KINA
ASSET MANAGEMENT
LIMITED

ANNUAL REPORT 2016

Contents

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.

Year to 31 December 2016 - Summary

NET PROFIT FOR THE YEAR

K6.15m

Up 29.8% from 2015

NET ASSETS

K57.48m

Up 9.3% from 2015

EARNINGS PER SHARE

13 Toea

30.0% increase from 2015

NET TANGIBLE ASSET BACKING PER SHARE

K1.19

Up 9 toea from 2015

DIVIDEND PER SHARE

4 Toea

33.3% increase from 2015

SHARE PRICE

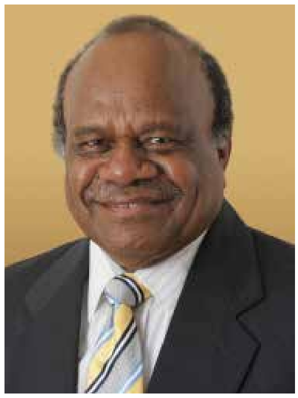
K0.97

Up 14.0% from 2015

5 Year Summary

	2016	2015	2014	2013	2012
Net Asset (PGK Million)	57.48	52.58	47.23	49.23	42.39
Net Asset Movement (%)	9.32	6.80	11.42	16.14	12.56
Investment Income (PGK Million)	7.00	4.53	0.67	9.94	6.18
Investment Return (%)	14.70	9.00	1.30	21.00	14.85
Net profit after tax (PGK Million)	6.15	4.74	(0.39)	8.19	4.73
Earnings per share (Toea)	13.00	10.00	(1.00)	18.00	10.00
Net tangible asset backing per share (PGK)	1.19	1.10	1.02	1.06	0.93
Dividend per share (Toea)	4.00	3.00	2.00	4.00	4.00
Share Price (PGK)	0.97	0.85	1.00	1.10	0.90

Chairman's Report



For the year ending 31 December 2016 KINA ASSET MANAGEMENT LIMITED (KAML) has performed strongly providing our shareholders with a return of 14.7%. The company saw growth in its net assets to K57.48 million. Both figures compare well to the 2015 result (9.0% return, K52.58 million Net Assets).

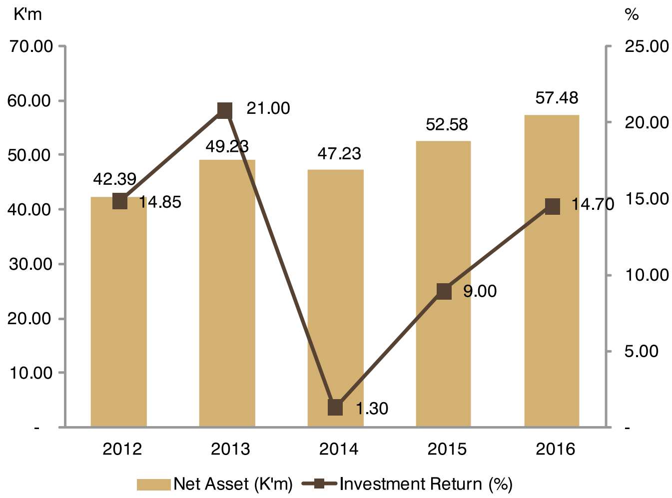
The company delivered this performance against a backdrop of ongoing sluggish conditions for the global economy. According to the World Bank, global economic growth was 3.1% for the 2016 year. This is the fifth consecutive year of growth levels of around 3.0%, the longest period of such sluggish growth for the global economy in 25 years. A key contributing factor to the growth outcome for 2016 was global trade recording its weakest performance since the global financial crisis. Trade volumes stagnated as global demand remained largely muted. Overcapacity in most productive industries globally resulted in ongoing weak global investment, which also contributed to low growth levels.

Global equity markets over the course of the 2016 year delivered a robust performance rising by 7.1% as measured by the Morgan Stanley Capital Index (in US$). In general key drivers were ongoing very low interest rates leading investors to increase risk in portfolios and buy equities, combined with solid earnings outcomes from companies in the major markets.

The local economy weakened further during 2016 with an ongoing fiscal deficit amounting to 4.6% of Gross Domestic Product, and weak local consumption levels. Towards the end of 2016 foreign exchange availability tightened further putting pressure on local corporates, with the resultant impact of falling revenues and profits for local consumer oriented companies reliant on import supplies. Exporters generally performed more favourably with the weak Kina assisting profitability. The financial sector remained in good heart with solid performances from the listed companies in that sector. Although the private sector remains under pressure from foreign exchange supply issues, in the medium term we expect this to resolve as further large export based projects come into production.

KAML have held steadfast in its strategy, and have reaped tremendous benefit; generating an investment return of 14.7%. This outstanding performance in the face of trying times is testament to KAML's unwavering commitment to building value for its shareholders. This result was achieved through adhering to a prudent Investment Strategy that is reviewed regularly by the Board, combined with sound investment management practices. Despite short to medium term adverse trends in the global and domestic marketplace, KAML has been and always will be a long-term investor acting in the best interests of its loyal shareholders.

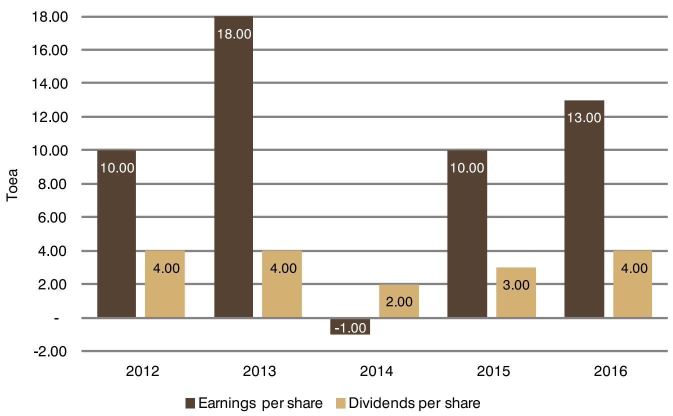
EXHIBIT 1.0 – NET ASSETS & INVESTMENT RETURN



We were pleased to declare a dividend of 4 toea for the 2016 financial year. This represents an increase of 33.3% over the 2015 dividend and reflects KAML's commitment to provide regular dividends, despite the challenging circumstances. The payment of the dividend is a reflection of the company's strong performance, good cash position and an investment portfolio that remains focused on high yield investments to underpin a sustainable income for shareholders.

Chairman's Report

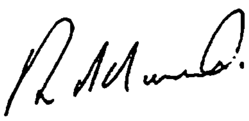
EXHIBIT 2.0 – EARNINGS PER SHARE & DIVIDENDS PER SHARE



KAML will continue to hold steadfast to its objectives as a Listed Investment Company to provide a positive rate of return to shareholders through a combination of capital growth and income; providing shareholders with regular dividends; and preserving the capital of the company.

