major historic world investment houses collapsed under the weight of the global economic crisis, is a tribute to KAML strategies and conscientious and sound management.

The decision to create and launch KAML was made to provide PNG investors, both large and small, with an opportunity to share in their nation's prosperity now and in the future.

KAML directors believed there was a need for a company which could offer PNG investors the opportunity to share in the development of their country and region by having the opportunity to have a form of ownership of many of the tightly held share offerings on POMSoX.

Further, we sought to ensure that the investment portfolio had a significant spread in solid investments in the South Pacific, hence our purchase of a growth portfolio on the ASX and more recently we have broadened this policy to include the global market place.

On the POMSoX we had a significant portfolio of historic data and had recognized the opportunities for growth which had been generated by the new wave of stability and enterprise which has marked the first decade of the 21st century in PNG.

Our commitment to a conservative growth program ensured that when the global economic crisis struck with its alarming speed and its brutal attack on investments and investment practices in the northern hemisphere, KAML was able to remain with a strong cash reserve and the ability to look for opportunities coming through in the early recovery period.

It has been a well learnt lesson that KAML and its sound strategic assessment protocols is now in a strong position to maximize it growth potential.

I am very pleased that investors have actively traded KAML and it remains the most traded stock on POMSoX and clearly it is important that more and more investors utilize the equities market as part of their investment strategy for short term and long term programs.

The Board believes that KAML remains well poised to take advantage of the global revival and in this report, we track in some details the performance of your company and those companies and enterprises that we have investments.

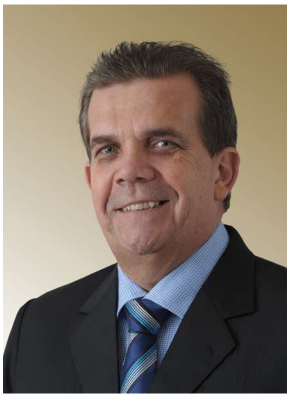
I wish to thank the team at KAML for their diligence and experience in operating during the very dramatic times associated with the global economic crisis. The professional approach to the management of a new company in these tumultuous times to deliver the very sound results is an important milestone.

We look forward to more challenges in the future months as the financial markets throughout the world rebuild and pursue the successful financial recovery.

KAML will continue to closely monitor all the trends in line with our stated investment policy and build on the solid foundations of the past two years.

Sir Rabbie Namaliu GCL, CSM, KCMG
Chairman

CEO's Report



Despite all the ramifications of the worst financial recession in the past 60 years, the launch of PNG's first managed investment fund to be listed on the POMSoX almost two years ago continues to be a success story for PNG and a milestone achievement in the Nation's fledgling domestic financial investment history.

The overwhelming response amongst PNG residents to embrace KAML's initial public offering and the subsequent financial opportunities which it has presented has certainly been pleasing.

This continued support is indicative of a growing thirst from within the local community for increased access to investment strategies, wealth management, and opportunities for asset enhancement.

As the Chairman has outlined, following our successful IPO in mid 2008, no financial forecasters predicted the occurrence let alone the depth of the GFC which spread around the world affecting every market in every nation.

Our operations during the 2009 period were to consolidate our investment strategies given the new opportunities which a global recovery program can provide and to build on the emerging strengths of the PNG economy and nits future long term prospects.

KAML is positioned to build on the investment strategies which were formulated following the successful launch and move forward strongly based on domestic and international incentives.

The International Monetary Fund and other reputable bodies have recently forecast that the global economy would achieve a growth rate of 3.1 per cent in 2010 and PNG's gross domestic product was also forecast to rise significantly during 2010 and beyond.

In the two years following its successful launch, KAML has developed into a genuine cornerstone of the Nation's financial sector, providing investors at all levels throughout PNG with a strategic vehicle to share in the growth and development of the historic projects currently being rolled out across PNG and the South Pacific.

In our second year of operations, this report focuses on the first full 12 months of operation, following the initial launch prior to the first waves of the global financial crisis.

In the period under review in this report, the Board of Directors continued to adopt a proactive, yet responsible, approach to investment. This strategy was underpinned by a considered move to identify long-term opportunities to increase our portfolio for the benefit of all shareholders.

In review, 2009 was a challenging year for PNG and much of the world as the ongoing and deep seated adverse impacts resulting from the global financial crisis continued to emerge.

The global economy continued to experience lengthy periods of contraction and uncertainty, resulting in reduced consumer spending and investor confidence across all major markets.

The message was clear to all funds managers that the adoption of sound principals and attention to detail in respect to organizations and their management was the important keystone to investment success.

This remained a focus area for many nations across the world as leaders sought to implement ambitious financial strategies designed to stimulate short- and long-term economic activity, and build upon the future opportunities which present themselves.

It is important to acknowledge that the global financial crisis has impacted all major economies across the world and PNG was no exception.

However, despite operating against this turbulent environment, the PNG economy continued to perform remarkably well and has thus far remained relatively insulated from any large-scale fallouts resulting from the financial crisis.

As a Nation we have continued to see many positive developments taking place within key industries, being driven by local and international organisations working within PNG.

Importantly there have also been some very positive signs flowing down from the world's key economies and this continues to provide a positive indicator for our portfolio as the key signs of a global economic recovery continue to emerge.

The International Monetary Fund (IMF) recently forecast the global economy would recover at a rate significantly faster than previously anticipated, suggesting that world growth would bounce back from negative territory in 2009 to a forecast 3.9 per cent growth rate in 2010 and a further 4.3 per cent in 2011.

Despite the lingering impacts associated with the global recession, KAML has continued to be of interest to investors with strong movements recorded on the POMSoX since its initial listing.

With this in mind KAML has continued to invest in a strong basket of diversified shares both locally and internationally, and the Board remains committed to managing this portfolio in a financially conservative manner which is in line with the global economic recovery.

In moving forward, the challenges presented to KAML with the ongoing impacts of the financial crisis in the background will continue to remain a key focus area for the Board of Directors.

I reiterate, the recent economic indicators have been promising; however the challenge remains to address the long-term implications of the current market dynamics to ensure that KAML is well positioned to take advantage of the growth opportunities presented in the eventual recovery process.

Whilst the economy has certainly felt the strain of global pressures, there is a strong confidence in the major projects being pursued domestically and the forecasts for the economy remain strong.

Importantly there is a growing belief in many sectors that our economic market will continue to rebound strongly on the back of a sustained boom in the construction and mining industries.

The milestone decision late last year to move forward with the multi-billion kina Liquefied Natural Gas (LNG) project was a historic announcement in our Nation's history and a testament to the economic stability and maturity developed within PNG throughout more than ten years of business activity.

The ongoing success of this project continues to send a resounding message to the global business community that PNG has the financial capabilities to support major development projects.

From an organisational perspective KAML is continuing to actively explore opportunities to increase communication between the Board and its shareholders.

KAML recently celebrated the launch of comprehensive and interactive website which has enabled shareholders to view up-to-date and detailed company information securely online.

The site will also allow shareholders to download pertinent documents including annual reports, quarterly statements and share prices. I urge all shareholders to log-on to the site and register their details online.

KAML will continue to provide all shareholders with regular information on the performance of shares through a series of regular reports and correspondence.

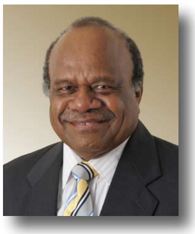
The past year was certainly an exciting period of time as we built upon the success established throughout our first full year of operations and continued to develop a strategic framework for future growth.

KAML remains an important historic development for PNG and we look forward to continue working with local residents to support their financial investment strategies both now and in the future.

