ANNUAL REPORT

KINA
ASSET MANAGEMENT
LIMITED

2017

Contents

2017 Highlights

- The company generated a net profit after tax of K8.35 million for the year ending 31 December 2017, a strong increase of 35.8% or K2.20 million from K6.15 million in the previous corresponding period
- Investment Portfolio increased by K6.24 million or 11.0% to K63.19 million from K56.94 million in December 2016
- Paid an interim dividend of 2 toea on 4 October 2017 for the financial year 2017
- NTA of K1.31 per share as at 31 December 2017

Investment Objectives

Overtime 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 long term view of the value which means the aim is to buy and hold assets over the longer term

Year to 31 December 2017 - Summary

NET PROFIT FOR THE YEAR
K8.35m
Up 35.8% from 2016

NET ASSETS
K63.41m
Up 10.3% from 2016

EARNINGS PER SHARE
17 Toea
30.8% increase from 2016

NET TANGIBLE ASSET BACKING PER SHARE
K1.31
Up 10.1% from 2016

DIVIDEND PER SHARE
5 Toea
Up 25.0% from 2016

SHARE PRICE
95 Toea
Down 2.1% from 2016

5 Year Summary

	2017	2016	2015	2014	2013
Financial Performance					
Total Asset (K'm)	63.41	57.48	52.58	47.23	49.23
Movement (%)	10.34	9.32	6.80	11.42	16.14
Investment Income (K'm)	9.34	7.00	4.53	0.67	9.94
Investment Return (%)	16.80	14.70	9.00	1.30	21.00
Net Profit After Tax (K'm)	8.35	6.15	4.74	-0.39	8.19
EPS (Toea)	17.00	13.00	10.00	-1.00	18.00
NTA (PGK)	1.31	1.19	1.10	1.02	1.06
Dividend (Toea)	5.00	4.00	3.00	2.00	4.00
Share Price (PGK)	0.95	0.97	0.85	1.00	1.10
Asset Performance (%)					
Domestic Listed Equities	13.30	19.20	3.10	3.10	5.60
ASX-Listed Equities	25.00	11.90	6.00	6.00	16.90
Asia ex-Japan	-	-	0.50	0.50	1.00
Global Funds ex Australia	24.00	18.00	23.10	23.10	57.20

Chairman's Report

For the year ended 31 December 2017 KINA ASSET MANAGEMENT LIMITED (KAML) has performed strongly providing our shareholders with a portfolio return of 16.8%. The company posted a net assets position of K63.19 million as at 31 December 2017 representing a CAGR of 6.4% over the last five years. Both figures compare well to the 2016 result (14.7% return, K57.48 million net assets).

KAML delivered another strong performance in 2017 against a backdrop of uncertain market conditions both at home and abroad. The company delivered this performance against a backdrop of ongoing sluggish conditions for the global economy. According to the International Monetary Fund, global economic growth in 2017 was 3.6% with South Asia as the best performers at 6.6% with South America coming in at the bottom at 0.6%. Advanced economies in larger markets such as Europe and North America recorded growth around the 2.0% mark resulting in the downward drag on growth globally despite the performance of Asia. A key contributing factor to the growth outcome for 2017 was the uncertainties created by US Trump administration's actions in relation to corporate tax cuts and protectionist policies aimed at rejuvenating the US economy. Geo-political tensions, especially in the Korean peninsula and in the Middle East also added anxiety to an already uncertain global market in 2017.

Global equity markets performed very well over the course of 2017. Major indexes from Japan to the United States and emerging markets were up 27% to 35% for the year. In general key drivers were ongoing very low interest rates, despite a general expectation of a US rate hike, leading investors to increase risk in portfolios and buy equities, combined with solid earnings outcomes from companies in the major markets.