2017 has to date delivered ongoing good equity market performance, however some of the previous drivers of equity markets are changing, in particular the outlook for global interest rates which are firmly on course to rise over the medium term. In addition we expect politics both locally and internationally to be at the fore over most of 2017 with national elections in PNG and the Trump regime in the United States being a source of volatility for global markets from time to time. Against these expectations we will continue with our disciplined and conservative approach to investment that will remain focused on capital preservation through value investing and income generation.

I and my fellow directors thank you for your unwavering support and confidence in the Board and management of KAML. Uncertainty notwithstanding, KAML is well-positioned and will to continue to uphold its commitment to you, our valued shareholder.



Sir Rabbie Namaliu, GCL, KCMG, CSM
Chairman

Chief Executive Officer's Report

In spite of the challenging global and domestic environment, 2016 was a remarkable year for KAML. We were able to deliver a double digit return of 14.7% through our continued adherence to a prudent Investment Strategy and sound investment management practices.

Investment Performance

Outperforming the previous year, our performance in 2016 was a direct result of growth in our key investment positions. The company generated a total investment gain of K7.0 million and an investment portfolio return of 14.7%. The net assets of the company increased by 9.3% to K57.48 million (2015: K52.58 million).

The performance was driven by:

- Capital gains from our offshore investments with a total net gain of K1.7 million. This was mainly driven by foreign exchange gains of K1.3 million due to the depreciation of PGK by 4.0% in 2016 and strong share performances by Australia and New Zealand Banking Group, Vanguard International Shares Index Fund and Mirvac Group on the Australian Stock Exchange (ASX).
- Capital gains in our key domestic assets with a total net gain of K2.1 million as a result of an outstanding return of 20.0% from Bank South Pacific and 16.1% from Oil Search, both listed on Port Moresby Stock Exchange (POMSoX).

Investment Strategy

As a long term investor KAML is not a trader of the securities that make up its portfolio. KAML takes a long term view of markets and investments and sets its portfolio accordingly. During 2016 the transaction activity of the portfolio was minimal as the settings we established during 2015 continued to reflect our view that markets overall remained uncertain with potential for periods of volatility. We also remained concerned over the domestic economy's performance and the potential for certain sectors to be negatively impacted as a result. Accordingly the following changes to our strategy were implemented over the course of 2016:

- We further increased our Cash allocation from 16.1% at the end of 2015 to 18.6% in 2016, with the aim of preserving capital amidst volatility. This increase was funded by further reductions in Oil Search shares both on POMSoX and ASX and Transurban Group shares on the ASX together with total dividends received of K3.1 million for the period.
- We retained our view that the Kina (PGK) would further depreciate and therefore held most of the cash position overseas. Of the total cash we held the overseas component was 16.6% of the portfolio. We also continued to hold a high proportion of the total portfolio overseas in equities and cash, totalling 57.5% of the fund at the end of 2016,
- The offshore portfolio generated a 11.9% return in 2016 due to sound performance of equities supported by depreciation of the Kina during the year,
- We reviewed our position in BSP and kept the portfolio weighting at over 20.0% based on the company's strong profitability and dividend yield provided to the fund. BSP was the strongest contributor to the 2016 result as shown in Exhibit 2.0.

EXHIBIT 1.0 – INVESTMENT PORTFOLIO
Portfolio as at 31 December 2016

Investments	% of Portfolio
Domestic	
Cash	2.0%
Fixed Income	3.2%
Equities	
Bank South Pacific	21.9%
Credit Corporation	3.8%
Kina Securities Limited	2.2%
City Pharmacy	1.2%
Oil Search Limited	8.2%
Total Domestic Portfolio	42.5%
International	
Cash	16.6%
Equities	
ANZ Bank Limited	4.6%
National Australia Bank	3.8%
Westpac Bank Limited	3.9%
Mirvac Group	5.4%
Transurban Group	4.2%
CSL Limited	3.6%
Global Index Fund	
Vanguard International Shares Index Fund	11.4%
BlackRock Wholesale Indexed International Equity Fund	4.0%
Total International Portfolio	57.5%
Total Portfolio	100.0%

Chief Executive Officer's Report

Investment Portfolio

BSP (POMSoX) was the top performer in the portfolio with a capital gain of 20.0%. BSP also provided strong dividends to the company with a dividend yield on the share price at the start of the year of 11.7%. The total return provided by BSP to the portfolio was 31.7% return for the year.

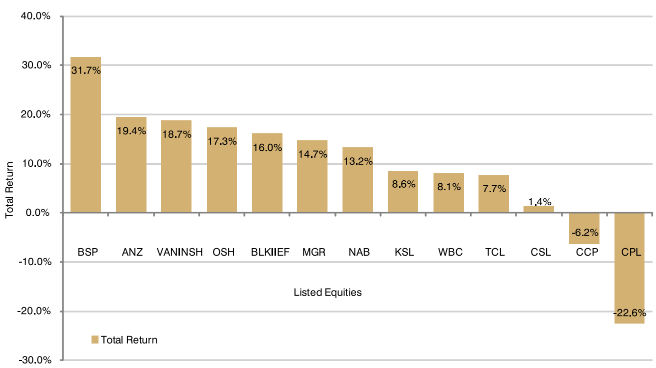
The Australian banks Australia and New Zealand Banking Group and National Australia Bank boasted strong performances with returns of 19.4%, and 13.2% respectively with investors warming up to financials in place of the extractive industries.

Mirvac Group performed well for the portfolio with a 14.7% return. Our Global Managed Funds continued to provide excellent performances with Vanguard International Shares Index Fund returning 18.7% and Blackrock Wholesale International Indexed Equity Fund returning 16.0%.

The ongoing effects of low commodity prices and ongoing domestic economic weakness was apparent for a number of equities which underperformed previous years. City Pharmacy was the primary example of this delivering a poor outcome and Credit Corporation (CCP) also declined in value, however in our view CCP remains undervalued. Oil Search rebounded from its weak performance in 2015 for a double digit return at 17.3% mainly due to higher production levels and increased confidence in the company's medium to long term prospects.

Despite the challenges, the domestic portfolio performed relatively well with a return of 18.1% compared to the Offshore portfolio at 11.9%. We expect that the underperforming equities will take corrective action this year to improve their individual business performances.