Syd Yates OBE
Chief Executive Officer

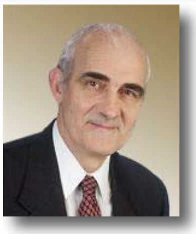
The Board of Directors

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

NAME OF DIRECTOR	POSITION	ENTITY
SIR RABBIE NAMALIU	GCL, CSM, KCMG	
	Director	Kina Securities Limited
	Director	Lalokau Holdings Limited
	Director	Marengo Mining Limited
	Director	Tobit Investments Ltd
	Director	RDN International Limited
RICHARD SINAMOI		
	General Manager	Comrade Trustee Services Limited
	Director	Pacific Capital Limited
	Director	Paradise Foods Limited

NAME OF DIRECTOR	POSITION	ENTITY

GREGORY TAYLOR AO



Director / Chairman	Kumul Hotels Limited
Director	Nambawan Super Limited
Director / Chairman	Paradise Foods Limited
Director	TFG International Pty Ltd

SYDNEY GEORGE YATES OBE

Director	Kina Asset Management Limited
Director	Kina Securities Limited
Director	Kina Finance Limited
Director	Kina Funds Management Limited
Director	Kina Investment and Superannuation Services Limited
Director	Kina Morgan Corporate Limited
Director	Kina Nominees Limited
Director	Air Niugini Limited
Director	Columbus Investments Limited
Director	Ela Makana Developments Limited
Director	Media Niugini Limited

Corporate Governance

Kina Asset Management Limited (KAML) has adopted an approach to Corporate Governance that seeks to match global practice.

The Board ensures that it complies with the requirements of the Port Moresby Stock Exchange ("POMSoX"). It also closely monitors developments in corporate governance principles and practice in other countries.

KAML is mindful of the advantages of demonstrating to investors that its corporate governance standards meet the requirements expected of companies listed in countries such as Australia. This Corporate Governance Statement therefore compares KAML's corporate governance practices to the ASX Corporate Governance Council and Best Practice Recommendations as far as possible.

The Board of KAML is very aware of its responsibilities to shareholders. The set of Corporate Governance principles developed by KAML is therefore intended to provide a framework that will help to ensure that KAML deals fairly and openly with all its stakeholders.

KAML intends to publish its corporate governance practices on its web site, which is currently under construction.

1. The Board of Directors

a) Code of Conduct

The Board has adopted the following code, providing guidance to directors in performance of their duties.

1. Care, Skill and Diligence

A director has a duty to use reasonable care and diligence in fulfilling the functions of the office of director and exercising the powers attached to that office.

2. Good Faith

A director must act honestly, in good faith, and in the best interests of the Company as a whole and for a proper purpose.

3. Proper Purpose

A director must use the powers of office for a proper corporate purpose. A director's primary responsibility is to the Company but the director should also have regard to the interests of people who have dealings with the Company.

4. No Misuse of Information

A director must not use information acquired as a director improperly to gain advantage for the director or for someone else or to cause detriment to the Company.

5. No Misuse of Position

A director must not misuse his or her position as a director improperly to gain advantage for the director or for someone else or to cause detriment to the Company.

6. Conflicts of Interest

A director must not give preference to personal interests, or to the interests of any associate or other person, where to do so would be in conflict with the interests of the Company.

7. Disclosure of Interests

A director must disclose to all other directors any material personal interest that he or she or any associate may have in a matter that relates to the affairs of the Company.

8. Accountability

A director has a duty to account to the Company for business opportunities which arise as a result of his or her being a director of the Company and to use Company resources only for the benefit of the Company.

9. Confidentiality

Confidential information received by a director in the course of his or her duties remains the property of the Company and should not be disclosed to any other person without the prior written consent of the Chairman of the Company unless the disclosure is required by law.

10. Business Decisions

When making a business decision, a director must make the decision in good faith for a proper purpose and without material personal interest, inform himself or herself about the subject matter of the decision, and rationally believe the decision to be in the best interests of the Company.

11. Reliance on Information

A director may rely on information or advice from Company Board committees, officers and competent experts and advisers provided he or she does so in good faith and makes an independent assessment of the information or advice.

12. Delegation

When delegating powers, a director must enquire as to a delegate's reliability and competency and must reasonably believe in good faith that the delegate will act in conformity with the director's duties and the Company constitution.

13. Compliance

A director should not engage in conduct likely to have an adverse effect on the reputation of the Company. A director must comply with all laws and regulations and act in accordance with this Code of Conduct.

b) Role and Responsibility of the Board

Key functions of the Board include:

- overall strategy of the Company, including operating, financing, dividend, and risk management.
- approving an annual strategic plan and an annual budget for the Company and monitoring results on a regular basis.
- ensuring that appropriate risk management systems are in place, and are operating to protect the Company's financial position and assets.
- ensuring that the Company complies with the law and relevant regulations, and confirms with the highest standards of financial and ethical behaviour.
- establishing authority levels
- directors' remuneration
- selecting, with the assistance of the Audit Committee, and recommending to shareholders, the appointment of external auditors.
- approving financial statements.

The Board has delegated to management responsibility for:

- developing the annual operating and capital expenditure budgets for Board approval, and monitoring performance against these budgets.
- developing and implementing strategies within the framework approved by the board, and providing the Board with recommendations on key strategic issues.
- developing and maintaining effective risk management policies and procedures.
- keeping the Board and the market fully informed of material developments.

c) Membership, expertise, size and composition of the Board

The Corporate Governance Principles determine that the majority of the Board should be independent.

At the date of this Report there are 4 directors, with 3 Non Executives designated as independent, plus the Managing Director. Under the Constitution, at each annual general meeting one-third of the company's Directors, in addition to any Director appointed during the year, excluding the Managing Director, must offer themselves for re-election by the shareholder. Normally, Non-Executive Directors are expected to serve a maximum of four three-year terms, dating from the AGM at which the newly elected Director is first confirmed by shareholders.

The Board has a broad range of skills, experience and expertise that enables it to meet its objectives. The Board accepts that it has responsibility to shareholders to ensure that it maintains an appropriate mix of skills and experience within its membership.

As is typical of small financial markets generally there are, in Papua New Guinea, very considerable demands on the relatively small numbers of people with the skills and experience to fill the demanding role of Non-Executive Director on the Boards of the nation's corporate institutions.

In these circumstances it is inevitable that a number of the Non-Executive Directors of KAML will also have roles on the Boards, or in Senior Management, of institutions that may be significant shareholders in, or substantial customers of, the Company. Directors of KAML are meticulous in handling situations where there could potentially be conflicts of interest, by declaring their interests in advance, and absenting themselves from any consideration of matters where a conflict might arise. The Company's Corporate Governance Principles require Directors to disclose any new Directorships and equity interests at each Board meeting.

The Board does not accept that any office bearer and/or employee of an institutional shareholder will have an automatic right to be appointed to the Board.

d). Role and selection of the Chairman

The Chairman is elected by the Directors and his role includes:

- ensuring all new Board members are fully aware of their duties and responsibilities.
- providing effective leadership on the company's strategy
- presenting the views of the Board to the public.
- ensuring the Board meets regularly throughout the year, and that Minutes are taken and recorded accurately.
- Setting the agenda of meetings and maintaining proper conduct during meetings.
- reviewing the performance of non-executive Directors

The Chairman is not permitted to occupy the role of the Managing Director.
Sir Rabbie Namaliu, who sits on the Board as an independent Non-Executive Director, is the current Chairman.

e) Director independence and Conflict of Interest

Directors are determined to be independent if they are judged to be free from any material or other business relationship with the Company that would compromise their independence.

In assessing the independence of Directors the Board will consider a number of criteria including:

- whether a Director is an executive of the Company.
- whether a Director is a substantial shareholder of the Company or otherwise associated directly with a substantial shareholder of the Company.
- whether a Director has a material contractual relationship with the Company or other group member other than as a Director of the Company.
- whether a Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

This information is assessed by the Board to determine whether on balance the relationship could, or could reasonably be perceived to, materially interfere with the exercise of the Director's responsibilities. Materiality is assessed on a case-by-case basis.
As noted earlier, the Board is cognisant of the need to avoid conflicts of interest and it has in place policies and procedures for the reporting of any matter, which may give rise to a conflict between the interests of a Director and those of the Company. These arrangements are designed to ensure that the independence and integrity of the Board are maintained.