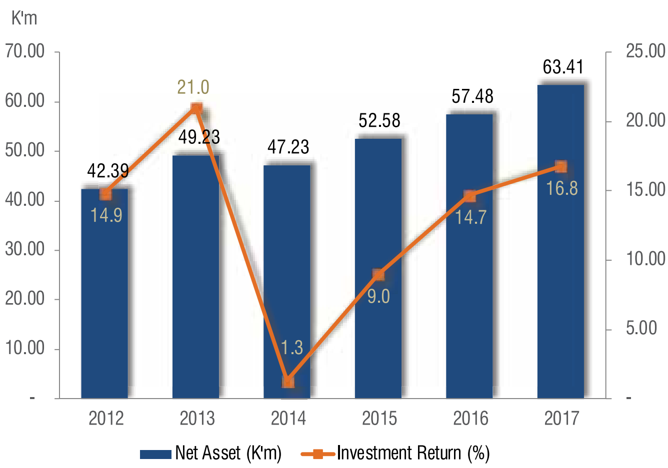
The local economy grew modestly during 2017 after significantly slowing down the year before 2016. The ongoing fiscal deficit of 2.4% of Gross Domestic Product and weak local consumption levels persisted. Foreign currency availability tightened further putting pressure on local corporates, with the resultant impact of falling revenues and profits for local consumer oriented companies reliant on import supplies. There was uncertainty generally at the policy front as the country went to the National General Elections in July but the incumbent government got voted back which provided some stability for businesses.

Exporters generally performed more favourably with the weak Kina assisting profitability. The financial sector remained in good health 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 be resolved as further large export based projects come into production.

KAML remained conservatively positioned but generated an investment return of 16.8% during 2017. 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 striving to improve returns and the underlying asset values to our shareholders.

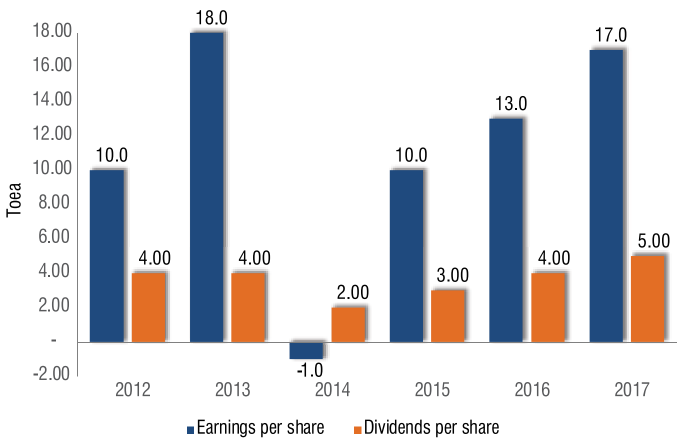
KAML's net assets have grown by a Compound Annual Growth Rate (CAGR) of 6.4% over the past five years to now stand at K63.19m at 31 December 2017. This has largely been attributed to healthy investment returns achieved during that period since 2014 as shown in Exhibit 1.0.

EXHIBIT 1.0 – NET ASSETS & INVESTMENT RETURN



We were pleased to declare an interim dividend of 2 toea per share and a final dividend of 3 toea per share for a total dividend of 5 toea for the 2017 financial year. This represents an increase of 25% over the 2016 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. Refer Exhibit 2.0.

EXHIBIT 2.0 – EARNINGS PER SHARE & DIVIDENDS PER SHARE

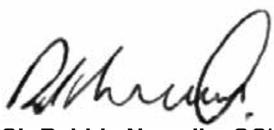


KAML will continue to hold steadfast to its objectives as a Listed Investment Company to provide a positive rate of return to shareholders through a combination of capital growth and income; providing shareholders with regular dividends; and preserving the capital of the company.

2018 has to date delivered volatile equity market performance, with some of the previous drivers of equity markets changing, in particular the outlook for global interest rates which are firmly on course to rise over the medium term. Global geopolitics, particularly led by the United States Trump administration's protectionist policies which has threatened trade wars with China and other major trading partners in Europe, continues to be a source of volatility in the global markets. Locally, the foreign exchange shortage issues continue to pose challenges and the country has had to refocus its efforts to address the effects of recent natural disasters especially the earthquake that hit Southern Highlands and Hela provinces earlier in the year that left behind a trail of destruction. In recent times, Port Moresby has been a major beneficiary of infrastructure spending in preparation for the Asia Pacific Economic Cooperation (APEC) heads of government meeting to be hosted later in the year.