EXHIBIT 2.0 – KEY SHARE RETURNS FOR THE YEAR ENDING 31 December 2016

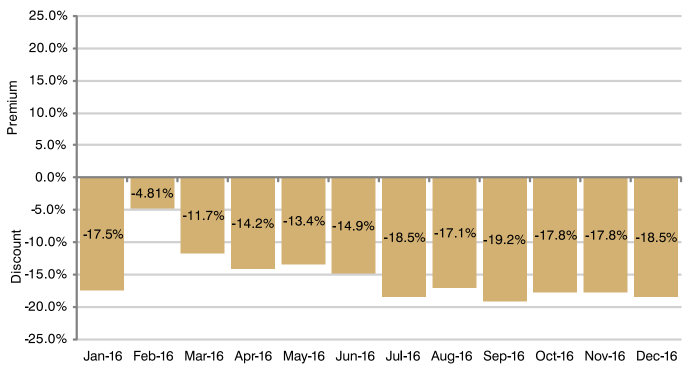


Summary

2016 was an excellent year for KAML and our shareholders. We remain optimistic that despite the many challenges faced domestically and internationally that KAML will continue to deliver positive results to its shareholders for the long-term. The company remains financially robust and with its high levels of liquidity is in a strong position to take advantage of any investment opportunities that are presented either through market pullbacks or new investment proposals.

Finally, I would like to thank you, our valued shareholders, for your continued confidence in the company, and we assure you that we will maintain a proactive approach to the management of KAML in the pursuit of sustainable growth.

EXHIBIT 3.0 – SHARE PRICE DISCOUNT TO NET TANGIBLE ASSET



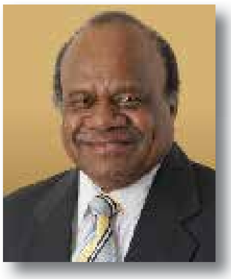
Individually our performance was outstanding, with growth in both our portfolio and Net Tangible Asset. Although the share price of KAML rose to close 2016 above its price at the end of 2015, it remains in our view undervalued as demonstrated by the share price discount to Net Tangible Asset shown in Exhibit 3.0. We remain focused on investment of the portfolio to deliver superior long term returns for our shareholders which will over time be reflected in the attainment of a share price which is a fair representation of our performance.

Sydney George Yates, OBE
Chief Executive Officer & Managing Director

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:

SIR RABBIE NAMALIU GCL, CSM, KCMG — CHAIRMAN



Sir Rabbie Namaliu is a distinguished statesman with more than nine years of board experience in the financial services and mining and petroleum industries in PNG. Sir Rabbie has been the Chairman of Kina since 2009.

He is former Prime Minister of PNG and former Speaker of the PNG National Parliament. Furthermore, Sir Rabbie has ministerial experience in Foreign Affairs & Trade, Treasury, Primary Industry, Petroleum and Energy and other areas of government responsibility. Before entering politics, he was Chairman and Secretary of the PNG Public Services Commission, Provincial Commissioner of East New Britain and Principal Private Secretary to the Chief Minister of PNG, Sir Michael Somare before Independence. In 1973 he was Senior Tutor and Lecturer in History at the University of Papua New Guinea.

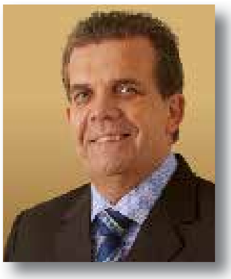
Sir Rabbie is chairman of Kramer Ausenco Ltd (appointed 2010), Kina Asset Management Ltd (appointed 2008), and Kina Investment & Superannuation Services Ltd (appointed 2012). In addition, Sir Rabbie holds directorships at Era Resources formerly Marengo Mining Limited (appointed 2008), Bougainville Copper Limited (appointed 2011). InterOil Corporation (appointed 2012 and retired on the 22nd February 2017), South Pacific Post Ltd (appointed 2013).

In 2011, he was appointed the Chairman of the 2012 PNG Games Host Organising Committee by the East New Britain Provincial Government to plan and coordinate preparations for the 2012 PNG Games held in Kokopo, PNG. Sir Rabbie is a member for the PNG Institute of Directors.

Sir Rabbie also holds Charity and Honorary Positions which include Chancellor and Chairman of Council, PNG University of National Research and Environment (2007-2011); Chairman, RH Foundation and ENB Sports Development Authority; Patron and Director YWAM Medical Ships; and Patron, Badili Club Inc.; Jesus Halfway House and PNG Softball Federation.

He also holds a Bachelor of Arts (BA) degree from the University of PNG and a Master of Arts (MA) degree and an Honorary Doctor of Laws (Hon. LLD) from the University of Victoria, British Columbia, Canada.

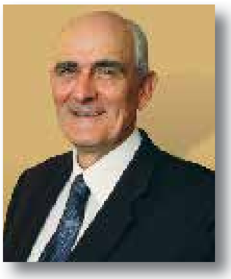
SYDNEY GEORGE YATES OBE — CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR



Mr Syd Yates joined Kina in 1997 and has extensive experience in the banking, finance and investment industries, with a career spanning more than 30 years. He is the CEO of Kina Group. Syd is a director of KAML (appointed 2007), POMSoX (appointed 1998), the PNG Olympic Committee and the Commonwealth Games Association of PNG and is the Chairman for the PNG Olympic Fundraising Committee.

He was PNG Chef de Mission for the Athens, Beijing and London Olympics. Syd has previously been a director of Air Niugini Ltd, Bemobile Ltd and Media Niugini Ltd. Syd is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Financial Services Institute of Australasia, and a member of the PNG Institute of Directors.

GREGORY TAYLOR AO — NON - EXECUTIVE DIRECTOR



Mr Gregory Taylor recently retired as Chairman or Director of several companies in PNG. Greg has had extensive experience in Australian Government administration, across senior positions in Treasury and Prime Minister and Cabinet before being appointed to the position of Chairman, Industries Assistance Commission. He then headed in turn three Departments of State responsible respectively for employment, education and training; primary industry and resources; and industry, science and technology.

In 1997 he became Executive Director at the IMF for Australia, PNG and a number of other Pacific and East Asian countries, as a consequence directly representing PNG's economic interests at the IMF. From 2000 he advised the then Secretary of the Treasury in PNG, and Chaired the original Superannuation Task Force, whose recommendations provided the foundation of the reformed superannuation system in PNG.

Corporate Governance

Kina Asset Management Limited (KAML) has adopted an approach to Corporate Governance that seeks to meet globally accepted market 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 and, where appropriate, revises the Company's corporate governance framework to address these.

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 refers to the ASX Corporate Governance Council's Principles and Recommendations (the ASX Corporate Governance Principles).

The Board of KAML is cognisant of its responsibilities to shareholders. The underlying tenet of KAML's Corporate Governance framework is to ensure that KAML deals fairly and openly with all its stakeholders.

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.

1. The Board of Directors *(continued)*

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

At the date of this Report the Board comprises three directors, two independent Non-Executives and the Managing Director. In accordance with 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.

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 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 framework requires Directors to disclose any new interests (including new directorships or equity interests) at each Board meeting as well as to alert the Board to any potential or perceived conflicts of interest that have occurred since the last meeting or may occur throughout the 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.