Financial Note 13, Related party transactions, provides details of Directors' interests.

f) Meetings of the Board attendance

Scheduled meetings of the Board are held normally every two months, and the Board meets on other occasions as necessary to deal with matters requiring attention.
The Chairman, in consultation with the Managing Director, determines meeting agendas. Meetings provide regular opportunities for the Board to assess KAML's management of financial, strategic and major risk areas. To help ensure that all Directors are able to contribute meaningfully, papers are provided to Board members one week in advance of the meeting. Broad ranging discussion on all agenda items is encouraged, with healthy debate seen as vital to the decision making process.

g) Review of Board Performance

The Board is cognisant of the need to continually identify areas for improvement; to ensure that it meets the highest standards of corporate governance; and for the Board and each Director to make an appropriate contribution to the Company's objective of providing value to all its stakeholders. It is intended to extend the assessment of the Board as a whole to include an assessment of the contribution of each individual Director.

The performance review is conducted annually, and may involve assistance from external consultants.

h) Board Access to Information and Advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports to enable them to carry out their duties. The Chairman and the other Non-Executive Directors have the opportunity to meet with the Managing Director for further consultation, and to discuss issues associated with the fulfilment of their roles as Directors.

2. COMMITTEES

a) Board Committees and Membership

The Board has established one Committee; namely the Audit Committee.

b) Committee Charter

The Committee Charter is still in the process of being finalised, and will soon be available in the shareholders information section of the KAML web site under construction.

c) Committee Structure

Committee members are chosen for the skills, experience and other qualities they bring to the Committee.

At the next Board meeting following each Committee meeting, the Board is given a report by the Chairman of the respective Committee and Minutes of the meeting are tabled. The Audit Committee is comprised of two Non-Executive Directors, who are duly appointed by the Board.

d) Audit Committee

The Audit Committee is delegated by the Board with responsibility for reviewing monitoring the:

- integrity of the financial statements and the financial reporting and audit process.
- external auditor's qualifications, performance and independence.
- systems of internal control of KAML
- systems for ensuring operational efficiency and cost control.
- systems for approval and monitoring compliance with laws and regulations (both in Papua New Guinea and overseas).
- implementation of Board decisions by management and making recommendations to the Board for the appointment of the external auditor.

In the course of fulfilling its mandate, the Committee meets with the external auditors.

MEMBERSHIP OF BOARD COMMITTEES AS AT 31 DECEMBER	
	AUDIT COMMITTEE
Richard Sinamoi - Chair	2 meetings attended out of 2
Gregory Taylor	2 meetings attended out of 2

i. Annual Financial Statements

The Audit Committee reviews the annual financial statements to determine whether they are complete and consistent with the information known to Committee members and to assess whether the financial statements reflect appropriate accounting principles.

ii. External Audit

The Audit Committee is responsible for making recommendations to the Board on appointment and terms of engagement of the external auditors. The selection is made from appropriately qualified companies in accordance with Board policy.

The Board submits the name of the recommended appointee to shareholders for ratification.

The Committee ensures that significant findings and recommendations made by the external auditors are received and discussed promptly, and that management responds to recommendations by the external auditors in a timely manner.

The external auditor is invited to the Annual General Meeting of shareholders and is available to answer relevant questions from shareholders.

iii. Compliance

The Audit Committee reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution of the Company. The Committee obtains regular updates from management and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements. Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the Audit Committee has the right to approach a regulator directly in the event of a prudential issue arising.

iv. Risk Management

The Committee's role in the Group's risk management process are detailed in 3(b) below.

3. RISK MANAGEMENT

a) Approach to Risk Management

The Company's Risk Management activities are aligned to the achievement of KAML's Objectives, Goals and Strategic Focus Plans.

KAML distinguishes the following major risks:

Credit Risk – The potential for financial loss where a customer or counter party fails to meet their financial obligation to the Company.

Market Risk – The potential financial loss arising from the Company's activities in financial, including foreign exchange, markets.

Liquidity Risk – The risk of failure to adequately meet cash demand in the short term without incurring financial losses.

Interest Risk – Risk to earnings from movement in interest rates.

Operational Risk – The risk of loss resulting from inadequate or failed internal processes, people, or from external events, including legal and compliance risk.

The Board of Directors monitors the above risks. Operational risk is managed by the Managing Director.

The Company's risk management policy ensure that KAML has in place acceptable limits for the risks identified. The risk management approach encompasses the following:

- defining the types of risks that will be addressed by each functional or policy area.
- ensuring that mechanisms for managing (identifying, measuring, and controlling) risk are implemented and maintained to provide for organisation wide risk management.
- developing information systems to provide early warning, or immediate alert, of events or situations that may occur, or already exists, that could create one or more types of risk for the Company.
- creating and maintaining risk management tools, such as policies, procedures, controls and independent testing, personnel management and training, and planning.

b) Risk Management roles and Responsibilities

The Board accepts responsibility for ensuring it has a clear understanding of the types of risks inherent in the Company's activities. Therefore responsibility for overall risk management in KAML is vested with the Board.

There is a formal system of financial and operational delegations from the Board to the Managing Director. The Board has also delegated to the Audit Committee responsibility for overview of loss control and for overseeing the risk management function. The Audit Committee is responsible for providing regular reports and recommendations to the Board on the risk management activities of the Company.

c) Management Assurance

The Board is provided with regular reports about KAML's financial condition and its operating performance by KFM. Annually the Managing Director certifies to the Board that:

- the financial records of the Company have been properly maintained and that they accurately record the true financial position of the Company.
- the financial statements and notes meet all appropriate accounting standards.
- there are sound systems of risk management and control that re operating effectively.

4. ETHICAL BEHAVIOUR

Kina Asset Management Limited recognises its responsibilities as an investment company and is committed to being a responsible corporate citizen.

The Company interprets its responsibilities as not only requiring it to abide by Papua New Guinean laws, but also requiring it to conduct its business in accordance with internationally-accepted practices and procedures.

The Company believes that these same responsibilities extend from the board and management to all workers providing services for the Company, whether or not they are employees of the Company.

Code of operations

The Company recognises the importance of conducting its operations in a manner consistent with the principles of honesty, integrity and fairness. Compliance with the relevant laws and regulations of each province in which it operates is expected.

Shareholders and the Financial Community

The Company is committed to increasing shareholder value in a manner consistent with its responsibilities to all stakeholders.

The Company recognises the benefits of fair, accurate, timely and understandable disclosure and aims to keep shareholders informed as to its true and fair financial position and performance.

Political Involvement

The Company may represent its views to governments and other third parties on matters which affect its business interests and the interests of its shareholders, employees and others involved in their businesses and operations.

Competition

The Company supports the principles of free and fair competition in the market in compliance with applicable competition and consumer protection laws.

Privacy and Information

The laws in relation to privacy, and the use of confidential or price sensitive information, will be respected by the Company.

Conflicts of Interest

Conflicts of interest should be avoided. Where a conflict of interest does arise, full disclosure must be made and all relevant persons must not participate in any related decision-making process.

Directors and Management of the Company are subject to restrictions for buying, selling or subscribing for securities in the Company if they are in possession of inside information, i.e. information which is not generally available and, if it were generally available, a reasonable person would expect to have a material effect on the price or value of the securities of the Company.

Further Directors and management may only trade in the securities of the Company, subject to the foregoing insider trading restrictions, during each of the eight weeks following the announcements of half yearly profit and yearly profit or the date of issue of a prospectus. Management should discuss proposed share trades with the Managing Director in advance, who in turn will keep activities. Directors should discuss proposed share trades with the Chairman in advance.