The APEC event itself is expected to generate some immediate opportunities for businesses in and around Port Moresby mostly for hotelier services and utilities but we are mindful that this would be a one off boost in the short term and that the national economy will continue to remain subdued over the year. 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 willing to continue to uphold its commitment to you, our valued shareholder.



Sir Rabbie Namaliu, GCL, KCMG, CSM
Chairman

Chief Executive Officer's Report

2017 was another excellent year for KAML with the company turning over double digit portfolio return of 16.8% to our shareholders. This has been possible through our continued adherence to a prudent Investment Strategy and sound investment management practices while recognising the challenging conditions in the markets we invest in.

Investment Performance

Kina Asset Management Limited (KAML) performed strongly in 2017 against a backdrop of a challenging environment, both domestic and abroad, to record a net profit after tax (NPAT) of K8.35 million for the year. This was a very strong increase of 35.8% compared to the previous corresponding period.

The company delivered a strong investment performance for shareholders generating an investment return of 16.8% during the year. Despite challenges, investment markets performed favorably over the course of the year leading to this performance outcome which is one of the best results ever achieved by the Company for its shareholders. This reflects the strategic investment approach which focuses on long term holdings in leading businesses both in PNG and Australia and takes advantage of upsides in market movements and limits the downside risks.

Main contributors to the result were:

- Capital gains of K2.24 million resulting from strong performances of share prices of CSL Limited, Transurban Group and Oil Search Limited which rose by 40.7%, 20.4%, and 19.5% respectively over the period.
- Dividend and interest income were also strong contributors to the Fund totalling K3.53 million. Key contributors to dividend income were Bank South Pacific and Vanguard International.
- The depreciation of the Kina against the Australian dollar by 9.2% over the period also contributed to the growth in the value of the Fund, with currency gains adding K3.56 million.

Asset allocation at year end was 36.1% invested in domestic stocks, cash and fixed income and 63.9% invested in international stocks and cash.

Key portfolio holdings at year end were Bank South Pacific at 20.9%, Vanguard International at 12.1%, and Mirvac Group at 5.9%, Oil Search at 5.6% and CSL and Transurban at 5.0% each. Towards the end of the year Telstra Corporation was introduced to the portfolio. Telstra in our view is a business with strong defensive qualities, has a strong dividend yield of 6.6%, and the stock trades on a low price earnings ratio.

Cash holdings were at 20.3% as the fund manager Kina Funds Management took a conservative approach to investment of the cash. Refer Exhibit 1.0

EXHIBIT 1.0 – INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2017

Investments	% of Portfolio
Domestic	
Cash	1.1%
Fixed Income	2.9%
Equities	
Bank South Pacific	20.9%
Credit Corporation	3.0%
Kina Securities Limited	0.8%
City Pharmacy	1.8%
Oil Search Limited	5.6%
Total Domestic Portfolio	***36.1%***
International	
Cash	19.2%
Equities	
ANZ Bank Limited	4.3%
National Australia Bank	3.6%
Westpac Bank Limited	3.7%
Mirvac Group	5.9%
Transurban Group	5.0%
CSL Limited	5.1%
Global Index Fund	0.7%
Vanguard International Shares Index Fund	12.1%
BlackRock Wholesale Indexed International Equity Fund	4.3%
Total International Portfolio	***63.9%***
Total Portfolio	100.0%

Other transactions comprised of the partial stock disposal of Oil Search to trim exposure and take advantage of strong gains in the share price in line with a seasonal increase in the oil price.

The company's international equities investments significantly outperformed their respective benchmarks.

Domestic equities in line with the domestic equity index over the year. ASX equities and global funds generated returns of 25.0% and 24.0% respectively, whereas their benchmarks of the S&P/ASX50 provided an increase of 4.6% and the MSCI World ex-Australia 13.4%. Domestic equities generated a return of 13.3% in line with 13.6% for the KSHi index.

Net tangible asset backing per share as at 31 December 2017 was K1.31 (2016: K1.19) (pre dividend), an increase of 10.1% from the same prior period. The net assets of the company increased by 10.3% to K63.41 million (2016: K57.48 million).