1. The Board of Directors *(continued)*

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 17, related party transactions, provides details of Directors' interests.

f) Meetings of the Board attendance

The Board schedules meetings at least four times per year, and 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 will be 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 Structure

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

The Committee provides a report to the Board at the next Board meeting following each Committee meeting and tables the most recent Meeting Minutes. The Audit Committee is comprised of two Non-Executive Directors. The Board appoints the Member and Chair of the Committee.

c) Audit Committee

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

- integrity of the financial statements and the financial reporting and audit process
- external auditor's qualifications, performance and independence

2. Committees *(continued)*

- 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.

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).

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 which each are managed on a day to day basis by the Managing Director.

The Company's risk management policy ensures 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.

3. Risk Management *(continued)*

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. T he 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 are operating effectively.

4. Ethical Behaviour

KAML 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.

a) 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.

b) Sareholders 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.

c) 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.

d) Competition

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

e) Privacy and Information

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

f) 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 on 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 complying with insider trading restrictions, during each of the eight weeks following the announcements of half yearly and yearly profit or the date of issue of a prospectus.

Management should discuss proposed share trades with the Managing Director in advance, who will monitor and keep a register of such 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).

a) 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;

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 obligations 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 exception 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) (e.g. it is a trade secret or relates to an incomplete proposal).

b) 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.

c) 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.

d) 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;

5. Market Disclosure *(continued)*

b) overseeing and coordinating 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.

d) 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).

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

Any information which is not confidential does not qualify for the exceptions described in paragraph 5 a). 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.

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.

Financial Statements

Contents

Directors' report

for the financial year ended 31 December 2016

The directors of Kina Asset Management Limited (the Company) submit herewith the annual financial report of the Company and the Group including the financial statements for the financial year ended 31 December 2016. 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 as at the end of the financial year are:

Directors

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

Company Secretary

The Company secretary is Sydney George Yates.

Review of operations

During the period, the Holding Company reported a net profit of K1,505,620 (2015: net profit of K898,475) after income tax expense of K29,510 (2015: income tax expense of K151,701), while the Group reported a net profit of K6,149,694 (2015:K4,745,696) after income tax charge of K27,485 (2015: income tax benefit of K1,076,394).

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 financial year.

Dividends

A dividend of K1,923,639 was declared by the company in respect of the financial year ended 31 December 2016 and will be payable on 12 July 2017. A dividend of K1,436,774 was declared and paid on 5th August 2016 in respect of the year ended 31 December 2015. Out of this an amount of K188,582 was reinvested in the company.

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 K105,000 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 (2015: Nil).

Independent audit report

The financial statements have been audited by PricewaterhouseCoopers and should be read in conjunction with the independent audit report on pages 16.

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 year.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Sydney George Yates, OBE
Director

Sir Rabbie Namaliu, GCL,CSM, KCMG
Director

Port Moresby, 28 April 2017

Directors' Declaration

For the financial year ended 31 December 2016

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 generally accepted accounting practice in Papua New Guinea 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, OBE
Director

Sir Rabbie Namaliu, GCL,CSM, KCMG
Director

Port Moresby, 28 April 2017

Independent Auditor's Report

To the shareholders of Kina Asset Management Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Kina Asset Management Limited (the Company), which comprise the statements of financial position as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2016 or from time to time during the financial year.

In our opinion the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at

31 December 2016, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

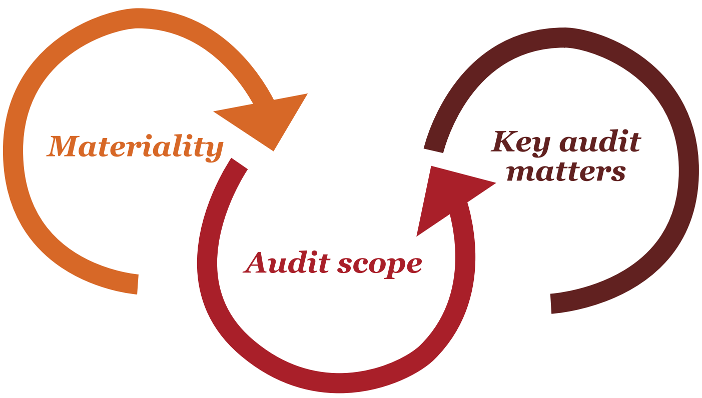
We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out services for the Group in the area of tax advice. The provision of these other services has not impaired our independence as auditor of the Company and the Group

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
T: (675) 321 1500 / (675) 305 3100, F: (675) 321 1428, www.pwc.com.pg

Materiality	Key audit	Key audit matters
• For the purpose of our audit of the Group we used overall group materiality of K0.2 million which represents approximately 0.5% of the Group's net assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. • We chose the Group's net assets as, in our view, it is the generally accepted benchmark for fund management entities. • We selected 0.5% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation • All subsidiaries of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea • Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matter to the Board Audit Committee: • Financial assets – existence and valuation • This matter is further described in the Key audit matters section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
Our audit focused on ownership and valuation of financial assets owing to their significance to the financial statements of the Group. The financial assets make up 80% of the total assets of the Group and form the basis for the primary source of income for the Group. The financial assets of the Group comprise of equity instruments (K44.5 million) and PNG Government inscribed stocks (K1.8 million) and these are measured at fair value and amortised cost respectively.	The procedures we performed to support our audit conclusions included: • Understanding the Group's procedures in relation to the investment management, recording and the related contractual arrangements in place for the various financial assets. • Obtaining direct confirmations from the share registries and the custodians of the investments to verify the ownership of the financial assets • Performing procedures to verify the fair values of individual investments, including independent verification of pricing to the respective market sources. • Verification of the computation of amortised cost over PNG Government inscribed stocks.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
T: (675) 321 1500 / (675) 305 3100, F: (675) 321 1428, www.pwc.com.pg

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2016:

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

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Grant Burns
Partner

Registered under the Accountants Registration Act 1996

Port Moresby, 28 April 2017

PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
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Statements of Comprehensive Income
for the financial year ended 31 December 2016

		Consolidated		Company	
		2016	2015	2016	2015
	Note	K	K	K	K
Continuing operations					
Revenue	3(a)	3,471,516	2,888,029	2,026,971	1,529,230
Changes in fair value of financial assets	8	3,302,856	1,224,000	-	-
Exchange gain		308,312	420,672	-	-
Net income		7,082,684	4,532,701	2,026,971	1,529,230
Directors' fees	16	(105,000)	(105,000)	(105,000)	(105,000)
Insurance		(80,948)	(73,258)	(80,948)	(73,258)
Management fees	17	(398,814)	(366,095)	-	-
Share registry fees		(97,609)	(73,727)	(97,609)	(73,727)
Other operating expenses	3(b)	(223,134)	(245,319)	(208,284)	(227,069)
Profit before tax		6,177,179	3,669,302	1,535,130	1,050,176
Income tax credit/(expense)	6	(27,485)	1,076,394	(29,510)	(151,701)
Net Profit for the year		6,149,694	4,745,696	1,505,620	898,475
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		6,149,694	4,745,696	1,505,620	898,475
Earnings per share					
Basic (toea per share)	9	13	10		
Diluted (toea per share)	9	13	10		

Notes to the financial statements are included on pages 22 to 31.