In addition Directors and management must not trade in any other entity if inside information on such entity comes to the attention of the Director or management by virtue of holding office as an Officer of the Company.

5. MARKET DISCLOSURE

The Company's continuous disclosure regime is fundamental to the rights of shareholders to receive information concerning their securities. The most important aspect of the Company's shareholder communication policy is to comply with the continuous disclosure regime and to implement best practice disclosure policy.

As a listed public company, the Company is required to comply with a continuous disclosure obligation contained in the Listing Rules of Port Moresby Exchange Limited (POMSoX). This continuous disclosure obligation is complemented by requirements under the Securities Act 1997 (PNG) (Securities Act).

Under Listing Rule 3.1, the Company is required to notify POMSoX immediately it is or becomes aware of: any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company must not release this information to any other person (such as the media) until it has given the information to POMSoX and received an acknowledgment that POMSoX has released the information to the market (Listing Rule 15.7).

Exceptions to disclosure

Disclosure under Listing Rule 3.1 is not required where each of the following conditions is satisfied:

a. a reasonable person would not expect the information to be disclosed; and

b. the information is confidential, and

c. one or more of the following applies:

(i) it would be a breach of a law to disclose the information;

(ii) the information concerns an incomplete proposal or negotiation;

(iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;

(iv) the information is generated for the Company's internal management purposes; or

(v) the information is a trade secret.

The Company must meet its continuous disclosure obligation as soon as any one of paragraphs (a), (b) and (c) is no longer satisfied. For example, any information which is not confidential does not qualify for the exceptions from disclosure. It is therefore essential that information which is to be withheld is and remains subject to strict confidentiality obligations and is not leaked. If the information has been leaked, even in breach of a duty of confidentiality, it is no longer confidential, and disclosure of the information to POMSoX will be required.

Disclosure may also be required if POMSoX forms the view that the information has ceased to be confidential. In any event, information will have to be disclosed if a reasonable person would expect it to be disclosed, regardless of the fact that it is confidential and falls within any of the categories in paragraph (c) above (eg, it is a trade secret or relates to an incomplete proposal).

Awareness of information

Under POMSoX Listing Rule 19.12, the Company becomes aware of information if a director or executive officer of the Company has, or ought reasonably to have, come into possession of information in the course of the performance of their duties as a director or executive officer of the Company.

That is, the disclosure obligation applies not only to information of which the directors or executive officers are actually aware, but also information of which those persons ought reasonably to have been aware.

Accordingly, whenever a director or executive officer is in possession of information which may have a material effect on the price or value of the Company's shares, it is critical that the information is immediately communicated in accordance with this Disclosure Policy.

Materiality of information

For the purpose of Listing Rule 3.1, a reasonable person will be taken to expect particular information to have a material effect on the price or value of any of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in such securities in deciding whether to acquire or dispose of the securities.

Appointment of an Authorised Officer

The Company has appointed the Company Secretary as the officer who has primary responsibility for administration of the Company's Disclosure Policy.

The Company Secretary's responsibilities include:

a. making sure that the Company complies with its continuous disclosure obligation, and monitoring that compliance;

b. overseeing and co-ordinating disclosure of information to POMSoX, analysts, brokers, shareholders, the media and the public; and

c. educating directors and employees on this Disclosure Policy and raising awareness of the principles underlying continuous disclosure.

Contravention and Liability

Contravention

The Company will contravene its continuous disclosure obligation if it fails to notify POMSoX of information required by Listing Rule 3.1 to be disclosed.

Liability

If the Company contravenes its continuous disclosure obligations, it may face criminal and civil liability under the Securities Act.

The Company's officers (including its directors and employees) and advisers who are involved in a contravention by the Company may also face criminal and civil liability.

Similarly, directors, officers and advisers may be criminally liable under the Criminal Code if they aid or abet, or are in any way knowingly concerned in, the Company's contravention.

Enforcement

The court has the power under the Securities Act to order the Company and its directors to comply with the Listing Rules, on the application of POMSoX, the Securities Commission or an aggrieved person (for example, a shareholder).

Roles and responsibilities of POMSoX and Securities

Commission

The Securities Commission and POMSoX jointly administer the continuous disclosure regime for listed companies in PNG. POMSoX is responsible for administering the Listing Rules while the Securities Commission is responsible for enforcing the Securities Act. POMSoX is required to notify the Securities Commission where it believes that there is an actual or anticipated serious contravention of the Listing Rules.

Unwanted publicity

Contravention of its continuous disclosure obligation may also lead to unwanted negative publicity for the Company.

Confidential information

As noted above, any information which is not confidential does not qualify for the exceptions described above. Information may also need to be disclosed if POMSoX has formed the view that confidentiality has been lost.

POMSoX will normally consult first with the Company if it has concerns about loss of confidentiality, which may be prompted by otherwise unexplained share price movements or by reference to media or analyst reports with significant, credible and reasonably specific information.

Other Specific Disclosure Requirements POMSoX

Listing Rules

In addition to complying with Listing Rule 3.1, the Company also needs to comply with other disclosure requirements contained in the POMSoX Listing Rules.

6. SHAREHOLDER COMMUNICATIONS

As a public listed company, KAML seeks to communicate with its shareholders in a timely and effective manner. KAML seeks to encourage effective participation at general meetings by the shareholders. A key means of doing this is through complying with this policy.

Half Year and Full Year Report

KAML's Half-Year Report and Annual Report are the most important media through which the Company provides its shareholders with a detailed review and analysis of its objectives and performance.

The Half-Year Report must be lodged with the Registrar and POMSoX by 13 September each year. KAML endeavours to lodge the document with the Registrar and POMSoX by the end of the first week in September and send it to shareholders, other than those who have elected not to receive it, shortly after that.

The Annual Report must be sent to shareholders not less than one month before the date fixed for holding the annual meeting of shareholders, or, if earlier, by 12 May each year. The document must be lodged with the Registrar and POMSoX at this time. KAML has applied for an extension for this first report.

Announcements to POMSoX

Significant developments affecting the Company may be the subject of an announcement to POMSoX.

Analyst and Media Briefings

The Company may conduct analyst and media briefings from time to time when a significant event occurs or at other times throughout the year as necessary.

Email

Whenever possible the Company will use email to communicate with shareholders who wish to receive communications in electronic form.