As a result of the strong performance of the company, directors have declared a final dividend of 3 toea per share and to be paid to shareholders on 12 July 2018. Having paid an interim dividend of 2 toea per share in October 2017 the total dividend for KAML shareholders in 2017 will be 5 toea per share.

Investment Strategy

As a long term investor KAML is generally 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 2017 the transaction activity of the portfolio was minimal as we continued with the settings established during 2015 which 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.

Investment Portfolio

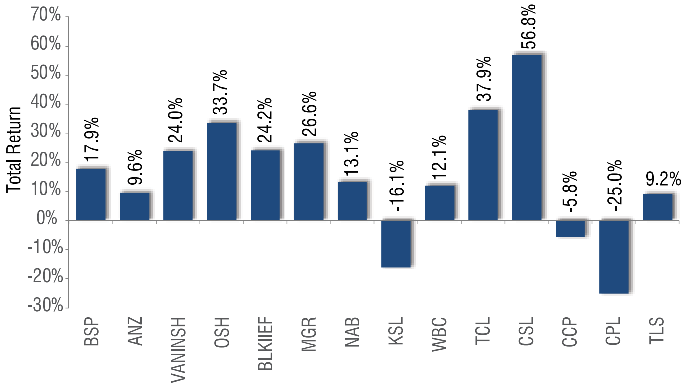
CSL Limited and Transurban Group (both ASX companies) were the top performers in the portfolio with capital gains of 40.7% and 20.4% respectively followed closely by listed Oil Search Limited (POMSoX) with 19.5%. BSP (POMSoX) provided strong dividends to the company with a dividend yield on the share price at the start of the year of 12.3%. The total returns provided by BSP to the portfolio for the year was 17.9%.

The Australian banks National Australia Bank, Westpac Bank and Australia and New Zealand Banking Group provided yields of 7.0%, 6.2% and 5.6% but capital losses pulled back their total returns. Similarly, Kina Securities and Credit Corporation provided yields of 5.6% and 7.4% respectively but significant capital losses pushed their total returns into negative.

Mirvac Group performed well for the portfolio with a 15.4% return. Our Global Managed Funds continued to provide solid performances with Vanguard International Shares Index Fund returning 6.4% and Blackrock Wholesale International Indexed Equity Fund returning 6.7%.

The ongoing effects of low commodity prices and ongoing domestic economic weakness was apparent for a number of equities. CPL was the primary example of this delivering a poor outcome and Credit Corporation also declined in value, however in our view CCP remains undervalued. Oil Search continued to contribute strongly in 2017 due to higher production levels and increased confidence in the company's medium to long term prospects. Refer Exhibit 2.0.

EXHIBIT 2.0 – KEY SHARE RETURNS FOR THE YEAR ENDING 31 DECEMBER 2017



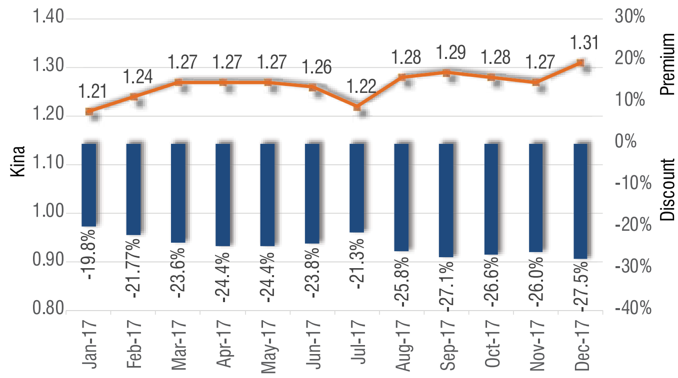
Weak economic fundamentals in the domestic market resulted in a weaker performance by the domestic portfolio compared to 2016. The domestic portfolio returned 12.7% compared to the offshore portfolio at 19.6%. Challenges in the domestic market remain and we will continue to monitor the performances of our domestic portfolio.

Summary

2017 was another excellent year for KAML and our shareholders. The company performed exceptionally well and delivered returns well above benchmarks. 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.