Statements of Financial Position

as at 31 December 2016

	Note	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Assets					
Cash and cash equivalents	12	10,526,253	8,377,652	260,484	46,387
Current tax receivables		359,704	359,704	-	-
Other receivables	4	561,917	422,194	527,049	522,756
Financial assets					
Fair value through profit and loss	8	44,556,459	41,965,684	-	-
Held to maturity	8	1,829,769	1,814,809	-	-
Investment in subsidiary company	11	-	-	1	1
Due from related parties	17	-	-	46,852,510	46,822,089
Net deferred tax assets	6	52,806	50,780	-	-
Total assets		57,886,908	52,990,823	47,640,044	47,391,233
Liabilities					
Other payables	7	311,851	313,556	273,441	278,346
Current tax liabilities		69,648	74,872	69,648	74,872
Net deferred tax liabilities	6	26,155	24,643	26,155	24,643
Total liabilities		407,654	413,071	369,244	377,861
Net assets		57,479,254	52,577,752	47,270,800	47,013,372
Equity					
Fully paid ordinary shares	5	48,088,165	47,899,583	48,088,165	47,899,583
Accumulated gain/(loss)		9,391,089	4,678,169	(817,365)	(886,211)
Total equity		57,479,254	52,577,752	47,270,800	47,013,372

Statements of changes in equity

for the financial year ended 31 December 2016

	Fully paid ordinary shares K	Accumulated gain/loss K	Total K
Consolidated			
Balance at 1 January 2015	46,346,546	886,839	47,233,385
Transactions with owners			
Issued shares	1,553,037	-	1,553,037
Dividend	-	(954,366)	(954,366)
Profit for the year	-	4,745,696	4,745,696
Balance at 31 December 2015	47,899,583	4,678,169	52,577,752
Balance at 1 January 2016	47,899,583	4,678,169	52,577,752
Transactions with owners			
Issued shares	188,582	-	188,582
Dividend	-	(1,436,774)	(1,436,774)
Profit for the year	-	6,149,694	6,149,694
Balance at 31 December 2016	48,088,165	9,391,089	57,479,254
Company			
Balance at 1 January 2015	46,346,546	(830,320)	45,516,226
Transactions with owners			
Issued shares	1,553,037	-	1,553,037
Dividend	-	(954,366)	(954,366)
Profit for the year	-	898,475	898,475
Balance at 31 December 2015	47,899,583	(886,211)	47,013,372
Balance at 1 January 2016	47,899,583	(886,211)	47,013,372
Transactions with owners			
Issued shares	188,582	-	188,582
Dividend	-	(1,436,774)	(1,436,774)
Profit for the year	-	1,505,620	1,505,620
Balance at 31 December 2016	48,088,165	(817,365)	47,270,800

Notes to the financial statements are included on pages 22 to 31.

Statements of Cash Flows

for the financial year ended 31 December 2016

	Note	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Cash flows from operating activities					
Dividend, interest and other income receipts		3,428,075	3,042,845	1,436,774	954,366
Purchase of Government Securities		-	(495,448)	-	-
Purchase of shares		(285,642)	(6,354,203)	-	-
Sale of shares		1,266,630	8,353,050	-	-
Payments to third parties		(979,048)	(873,324)	(501,038)	(513,539)
Tax paid		(33,222)	(30,754)	(33,222)	(30,754)
Net cash provided by operating activities		3,396,793	3,642,166	902,514	410,073
Cash flows from financing activities					
Issuance of shares		-	1,553,037	-	1,553,037
Dividend paid, net of reinvestment	19	(1,248,192)	(954,366)	(1,248,192)	(954,366)
Amounts received from/(advanced to) related parties		-	-	559,775	(1,026,065)
Net cash used in/(provided by) financing activities		(1,248,192)	598,671	(688,417)	(427,394)
Net increase/(decrease) in cash and cash equivalents		2,148,601	4,240,837	214,097	(17,321)
Cash and cash equivalents at the beginning of the financial year		8,377,652	4,136,815	46,387	63,708
Cash and cash equivalents at the end of the financial year	12	10,526,253	8,377,652	260,484	46,387

Notes to the financial statements are included on pages 22 to 31.

1. General information

Kina Asset Management Limited (the Company) and its subsidiary Kina Asset Management No. 1 Limited (the Group) are investment companies incorporated as limited liability companies in Papua New Guinea.

2. 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 and the requirements of the Papua New Guinea Companies Act 1997.

Release of New and Revised International Financial Reporting Standards

A number of new and amended standards, and interpretations became mandatory for the first time for the financial year beginning 1 January 2016. These standards did not have any significant impact on the financial statements for the year ended 31 December 2016. In addition, there are new standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2016. The Group has not early adopted these standards. Out of these standards, IFRS 9: "Financial Instruments" is expected to impact the financial statements of the Group when adopted. IFRS 9 deals with the classification and measurement of financial assets and liabilities, hedge accounting and recognition of impairment losses. The financial assets and liabilities of the Group are expected to be impacted by the classification and measurement requirements of this standard. The held to maturity investments are expected to remain measured at amortised cost under IFRS 9. However, Management has yet to complete the full analysis of the impact of this standard on the financial statements.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for certain financial instruments measured at fair value. 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 subsidiary) (referred to as 'the Group' in these financial statements). Control is achieved when the Group is exposed to, or has rights to, variable returns from its investments with the entity and has the ability to affect those returns through its power to direct activities of the entity.

Where necessary, adjustments are made to the financial statements of subsidiary 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.

(c) 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.

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 are largely 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:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) 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

(iii) 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.

Financial assets classified as held to maturity are measured at amortised cost using effective interest rate.

2. Significant accounting policies *(continued)*

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 assets is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a 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.

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.

(d) 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 financial statements, the functional currency is Papua New Guinea Kina ("PNG Kina").

Financial assets and liabilities denominated in foreign currencies are translated to PNG Kina at the reporting date using the closing exchange rates. Transactions denominated in foreign currencies are translated to PNG Kina using the exchange rates ruling on the date of the transactions.

(e) 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).

Withholding taxes deducted at source in relation to dividend and interest income, which are recoverable against taxes to be paid by the company, are presented as other receivables in the statement of financial position.

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.

2. Significant accounting policies *(continued)*

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.