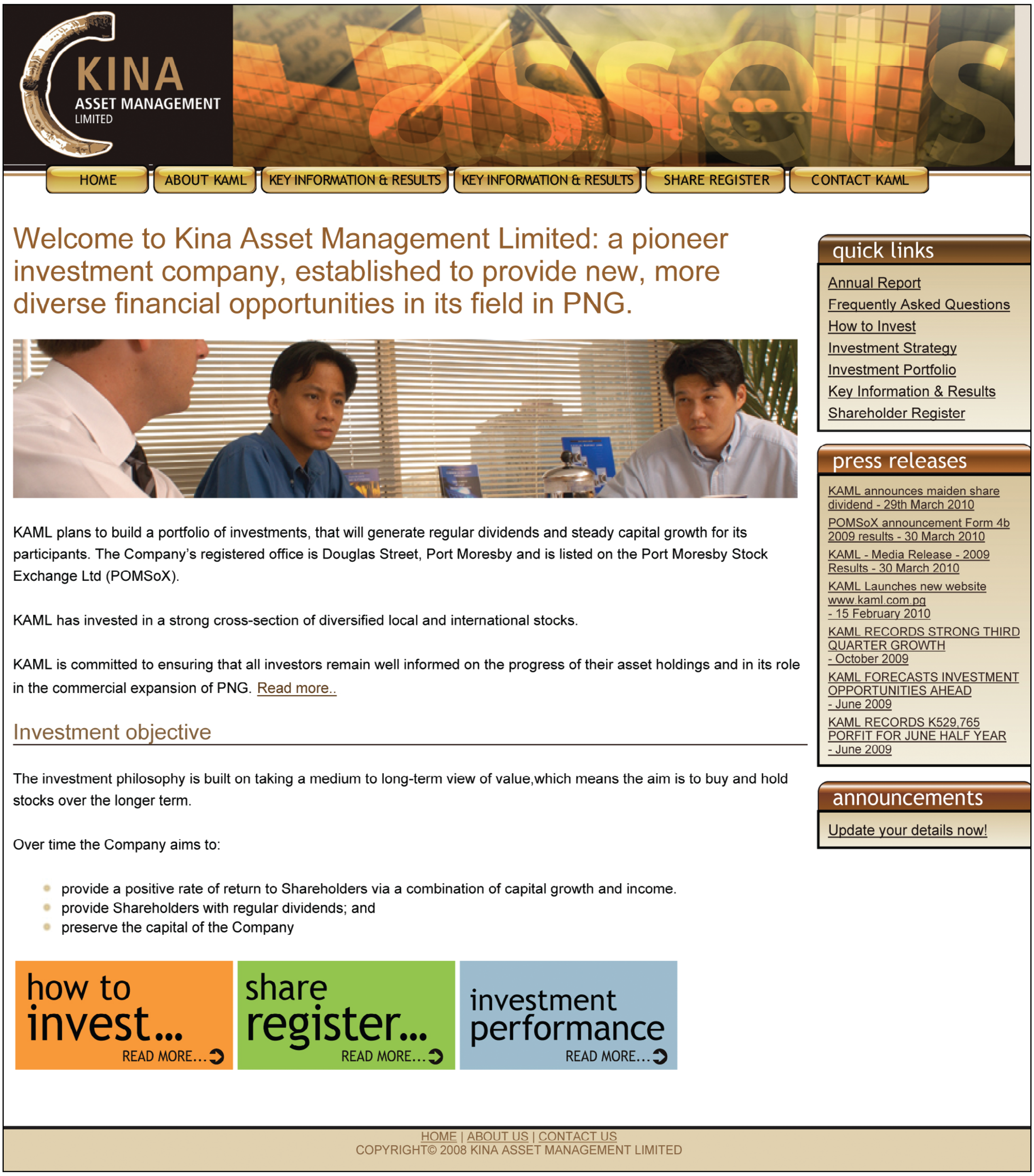
Shareholder meetings

The Company will generally hold our general meetings of shareholders in Port Moresby and all shareholders are entitled and encouraged to attend. Notice of shareholder meetings will be given and will set out matters to be considered at the meeting.

Website

www.kaml.com.pg

In February 2010 the Company launched a new website which provides much information about our investing strategies, share exposure and overall financial performance. It also offers shareholders and the general public key information relating to the Company, such as public announcements, press releases and access to the previous annual report.



Investment Portfolio
for the financial year ended 31 December 2009

Assets Class	Sector	Exposure (%)
Domestic		
Cash		0.18
Fixed		20.25
Equities		
Bank South Pacific	Banking & Finance	11.04
Credit Corporation	Finance	12.76
City Pharmacy	Retail	1.92
New Britain Palm Oil	Agriculture	4.11
Oil Search Limited	Petroleum	8.69
Lihir Gold Limited	Mining	4.71
		43.23
Total Domestic Portfolio		**63.66**
International		
Cash		3.45
Equities		
Commonwealth Bank	Banking	1.46
Telstra Limited	Communication	2.37
BHP Billiton	Mining	4.64
Newcrest Mining Limited	Mining	3.20
QBE Insurance Group	Insurance	4.16
Westpac Banking Corporation	Banking	3.37
ANZ Bank Limited	Banking	0.97
Orica Limited	Material	1.39
		21.55
Exchange Traded Funds (ETF)		
iShares - MSCI All Country Asia ex Japan		6.20
Global Index Fund		
Vaguard International Index Fund	Global Funds	5.13
Total International Portfolio		***36.34***
Total Portfolio		**100.00**

Kina Asset Management Limited

Consolidated annual report for the financial year ended 31 December 2009

Directors' report
for the financial year ended 31 December 2009

The directors of Kina Asset Management Limited and its subsidiary submit herewith the annual financial report of the Company and the Group including the consolidated financial statements for the financial year ended 31 December 2009. In order to comply with the provisions of the Companies Act 1997, the directors report as follows:

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

Directors

Sydney George Yates	Executive director
Sir Rabbie Langanai Namaliu	Non - executive director
Richard Kiokwikora Sinamoi	Non - executive director
Gregory Frank Taylor	Non - executive director

Offices held

Director	Position	Entity
Sir Rabbie Namaliu	Director	Kina Securities Limited
	Director	Lalokau Holdings Limited
	Director	Marengo Mining Limited
	Director	Tobit Investments Ltd
Richard Sinamoi	Vice President	Association of Superannuation Funds of PNG
	Director	Banora Trading Limited
	Secretary & Public Officer	Comrade Trustee Services Limited
	Director	Credit Corporation Limited
	Director	Hunter Limited
	Director	Pacific Capital Limited
	Director	Paradise Foods Limited
	Director	PNG Institute of Directors
Gregory Taylor	Director	Nambawan Super Limited
	Director/Chairman	Kumul Hotels Limited
	Director / Chairman	Paradise Foods Limited
Sydney George Yates	Director	Air Niugini Limited
	Director	Columbus Investments Limited
	Director	Ela Makana Developments Limited
	Director	Kina Asset Management Limited
	Director	Kina Finance Limited
	Director	Kina Funds Management Limited
	Director	Kina Investment and Superannuation Services Limited
	Director	Kina Morgan Corporate Limited
	Director	Kina Nominees Limited
	Director	Kina Securities Limited
	Director	Media Niugini Limited

Company Secretary

The company secretary is Esther Nombri.

Review of operations

During the period, the Holding Company reported a net income of K503,751 (2008: net loss of K1,375,277) after income tax benefit of K372,988 (2008: Knil), while the Group reported a net income of K4,266,157 (2008: net loss of K4,143,323) after income tax benefit of K626,737 (2008: income tax expense of K181,338).

Changes in state of affairs

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

Change in accounting policies

No changes in accounting policies occurred during the period.

Dividends

No dividends were declared or paid during the period.

Directors' remuneration

Remuneration paid to the directors is disclosed in note 16 to the financial statements. The total remuneration paid to directors' during the period was K150,000 and consisted of fixed directors' fees.

Remuneration above K100,000 per annum

Nil.

Donations

No donations were made during the current period by the Company and the Group.

Independent audit report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent audit report on page 22.

Subsequent events

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Sydney George Yates
Director — Port Moresby 31 March, 2010

Richard Sinamoi
Director — Port Moresby 31 March, 2010

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Companies Act 1997, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the Group.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Sydney George Yates
Director — Port Moresby 31 March, 2010

Richard Sinamoi
Director — Port Moresby 31 March, 2010

Deloitte.

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Papua New Guinea

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KINA ASSET MANAGEMENT LIMITED AND ITS SUBSIDIARY

Scope

We have audited the accompanying financial statements of Kina Asset Management Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting polices, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Kina Asset Management Limited are responsible for the preparation and true and fair presentation of these financial statements in accordance with the Companies Act 1997. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Audit Approach

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

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

Member of
Deloitte Touche Tohmatsu

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

Audit Opinion

In our opinion,

(a) the financial statements of Kina Asset Management Limited give a true and fair view of the company's financial position as at 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and comply with the Companies Act 1997; and

(b) proper accounting records have been kept.

Other Information
We have no interest in the company or any relationship other than that of auditor of the company.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Theron

Suzaan Theron

Registered under the Accountants Act 1996
Partner, Chartered Accountants
Port Moresby, 31st day of March 2010.