KAML's shares on POMSoX continue to trade at a discount of 20% -30% of the Net Tangible Assets of the company and supports our view that the company is undervalued. Refer Exhibit 3.0.

EXHIBIT 3.0 – SHARE PRICE DISCOUNT TO NET TANGIBLE ASSET



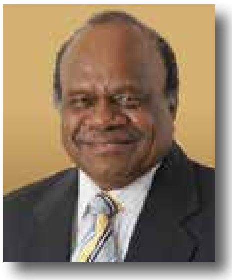
Finally, I would like to thank you, our valued shareholders, for your continued confidence in the company, and we assure you that we will maintain a proactive approach to the management of KAML in the pursuit of sustainable growth.

Sydney George Yates, OBE
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 distinguished statesman with more than nine years of board experience in the financial services and mining and petroleum industries in PNG. Sir Rabbie retired as Chairman of Kina in May 2017.

Sir Rabbie is a former Prime Minister of PNG and former Speaker of the PNG National Parliament. Sir Rabbie also had ministerial experience in Foreign Affairs & Trade, Treasury, Primary Industry, Petroleum and Energy and other areas of government responsibility. Before entering politics, he was a 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), retired from Kina Investment & Superannuation Services Ltd (appointed 2012) in May 2017. In addition, Sir Rabbie retired as a director of Era Resources in 2017 and appointed as a Director of Marengo Mining (PNG) Limited in 2017, Bougainville Copper Limited (appointed 2011). InterOil Corporation (appointed 2012 and retired on the 22nd February 2017), South Pacific Post Ltd (appointed 2013).

In 2011, Sir Rabbie was appointed 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.

SYDNEY GEORGE YATES OBE — CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Syd Yates retired as CEO of Kina Group in January 2018 after 21 years and was the driving force behind Kina's transition to Papua New Guinea's largest diversified financial services group. Kina started life as a small funds administrator and stockbroker and today is:

- The fourth largest bank in PNG
- The largest wealth management business in PNG with K6.5 billion in funds under management
- One of the largest fund administrators in the nation with more than 700,000 members and the country's leading Stockbroking Company.

Syd has more than 30 years' experience in the banking, finance and investment industries.

During his time at Kina, he played an important role as a prime mover behind the establishment of the Port Moresby Stock Exchange (POMSoX) and retired in December 2017 as a director where he had been since inception in 1998. Within the Kina Group, Syd served as a director of Kina Bank and Kina Funds Management. Beyond his business life, Syd has made a significant contribution to the community and sport in PNG. He is a director and Chairman of Fundraising of the Papua New Guinea Olympic Committee and Commonwealth Games Association of PNG.

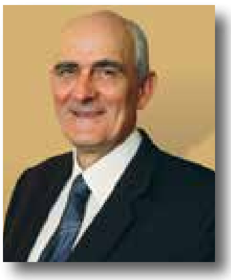
In recognition of his contribution to the PNG community, he was appointed an Officer of the Most Excellent Order of the British Empire in 2007. Syd also served as PNG's Chef de Mission to the 2004, 2008 and 2012 Olympic games.

Syd has been recently appointed as an independent director to the Papua New Guinea Rugby Football Union Board.

Prior to joining Kina, Syd was President and Chief Executive Officer of First Investment Finance Ltd. He has also been a director of Air Niugini Ltd, Bmobile Ltd and the Business Council of PNG.

Syd is a fellow of the Australian Institute of Company Directors, the Australian Institute of Management, the Financial Services Institute of Australasia, and a member of the PNG Institute of Directors.

GREGORY TAYLOR AO — NON - EXECUTIVE DIRECTOR



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

1. The Board of Directors

a) Code of Conduct

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

1. Care, Skill and Diligence

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

2. Good Faith

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

3. Proper Purpose

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

4. No Misuse of Information

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

5. No Misuse of Position

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

6. Conflicts of Interest

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

7. Disclosure of Interests

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

8. Accountability

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

9. Confidentiality

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

10. Business Decisions

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

11. Reliance on Information

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

12. Delegation

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

13. Compliance

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

Corporate Governance

1. The Board of Directors *(continued)*

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.