(f) Income recognition

Changes in fair value of investments are recognised as income in the profit and loss in the period in which they occur.

Gain or loss on sale of securities are determined as the difference between consideration received (if sold during the year) and the carrying 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.

(g) Goods and service 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.

(h) 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.

(i) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates.

No significant estimates or judgements have been required in applying accounting policies which may have a material impact on the Company's net assets.

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
3. Revenue				
(a) Revenue				
Interest income	359,654	243,413	-	-
Dividend income	2,842,955	2,470,585	1,436,774	954,366
Gain on sale of investment securities	268,907	174,031	-	-
Subsidiary management fees	-	-	590,197	574,864
	3,471,516	2,888,029	2,026,971	1,529,230
(b) Other operating expenses				
Professional fees	70,060	90,267	55,210	72,017
Audit fees	44,000	44,000	44,000	44,000
Listing fees	36,000	35,777	36,000	35,777
Printing	35,000	35,000	35,000	35,000
Postage	25,000	25,000	25,000	25,000
Advertising	6,000	6,000	6,000	6,000
Travel and accommodation	4,800	4,800	4,800	4,800
Bank charges	1,974	2,229	1,974	2,229
Internet charges	300	-	300	-
Meeting	-	2,246	-	2,246
	223,134	245,319	208,284	227,069

4. Other receivables

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Dividend receivable	174,291	270,380	-	-
Withholding taxes recoverable	337,689	151,814	165,215	165,215
Other receivable	49,937	-	361,834	357,541
	561,917	422,194	527,049	522,756

5. Share capital

	Consolidated		Company	
	Number of shares	Cost	Number of shares	Cost
Fully paid ordinary shares: 2015				
Beginning	46,389,154	46,346,546	46,389,154	46,346,546
Issued shares:	1,503,313	1,553,037	1,503,313	1,553,037
Ending	47,892,467	47,899,583	47,892,467	47,899,583
Fully paid ordinary shares: 2016				
Beginning	47,892,467	47,899,583	47,892,467	47,899,583
Issued shares:	198,507	188,582	198,507	188,582
Ending	48,090,974	48,088,165	48,090,974	48,088,165

Fully paid ordinary shares carry one vote per share and the right to dividends.
In 2016, the company issued an additional 198,507 shares for K188,582 (2015: additional 1,503,313 for K1,553,037

6. Income taxes

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Income tax recognised in profit or loss				
Current tax expense	29,510	28,328	27,998	28,328
Deferred tax	(2,025)	225,501	1,512	123,373
Prior year over provision	-	(1,330,223)	-	-
Total tax expense/(credit)	27,485	(1,076,394)	29,510	151,701

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K

6. Income taxes *(continued)*

The prima facie income tax expense on pre-tax accounting profit/(loss) reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Profit before tax	6,177,179	3,669,302	1,535,130	1,050,176
Income tax expense calculated at 30%	1,853,154	1,100,791	460,539	315,053
Prior year over provision	-	(1,330,223)	-	-
Tax effect of non-assessable income*	(1,825,669)	(846,962)	(431,029)	(163,352)
	27,485	(1,076,394)	29,510	151,701

* Tax effect of non-assessable income represents the dividend income and fair value gain on investments.
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.

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Deferred tax assets comprise:				
Accrued liabilities	93,375	83,323	81,852	83,324
	93,375	83,323	81,852	83,324
Deferred tax liabilities comprise:				
Prepaid insurance	9,784	7,978	9,784	7,978
Accounts receivable	-	-	98,223	99,989
Interest receivable	4,653	3,984	-	-
Dividend receivable	52,287	45,224	-	-
	66,724	57,186	108,007	107,967
Net deferred tax liability	(26,155)	(24,643)	(26,155)	(24,643)
Net deferred tax asset	52,806	50,780		
Movements in deferred tax:	26,651	26,137		

	2016			2015		
Consolidated	Asset K	Liability K	Net K	Asset K	Liability K	Net K
At 1 January	83,323	(57,186)	26,137	358,410	(106,772)	251,638
Recognised in Income Statement	10,052	(9,538)	514	(275,087)	49,586	(225,501)
At 31 December	93,375	(66,724)	26,651	83,323	(57,186)	26,137
Company						
At 1 January	83,324	(107,967)	(24,643)	200,693	(101,963)	98,730
Recognised in Income Statement	(1,472)	(40)	(1,512)	(117,369)	(6,004)	(123,373)
At 31 December	81,852	(108,007)	(26,155)	83,324	(107,967)	(24,643)

7. Other payables

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Other payables	600	600	600	600
Accrued expenses	311,251	312,956	272,841	277,746
	311,851	313,556	273,441	278,346

8. Financial assets

	Consolidated 2016 K	Consolidated 2015 K	Company 2016 K	Company 2015 K
Financial assets carried at fair value through profit or loss:				
Listed securities	44,556,459	41,965,684	-	-
Movements:				
Balance at the beginning of the year	41,965,684	42,566,500	-	-
Purchases	285,642	6,354,203	-	-
Disposal	(1,266,630)	(8,353,050)	-	-
Gains on Sale	268,907	174,031	-	-
Changes in fair value	3,302,856	1,224,000	-	-
	44,556,459	41,965,684	-	-
Held to maturity:				
Government Inscribed Stock	1,829,769	1,814,809	-	-
	1,829,769	1,814,809	-	-

8. Financial assets

Detailed listing of Group's Financial assets carried at fair value through profit or loss as at:

	31 December 2016			31 December 2015		
Company	**Market price**	**No. of units**	**Market value**	**Market price**	**No. of units**	**Market value**
Bank South Pacific (BSP)	9.00	1,388,018	12,492,162	7.50	1,388,018	10,410,135
Credit Corporation (CCP)	1.90	1,151,491	2,187,833	2.25	1,151,491	2,590,854
Kina Securities Limited (KSL)	2.40	515,000	1,236,000	2.38	500,000	1,190,476
City Pharmacy (CPL)	1.00	701,191	701,191	1.33	701,191	932,584
Oil Search Limited (OSH)	16.37	283,642	4,643,220	14.64	336,813	4,929,329
ANZ Bank Limited (ANZ)	69.44	37,400	2,597,056	61.01	37,400	2,281,743
National Australia Bank (NAB)	70.00	30,792	2,155,440	65.97	30,792	2,031,276
Westpac Bank Limited (WBC)	74.41	29,900	2,224,859	73.31	26,400	1,935,308
Mirvac Group (MGR)	4.86	630,500	3,064,230	4.33	630,500	2,726,933
Transurban Group (TCL)	23.56	101,359	2,388,018	22.87	110,959	2,537,660
CSL Limited (CSL)	229.20	9,000	2,062,800	230.03	9,000	2,070,314
Vanguard International Shares Index	4.51	1,443,514	6,510,249	4.13	1,443,513	5,968,286
Blackrock Wholesale International Indexed Equity Fund	33.57	68,317	2,293,401	34.56	68,317	2,360,786
			44,556,459			41,965,684