Statement of Comprehensive Income
for the financial year ended 31 December 2009

	Note	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
Revenue	4(a)	2,047,795	969,743	784,582	365,284
Directors' fees		(150,000)	(192,500)	(150,000)	(192,500)
Insurance		(68,039)	(40,824)	(68,039)	(40,824)
Management fees		(1,117,892)	(221,738)	-	(221,738)
Share registry fees		(46,999)	(11,051)	(46,999)	(11,051)
Other operating expenses	4(b)	(404,181)	(53,010)	(388,781)	(53,009)
		260,684	450,620	130,763	(153,838)
Movements in fair value of shares		1,108,785	(481,544)	-	-
Exchange Gain/(losses)		2,269,951	(2,709,622)	-	-
IPO expenses	4(c)	-	(1,221,439)	-	(1,221,439)
Income (Loss) before tax		3,639,420	(3,961,985)	130,763	(1,375,277)
Income tax (expense)/Benefit	7	626,737	(181,338)	372,988	-
Net Profit (loss) for the year		4,266,157	(4,143,323)	503,751	(1,375,277)
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the year		4,266,157	(4,143,323)	503,751	(1,375,277)
Earnings (Loss) per share					
Basic (toea per share)		10	(9)	0.01	(3.1)
Diluted (toea per share)		10	(9)	0.01	(3.1)

Notes to the financial statements are included on pages 28 to 39.

Statement of Financial Position
for the financial year ended 31 December 2009

	Note	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
CURRENT ASSETS					
Cash and cash equivalents	13(a)	10,695,313	23,022,121	1,124	11,912,693
Current Tax receivables	7	261,468	-	45,582	-
Trade and other receivables	5	609,504	83,776	25,303	117,306
Total current assets		11,566,285	23,105,897	72,009	12,029,999
NON-CURRENT ASSETS					
Financial assets	9	34,041,976	17,818,904	-	-
Investment in subsidiary company	12	-	-	1	1
Due from related parties	17(c)	-	-	43,758,237	31,606,555
Deferred tax assets	7	423,528	-	380,579	-
Total non-current assets		**34,465,503**	**17,818,904**	**44,138,817**	**31,606,556**
Total assets		46,031,788	40,924,801	44,210,826	43,636,555
CURRENT LIABILITIES					
Trade and other payables	8	865,195	107,025	169,954	107,025
Current tax liabilities	7	-	56,292	-	-
Total current liabilities		865,195	163,317	169,954	107,025
NON CURRENT LIABILITIES					
Deferred tax liabilities	7	138,952	-	7,591	-
Total non current liabilities		138,952	-	7,591	-
Total liabilities		1,004,147	163,317	177,545	107,025
Net assets		45,027,641	40,761,484	44,033,281	43,529,530
EQUITY					
Issued capital	6	44,904,807	44,904,807	44,904,807	44,904,807
Retained earnings (Accumulated loss)		122,834	(4,143,323)	(871,526)	(1,375,277)
Total equity		45,027,641	40,761,484	44,033,281	43,529,530

Notes to the financial statements are included on pages 28 to 39.

Statement of changes in equity
for the financial year ended 31 December 2009

	Fully paid ordinary shares shares K	Accumulated loss K	Total Total K
CONSOLIDATED			
Balance at 1 January 2008	-	-	-
Issue of shares	44,904,807	-	44,904,807
Loss for the period	-	(4,143,323)	(4,143,323)
Balance at 31 December 2008	44,904,807	(4,143,323)	40,761,484
Balance at 1 January 2009	44,904,807	(4,143,323)	40,761,484
Issue of shares	-	-	-
Profit for the period	-	4,266,157	4,266,157
Balance at 31 December 2009	44,904,807	122,834	45,027,641
COMPANY			
Balance at 1 January 2008	-	-	-
Issue of shares	44,904,807	-	44,904,807
Loss for the period	-	(1,375,277)	(1,375,277)
Balance at 31 December 2008	44,904,807	(1,375,277)	43,529,530
Balance at 1 January 2009	44,904,807	(1,375,277)	43,529,530
Issue of shares	-	-	-
Profit for the period	-	503,751	503,751
Balance at 31 December 2009	44,904,807	(871,526)	44,033,281

Notes to the financial statements are included on pages 28 to 39.

Statement of Cash Flows
for the financial year ended 31 December 2009

	Note	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
CASH FLOWS FROM OPERATING					
Receipts from customers		3,759,033	760,921	47,306	247,979
Payments to suppliers and third parties		(898,466)	(4,218,112)	(591,776)	(1,633,537)
Tax paid		(267,782)	(125,046)	-	-
Net cash provided by/(used in) operating activities	13(b)	2,592,785	(3,582,237)	(544,470)	(1,385,558)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for investment securities		(15,690,339)	(2,640,188)	-	-
Proceeds on sale of shares		770,745	-	-	-
Payment for businesses		-	-	-	(1)
Net cash (used in)/provided by investing activities		(14,919,594)	(2,640,188)	-	(1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of equity Securities		-	29,244,547	-	29,244,547
Amounts advanced to related parties		-	-	(11,367,100)	(15,946,294)
Net cash (used in) / provided by financing activities		-	29,244,547	(11,367,100)	13,298,253
Net increase in cash and cash equivalents		(12,326,808)	23,022,121	(11,911,570)	11,912,693
Cash and cash equivalents at the beginning of the financial year		23,022,120	-	11,912,693	-
Cash and cash equivalents at the end of the financial year	10(a)	10,695,313	23,022,121	1,124	11,912,693

Notes to the financial statements are included on pages 28 to 39.

1. General information

Kina Asset Management Limited and its Subsidiary Kina Asset Management No. 1 Limited (the Group) is a limited Company incorporated in Papua New Guinea.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

(a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no impact on the amounts reported are set out in section (b).

Standards affecting presentation and disclosure

IAS 1 (as revised in 2007) Presentation of Financial Statements

IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 January 2008, because the entity has applied two new accounting policies retrospectively (see below).

IFRS 8 Operating Segments

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 6).

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Amendments to IAS 7 Statement of Cash Flows (adopted in advance of effective date of 1 January 2010)

The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

Standards and Interpretations affecting the reported results or financial position

None of the new and revised Standards and Interpretations has affected the reported results or financial position of the Company in this year.

(b) Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.

Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

IAS 23 (as revised in 2007) Borrowing Costs

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement (see above).

IFRIC 15 Agreements for the Construction of Real Estate

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) ***cont....***

(b) Standards and Interpretations adopted with no effect on financial statements ***cont....***

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

IFRIC 17 Distributions of Non-cash Assets to Owners (adopted in advance of effective date of 1 July 2009)

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 Transfers of Assets from Customers (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 Revenue.

Improvements to IFRSs (2008)

In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

Improvements to IFRSs (2009)

In addition to the amendments to IFRS 5 and IAS 7 described earlier in this section, and the amendments to IAS 17 discussed in section 2.3 below, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have no material effect on amounts reported. Except as noted in 2.3 below, these changes have been adopted in advance of their effective dates (generally 1 January 2010).

3. Significant accounting policies

Statement of compliance

The financial statements of Kina Asset Management Limited and its Subsidiary (The Group) have been prepared in accordance with International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea kina, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Comparative amounts

Where necessary, comparative figures have been adjusted to conform to current disclosure and reclassification of balances. This has not resulted in any adjustment to net assets or retained earnings.

(d) Financial instruments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

a. has been acquired principally for the purpose of selling in the near future;
b. is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
c. is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

3. Significant accounting policies *cont....*

(d) Financial instruments *cont....*

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Where applicable, certain shares and redeemable notes held by the Group would be classified as being available -for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(e) Foreign currency

The individual financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Papua New Guinea kina.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(g) Revenue

Changes in net market value of investments are recognised as income in the profit and loss in the period in which they occur. Changes in net market value are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at previous balance date or the cost (if the investment was acquired during the year).