Market value is determined from quoted prices in active markets, being the current last price at measurement date.
Detailed listing of the Group's held to maturity financial assets (Government Inscribed Stock) as at 31 December follow:

Serial Number	Settlement Date	Maturity Date	Coupon Rate	Face Value	31 December 2016 Outstanding Balance	31 December 2015 Outstanding Balance
S15052031	24/Oct/2014	15/May/2031	12.00%	500,000	435,216	430,711
S15052027	24/Oct/2014	15/May/2027	10.50%	500,000	439,976	434,193
S15052027	19/Dec/2014	15/May/2027	10.50%	500,000	458,202	454,175
S15082022	24/Jul/2015	18/Aug/2022	10.00%	500,000	496,375	495,730
				2,000,000	1,829,769	1,814,809

Government Inscribed Stock are investments carried at amortised cost. These investments are held to their maturity which varies between 2022, 2027 and 2031.

9. Earnings per share

	Consolidated	
	2016	**2015**
	Toea Per share	**Toea Per share**
Basic and diluted earnings per share		
Total earnings per share	13	10

Basic earnings per share

	Consolidated	
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	**2016 K**	**2015 K**
Net income used in the calculation of basic and diluted EPS	6,149,694	4,745,696
	2016 No.	**2015 No.**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	48,104,751	47,642,776

10. Contingent liabilities and contingent assets

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

11. Subsidiaries

		Ownership interest	
Name of entity	**Country of incorporation**	**2016 %**	**2015 %**
Parent entity			
Kina Asset Management Limited	Papua New Guinea		
Subsidiaries			
Kina Asset Management No 1 Limited	Papua New Guinea	100	100

12. Notes to the cash flow statement

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 interest bearing deposits with original maturity of less than three months. 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	
	2016	2015	2016	2015
	K	K	K	K
Cash and cash equivalents	10,013,378	7,577,652	260,484	46,387
Interest bearing deposit	512,875	800,000	-	-
	10,526,253	8,377,652	260,484	46,387

13. 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 2 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 an ongoing basis. The Group does not engage in any hedging activities. The exchange rates used for conversion are AUD/Kina 0.4381 and USD/Kina 0.3225.

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	Liabilities
2016	K	K
Australian Dollar	29,236,041	-
US Dollar	3,422,672	-
2015		
Australian Dollar	32,186,964	-
US Dollar	3,242,366	-

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 currency 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
Pre- tax loss/(profit)	(3,910,870)	3,199,803	(350,960)	287,149

(d) Interest rate and credit risk management

The Group maintains its cash and bank balances with financial institutions that have good credit standing. Interest rates are periodically monitored.

(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 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 on the POMSOX are not due to illiquidity of the market. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities.

13. Financial instruments (continued)

(f) 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 after tax for the year ended 31 December 2016 would increase/decrease by K2,227,823.

(g) 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 fair value of listed equity securities at note 8, are based on quoted market prices at the end of the reporting period. These financial instruments are categorised as Level 1 within the fair value hierarchy.

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

14. Segment reporting

The Group operates in one segment – investments, in Papua New Guinea. For the Management purposes, segment information determination is based on risk involved with domestic and international securities that are held by the fully owned subsidiary, Kina Asset Management No.1 Limited ("KAML1"). Kina Asset Management Limited ("KAML") information relates to results and financial position of the parent entity.

	Domestic	International	KAML1	KAML	Total after inter company adjustment
2016	**K**	**K**	**K**	**K**	**K**
Revenue	3,945,274	3,137,410	7,082,684	2,026,971	7,082,684
Expenses			(1,003,861)	(491,841)	(905,505)
Operating Profit			6,078,823	1,535,130	6,177,179
Income Tax (Expense//Credit			2,025	(29,510)	(27,485)
Net profit			6,080,848	1,505,620	6,149,694
Assets	28,996,160	28,430,621	57,426,781	47,640,044	57,860,753
Liabilities			(47,218,329)	(369,244)	(381,499)
Net Assets			10,208,452	47,270,800	57,479,254
2015					
Revenue	1,432,547	3,100,154	4,532,701	1,529,230	4,532,701
Expenses			(959,210)	(479,054)	(863,399)
Operating Profit			3,573,491	1,050,176	3,669,302
Income Tax (Expense)/Credit			1,228,095	(151,701)	1,076,394
Net profit			4,801,586	898,475	4,745,696
Assets	23,530,144	29,224,830	52,754,974	47,391,233	52,966,180
Liabilities			(47,190,596)	(377,861)	(388,428)
Net Assets			5,564,378	47,013,372	52,577,752

15. Capital commitments

There were no capital commitments at year end.

16. Directors and key management personnel compensation

Details of key management personnel

		2016	2015
		K	**K**
Sydney George Yates	CEO & Managing Director	Nil	Nil

Details of Directors Fees

The total remuneration paid to directors during the period was K105,000 and consisted of fixed directors' fees, as follows:

	2016	2015
	K	**K**
Sir Rabbie Namaliu	60,000	60,000
Gregory Taylor	45,000	45,000
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 subsidiary

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 11 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:

- Kina Securities Limited and its subsidiaries by virtue of those entities having common directors and providing management services to the Group.
- Sydney George Yates, a director of Kina Securities Limited and Kina Funds Management Limited, owns Columbus Investments Limited which is a shareholder in Kina Asset Management Limited and Kina Securities Limited. Sydney George Yates is an employee of Kina Securities Limited and is remunerated by that company. Sydney George Yates is a Non-executive director of the Port Moresby Stock Exchange (POMSoX). Kina Asset Management Limited pays listing fees to POMSoX. Listing fees of K36,000 was paid in 2016 (2015:35,777).

During the year Kina Asset Management No. 1 Limited purchased 15,000 shares of Kina Securites Limited for K30,565 (AUD14,092).

During the year Kina Asset Management Limited opened a dividend account with Kina Bank Limited and the balance at year end was K2,500 (2015:nil).

Outstanding payable to Kina Funds Management Limited at year end was K35,111 (2015: K31,910). This balance arose from transactions between the Group and its related parties. Kina Funds Management Limited provided investment management services that are disclosed in the income statement.

Kina Securities Limited, the holding company of Kina Funds Management Limited earned brokerage of K2,970 (2015: K9,956) from the Group for executing trades during the period.A management fee of K398,814 (2015: K366,095) is paid to Kina Fund Management Limited for services rendered by the entity. An accounting fee of K14,850 (2015:K18,250) was also charged by Kina Funds Management Limited during the year. Certain directors of the Company are also directors of Kina Funds Management Limited.

(d) Transactions between the Company and its subsidiary

During the year the holding company charged management fees of K590,197 (2015:K574,864) to its subsidiary. The management fee is charged by the holding company, based on expenses incurred by the company. Payment is through the intercompany account. At 31 December 2016, the subsidiary owed the Company K46,852,510 (2015:K46,822,089). Receivable from subsidiary also includes K327,409 (2015:K333,296) of accrued management fees. These accounts are unsecured, non-interest bearing and are receivable on demand.

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

The company funds the investment operations of its subsidiary as disclosed in the Statement of Financial Position (interest free).

The company received a dividend of K1,436,774 from its subsidiary.

(e) Equity interests held by key management personnel

	2016		2015	
	No. of shares	% holdings	No. of shares	% holdings
Sir Rabbie Namaliu (Tobit Investments Ltd)	58,146	0.12	56,661	0.12
Syd Yates (Columbus Investments Ltd)	3,190,827	6.63	3,190,827	6.66
Gregory Frank Taylor	34,000	0.07	34,000	0.07

17. Related Party Transactions (continued)

(f) Interest register

Name of Director	Position	Entity
Sir Rabbie Namaliu	Director/Chairman	Kina Securities Limited
	Director/Shareholder	Kina Bank Limited
	Director/Chairman	Kina Investment & Superannuation Services Limited
	Director/Chairman	Kina Asset Management No.1 Limited
	Director	Era Resources Incorporated
	Director	Tobit Investments Ltd
	Director/Chairman	Kramer Ausenco
	Director/Chairman	RDN International Limited
	Director	Bougainville Copper Limited
	Member	PNG Institute of Directors
	Director	Post Courier Limited
	Chairman	RH Foundation
	Director	YWAM Medical Ships
Gregory Taylor	Director	Kina Asset Management No.1 Limited
	Director/Shareholder	TFG International Limited (Australia)
Sydney George Yates	Director/Shareholder	Columbus Investments Limited
	Director/Shareholder	Kina Bank Limited
	Director	Kina Asset Management No. 1 Limited
	Director	Kina Funds Management Limited
	Director	Kina Ventures Limited
	Director	Kina Investment and Superannuation Services Limited
	Director	Kina Wealth Management Limited
	Director	Kina Nominees Limited
	Director	Kina Securities Limited
	Director	Port Moresby Stock Exchange Limited
	Owner	Columbus Consulting Ltd (Australian Family Company)
	Director	Institute of Banking & Finance, Papua New Guinea

18. Remuneration of auditors

	Consolidated		Company	
	2016 K	2015 K	2016 K	2015 K
Audit of the financial report	44,000	44,000	44,000	44,000
Other services (Tax Returns)	26,400	13,750	26,400	13,750
	70,400	57,750	70,400	57,750

The auditor of the Group is PricewaterhouseCoopers.

19. Dividends

A total dividend of K1,436,774 was declared in respect of the year ended 31 December 2015. Out of this an amount of K188,582 was reinvested in the company resulting in a net payment of K1,248,192 in 2016.

20. Subsequent events

A dividend of K1,923,639 was declared by the company on the 28 April 2017 in respect of the financial year ended 31 December 2016 and will be payable on 12 July 2017.

Shareholder Information

for the financial year ended 31 December 2016

a) Distribution of ordinary shares according to size as at 31 December 2016

Range	Number of holders	Number of Shares	% of Issued Capital
1 – 1,000	1,790	1,149,842	2.39
1001 – 5,000	571	1,333,679	2.77
5,001 – 10,000	86	713,178	1.48
10,001 – 100,000	70	2,017,195	4.20
100,001 and Over	23	42,877,080	89.16
Total	2,540	48,090,974	100.0

b) The twenty largest shareholders of ordinary equity shares as at 31 December 2016

Rank	Shareholders	Number of Shares	% of issued capital
1	MONIAN LIMITED	11,973,117	24.90
2	COMRADE TRUSTEE SERVICES LIMITED <DFRBF A/C>	5,426,027	11.28
3	CREDIT CORPORATION (PNG) LIMITED	3,995,838	8.31
4	KINA FUNDS MANAGEMENT LIMITED	3,594,723	7.47
5	MOTOR VEHICLES INSURANCE LIMITED	3,500,000	7.28
6	COLUMBUS INVESTMENTS LIMITED	3,190,827	6.63
7	PACIFIC MMI INSURANCE LIMITED	2,692,975	5.60
8	EAST NEW BRITAIN SAVINGS & LOAN SOCIETY LIMITED	1,500,000	3.12
9	CAPITAL LIFE INSURANCE COMPANY LIMITED	1,197,123	2.49
10	CAPITAL GENERAL INSURANCE COMPANY LIMITED	1,043,594	2.17
11	MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED	1,000,000	2.08
12	GALE INVESTMENT LIMITED	500,000	1.04
13	MINERAL RESOURCES OK TEDI NO 2 LIMITED	500,000	1.04
14	MINERAL RESOURCES STAR MOUNTAIN LIMITED	500,000	1.04
15	THEODIST LIMITED	500,000	1.04
16	COURTNEY JADE SALTER	312,120	0.65
17	NEW GUINEA FRUIT COMPANY LIMITED	270,300	0.56
18	ZOGI DISTRIBUTORS LIMITED	253,805	0.53
19	NORMAN JOHN NIGHTINGALE + DARRIE PADIR NIGHTINGALE	250,000	0.52
20	PAPINDO TRADING COMPANY	250,000	0.52
Totals for top 20 shareholders of the Fully Paid Ordinary Shares		**42,450,449**	**88.27**
Total Remaining Holders Balance		**5,640,525**	**11.73**
Total		**48,090,974**	**100.00**

c) Issued Capital as at 31 December 2016 was 48,090,974.

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 9, The Tower Douglas Street PO Box 1141 Port Moresby NCD Papua New Guinea
Directors	Sir Rabbie Langanai Namaliu GCL,CSM, KCMG Gregory Frank Taylor AO Sydney George Yates OBE
Secretary	Sydney George Yates OBE
Auditors	PricewaterhouseCoopers Chartered Accountants PO Box 484 Port Moresby Papua New Guinea
Bankers	Westpac Bank Limited, Papua New Guinea ANZ Bank Limited, Papua New Guinea Kina Bank Limited, Papua New Guinea Credit Suisse, Australia Bank of Queensland, Australia ANZ Bank, Australia
Stock Exchange	Port Moresby Stock Exchange Limited Papua New Guinea
Broker	Kina Securities Limited
Share Registry	PNG Registries Limited
Investment Manager	Kina Funds Management Limited

KINA
ASSET MANAGEMENT
LIMITED

KINA ASSET MANAGEMENT LIMITED

Level 9, The Tower
Douglas Street
PO Box 1141
Port Moresby
Papua New Guinea

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