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(h) 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.

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
4. PROFIT AND LOSS				
(a) Revenue				
Interest income	1,193,832	641,452	-	365,284
Dividend income	659,270	328,291	-	-
Gain on sale of investment securities	194,693	-	-	-
Subsidiary management fees	-	-	784,582	-
	2,047,795	969,743	784,582	365,284
(b) Other operating expenses				
Bank charges	1,311	940	1,311	940
Entertainment	624	596	624	596
Internet charges	-	411	-	410
Professional fees	106,872	42,527	91,472	42,527
Listing fees	25,345	-	25,345	-
Office supplies	519	-	519	-
Registration fees	2,200	2,331	2,200	2,331
Postage	125,611	-	125,611	-
Travel and accommodation	14,538	6,205	14,538	6,205
Printing	107,343	-	107,343	-
Meeting	12,234	-	12,234	-
Advertising	7,584	-	7,584	-
	404,181	53,010	388,781	53,009

(c) IPO expenses

Initial Public Offering (IPO) expenses are costs incurred during the preliminary stage of the Company's operations. This is a one-off cost and is not expected to recur:

	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
Advertising	-	141,202	-	141,202
Bank charges	-	320	-	320
Brokerage fees	-	370,465	-	370,465
Legal fees	-	498,671	-	498,671
Listing fees	-	44,965	-	44,965
Postage	-	46,454	-	46,454
Printing	-	7,065	-	7,065
Share registry fees	-	34,283	-	34,283
Travel and accommodation	-	57,647	-	57,647
	-	1,201,069	-	1,201,069

	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
5. TRADE AND OTHER RECEIVABLES				
Dividend receivable	37,336	-	-	-
Interest receivable	266,492	59,358	-	47,306
Dividend withholding tax	119,550	-	-	-
Interest withholding tax	160,823	-	-	-
Others	25,303	24,418	25,303	70,000
	609,504	83,776	25,303	117,306
6. SHARE CAPITAL				
Issued capital:				
44,904,807 fully paid ordinary shares	44,904,807	44,904,807	44,904,807	44,904,807
	44,904,807	44,904,807	44,904,807	44,904,807
Fully paid ordinary shares carry one vote per share and the right to dividends.				
7. INCOME TAXES				
Income tax recognized in profit or loss				
Tax expense/(income) comprises:				
Current tax expense/(income)	759,378	181,338	39,416	-
Prior year unrecognized tax losses	(452,170)	-	(412,404)	-
Prior year over provision	(933,945)	-	-	-
Total tax expense/(income)	(626,737)	181,338	(372,988)	-
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) before tax	3,639,420	(3,961,985)	130,764	(1,375,277)
Income tax expense calculated at 30%	1,091,826	(1,188,595)	39,229	(412,583)
Tax effect of permanent differences	(332,448)	1,126,730	187	169,380
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	-	243,203	-	243,203
Prior year under/(over) provision	(933,945)	-	-	-
Prior year unrecognized tax losses	(452,170)	-	(412,404)	-
	(626,737)	181,338	(372,988)	-
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Papua New Guinea corporate entities on taxable profits under Papua New Guinea tax law.				
Deferred tax assets comprise:				
Accrued Liabilities	39,900	-	39,900	-
Tax losses	383,627	-	340,679	-
	423,527	-	380,579	-
Deferred tax Liabilities comprise:				
Prepaid Insurance	7,591	-	7,591	-
Interest receivable	79,947	-	-	-
Unrealized foreign exchange gain	51,414	-	-	-
	138,952	-	7,591	-

8. TRADE AND OTHER PAYABLES

	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
Trade payables	1,100	1,100	1,100	1,100
Accrued expenses	864,095	105,925	168,854	105,925
	865,195	107,025	169,954	107,025

9. FINANCIAL ASSETS

Financial assets carried at fair value through profit or loss:

	Consolidated 2009 K	Consolidated 2008 K	Company 2009 K	Company 2008 K
Current				
Listed securities	34,041,976	17,818,904	34,041,976	17,818,904
Movements:				
Balance at the beginning of the year	17,818,904	-	17,818,904	-
Purchases	15,690,339	18,300,449	15,690,339	18,300,449
Disposal	770,745	-	770,745	-
Gains on Sale	194,693	-	194,693	-
Changes in fair value	1,108,785	(481,545)	1,108,785	(481,545)
	34,041,976	17,818,904	34,041,976	17,818,904

Detailed listing of Investment as at:

	31 December 2009			31 December 2008		
Company	**Market price**	**No. of units**	**Market value**	**Market price**	**No. of units**	**Market value**
Bank South Pacific (BSP)	0.85	5,810,789	4,969,170	0.98	5,935,455	5,816,746
Credit Corporation (CCP)	1.77	3,223,435	5,705,480	2.50	3,223,435	8,058,588
City Pharmacy (CPL)	2.45	350,000	857,500	2.50	350,000	875,000
New Britain Palm Oil (NBO)	17.40	105,673	1,838,710	12.00	101,692	1,220,304
Oil Search (OSH)	14.60	266,153	3,884,566	8.60	1,148	708,603
Lihir Gold (LGL)	7.81	269,733	2,106,486	-	-	-
Commonwealth Bank of Australia (CBA)	130.60	5,000	652,976	53.47	10,000	708,603
Telstra (TSL)	8.17	130,000	1,061,667	7.09	100,000	313,506
BHP Billiton (BHP)	102.67	20,200	2,073,867	56.32	5,000	534,690
Newcrest Mining (NCM)	84.12	17,000	1,430,024	62.70	5,000	281,591
QBE Insurance Group (QBE)	60.95	30,500	1,859,048	-	-	-
Westpac Bank Limited (WBC)	60.24	25,000	1,505,952	-	-	-
ANZ Bank Limited (ANZ)	54.48	8,000	435,810	-	-	-
Orica Limited (ORI)	62.02	10,000	620,238	-	-	-
All Country Asia ex Japan (AAXJ)	148.56	18,675	2,774,358	-	-	-
Vanguard International Share Index Fund	2.68	856,002	2,296,124	-	-	-
			34,041,976			**17,818,904**

10. EARNINGS PER SHARE

	Consolidated	
	2009 Toea per share	2008 Toea per share
Basic earnings and diluted per share		
Total basic earnings per share	10	(9)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2009 K	2008 K
Net income/(loss) used in the calculation of basic and diluted EPS	4,266,157	(4,143,323)

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	44,904,807	44,904,807

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent assets or liabilities at balance date that require disclosure in the financial statements.

12. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Parent entity			
Kina Asset Management Limited	Papua New Guinea		
Subsidiaries			
Kina Asset Management No 1 Limited	Papua New Guinea	100	100

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2009 K	2008 K	2009 K	2008 K
Cash and cash equivalents	1,638,073	9,218,584	1,124	-
Interest bearing deposit	9,057,240	13,803,537	-	11,953,398
Bank overdraft	-	-	-	(40,705)
	10,695,313	23,022,121	1,124	11,912,693

(b) Reconciliation of loss for the period to net cash flows from operating activities

Loss for the year	4,290,809	(4,143,323)	334,550	(1,375,277)
(Gain)/loss on revaluation of fair value through profit or loss financial assets	(1,108,785)	481,545	-	-
(Gain)/loss on sale of investment	(194,693)	-	-	-
Subsidiary management fees	-	-	(784,582)	-
Increase/(decrease) in current tax liability	(234,910)	56,292	-	-
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Trade and other receivables	(1,056,757)	(83,776)	(164,958)	(117,306)
Increase/(decrease) in liabilities:				
Trade and other payables	897,121	107,025	70,520	107,025
Net cash from operating activities	2,592,785	(3,582,237)	(544,470)	(1,385,558)

14. Financial instruments

(a) Financial risk management objectives

Kina Funds Management Limited's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and fair values.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Although there are no specific hedging activities, to mitigate any currency risks, this exposure is being monitored by management on a going concern basis. The Group does not engage in any hedging activities. The exchange rate used for conversion are AUD/Kina 0.4200 and USD/Kina 0.3750.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets K	Liabilities K
Australian Dollar	13,366,338	-
US Dollar	2,855,573	-

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Australian Dollar and US Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in the Kina against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes listed shares and term deposits where the denomination of the investment is in a currency other than Kina. A positive number below indicates an increase in profit and other equity where the Kina strengthens 10% against the relevant currency. For a 10% weakening of the Kina against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Australian Dollar Impact		US Dollar Impact	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Profit or loss	(2,011,978)	2,459,084	(10,110)	12,357

(d) Interest rate risk management

The Group maintains its cash and bank balances with financial institutions that have credit standing.

(e) Liquidity risk

The Group invests the majority of its assets in investments that are traded in an active market. The Group holds securities that are listed on both the Port Moresby Stock Exchange (POMSOX) and the Australian Stock Exchange (ASX). Those securities listed on the ASX are considered readily realisable while those listed in the POMSOX are not due to illiquidity of the market. Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities.

(e) Other price risk

The Group is exposed to equity price risks arising from equity investments.

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

If the equity prices had been 5% higher/lower net profit for the year ended 31 December 2009 would increase/decrease by K1,702,099.

(f) Fair value of financial instruments

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

15. Segment reporting

Adoption of IFRS 8 Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

Kina Asset Management Limited and Subsidiary comprises three segments, these being deposit, equities and currency. For the Management purposes, segment information determination is based on risk involved with deposit, equities and currency.

	Deposit	Equities	Currency	KAM1L	KAML	Adjust inter Segments	Total
	K	K	K	K	K	K	K
Revenue	1,193,832	1,962,748	2,269,951	5,426,530	784,582	(784,582)	5,426,530
Expenses	-	-	-	(1,917,874)	(653,818)	784,582	(1,787,110)
Operating Profit				3,508,657	130,764	-	3,639,420
Income Tax Benefit / (Expenses)				447,602	203,787	-	651,389
Net profit				**3,956,259**	**334,550**	**-**	**4,290,809**

16. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- Sydney George Yates
- Sir Rabbie Langanai Namaliu
- Richard Kiokwikora Sinamoi
- Gregory Frank Taylor

The total remuneration paid to directors' fees paid during the period was K150,000 and consisted of fixed directors' fees, as follows:

	2009	2008
	K	K
Sir Rabbie Namaliu	60,000	60,000
Richard Sinamoi	45,000	45,000
Gregory Taylor	45,000	87,500
Sydney George Yates	Nil	Nil

Sydney George Yates received no fees for his services as director.

17. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 12 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation
Details of key management personnel compensation are disclosed in note 16 to the financial statements.

ii. Loans to key management personnel
There have been no loans to key management personnel of the Group or to their related entities.

iii. Transactions with key management personnel of the Group
During the financial year there were no transactions with key management personnel.

(c) Transactions with other related parties

Other related parties include:

- entities with joint control or significant influence over the Group
- associates
- subsidiaries

Transactions between the Group and its related parties

During the year the company earned income of K784,582 from subsidiary company. A management fees is charged to subsidiary company, on the basis of total expenses incurred by the company plus 20%. Payment is through the intercompany account.

The following balances arising from transactions between the Company and its related parties are outstanding payables at year end:

- Kina Funds Management Limited: K697,441 (2008: K37,843)
- Kina Securities Limited: K10,024 (2008: K31,402)

Transactions and balances between the Company and its subsidiary were eliminated in the preparation of consolidated financial statements of the Group.

(d) Equity interests held by key management personnel

- Sydney George Yates: 3,000,000 shares held through Columbus Investments Limited (2008: 3,000,000)
- Sir Rabbie Langanai Namaliu: 50,000 shares held through Tobit Investments Limited (2008: 50,000)
- Richard Kiokwikora Sinamoi: 100,000 shares held directly (2008:100,000)
- Gregory Frank Taylor: 34,000 shares held directly (2008: 34,000)

18. REMUNERATION OF AUDITORS

	Consolidated		Company	
	2009	2008	2009	2008
	K	K	K	K
Auditor of the parent entity				
Audit of the financial report	30,250	25,000	30,250	25,000

The auditor of the Group is Deloitte Touche Tohmatsu.

19. SUBSEQUENT EVENTS

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

Shareholder Information

a. The distribution of ordinary shares according to size as at 30 April 2010 is as follows:

Size of holding	Number of holders	Number of shares	% of Issued Capital
1–1,000	2,042	1,330,236	2.96
1,001–5,000	543	1,442,399	3.21
5,001–10,000	110	970,866	2.16
10,001–100,000	87	2,776,262	6.18
100,001–9,999,999,999	26	38,385,044	85.49
TOTAL	**2,808**	**44,904,807**	**100.00**

b. The twenty largest shareholders representing 83.31% of the ordinary shares as at 30 April 2010 were as follows:

	Shareholder	Number of shares	% of Issued Capital
1.	COMRADE TRUSTEE SERVICES LIMITED	7,380,000	16.43
2.	KINA FUNDS MANAGEMENT LIMITED	6,822,260	15.19
3.	KINA NOMINEES LIMITED <MONIAN LIMITED>	3,600,000	8.02
4.	MOTOR VEHICLE INSURANCE LTD	3,500,000	7.79
5.	COLUMBUS INVESTMENTS LIMITED	3,000,000	6.68
6.	PACIFIC MMI INSURANCE LIMITED	3,000,000	6.68
7.	MONIAN LIMITED	2,654,886	5.91
8.	EAST NEW BRITAIN S& L SOC LTD	1,500,000	3.34
9.	MINERAL RESOURCES DC	1,000,000	2.23
10.	MISIMUK DISTRIBUTORS LTD	1,000,000	2.23
11.	KINA SECURITIES LIMITED	880,000	1.96
12.	MR OK TEDI NO 2 LTD	500,000	1.11
13.	MR STAR MOUNTAIN LTD	500,000	1.11
14.	THEODIST LIMITED	500,000	1.11
15.	KOKOPO MICRO FINANCE	300,000	0.67
16.	NEW GUINEA FRUIT COMPANY LTD	270,300	0.60
17.	ZOGI DISTRIBUTORS LIMITED	253,805	0.57
18.	MAE LIMITED	250,500	0.56
19.	MR NORMAN JOHN NIGHTINGALE + MRS DARRIE PADIR NIGHTINGALE	250,000	0.56
20.	PAPINDO TRADING CO LTD	250,000	0.56
TOTAL:		**37,411,751**	**83.31**

c. Issued capital as at 30 April 2010 was 44,904,807 ordinary fully paid shares.

Corporate Directory

Kina Asset Management Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea.

Registered Office	Level 2, Deloitte Tower Douglas Street (PO Box 1141) Port Moresby National Capital District Papua New Guinea
Directors	Sir Rabbie Langanai Namaliu Richard Kiokwikora Sinamoi Gregory Frank Taylor Sydney George Yates
Secretary	Sydney George Yates
Auditors	Deloitte Touche Tohmatsu Chartered Accountants PO Box 1275 Port Moresby Papua New Guinea
Bankers	Westpac Bank Limited, Papua New Guinea Credit Suisse, Australia Bank of Queensland, Australia ANZ Bank, Australia
Stock Exchange	Port Moresby Stock Exchange
Broker	Kina Securities Limited
Website	www.kaml.com.pg

KINA ASSET MANAGEMENT LIMITED

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(PO BOX 1141) PORT MORESBY NATIONAL CAPITAL DISTRICT PAPUA NEW GUINEA