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 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. The Board intends to undertake a self-assessment during FY2018. It is intended this will 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 management 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 and Risk 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 and Risk Committee is comprised of two Non-Executive Directors. The Board appoints the Member and Chair of the Committee.

c) Audit and Risk 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
- systems of internal control of KAML
- systems for ensuring operational efficiency and cost control

2. Committees *(continued)*

c) Audit and Risk Committee *(continued)*

- 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 and Risk 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 and Risk 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 and Risk 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 and Risk 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 Kina Funds Management Ltd (KFM) with whom KAML has an Investment Management Agreement.

KFM'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.

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 management. The Board has also delegated to the Audit and Risk Committee responsibility for overview of loss control and for overseeing the risk management function. The Audit and Risk 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 management 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) Shareholders and the Financial Community

The Company is committed to increasing shareholder value in a manner consistent with its responsibilities to all stakeholders. The Company recognises the benefits of fair, accurate, timely and understandable disclosure and aims to keep shareholders informed as to its true and fair financial position and performance.

c) Political Environment

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; overseeing and coordinating disclosure of information to POMSoX, analysts, brokers, shareholders, the media and the public; and

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

c. 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 2017

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 2017. 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 K3,031,101 (2016: net profit of K1,505,620) after income tax expense of K35,245 (2016: income tax expense of K29,510), while the Group reported a net profit of K8,354,085 (2016:K6,149,694) after income tax charge of K140,193 (2016: income tax expense of K27,485).

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 and paid on 12 July 2017 in respect of the year ended 31 December 2016. An interim dividend of K968,329 was also declared and paid on 4 October 2017 for the year ended 31 December 2017. Out of both dividend payments, an amount of K465,379 was reinvested in the company, resulting in the issue of an additional 496,912 shares.

Directors' remuneration

Remuneration paid to the directors is disclosed in note 16 to the financial statements. The total remuneration paid to all 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 (2016: 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 4 - 8. Details of auditor remuneration is disclosed in note 18 to the financial statements.

Subsequent events

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Sydney George Yates, OBE
Director

Sir Rabbie Namaliu GCL, CSM, KCMG
Director

Port Moresby, 28 March 2018

Directors' Declaration

For the financial year ended 31 December 2017

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 the resolution of the directors.

On behalf of the Directors

Sydney George Yates, OBE
Director

Sir Rabbie Namaliu GCL, CSM, KCMG
Director

Port Moresby, 28 March 2018

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 2017, 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 which 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 2017 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 2017, 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

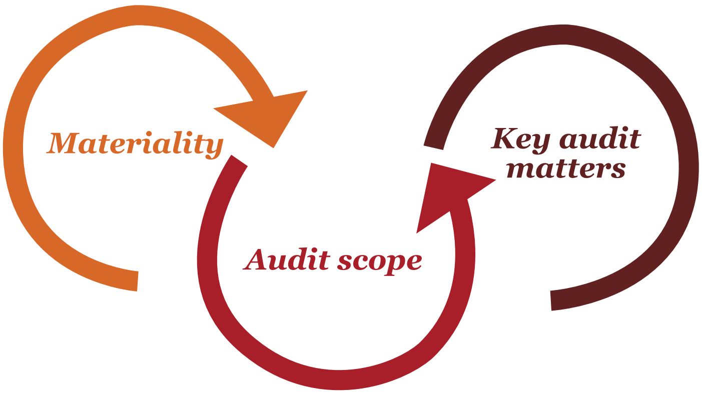
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of tax compliance services. 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.



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Materiality	Audit scope	Key audit matters
• For the purpose of our audit of the Group we used overall group materiality of K0.3 million which represents 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 Group net assets because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a 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 matters to the Audit and Risk Committee: • Financial assets – existence and valuation • These matters are 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 matters described below to be 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
Financial assets – K50.3 million - Refer to Note 8 to the financial statements 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 79% 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 (K48.5 million) and Papua New Guinea 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 check the ownership of the financial assets • Performing procedures to check the fair values of individual investments, including independent verification of pricing to the respective market sources for equity instruments. • Performing procedures to check the computation of amortised cost over Papua New Guinea 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. The other information comprises the Directors Report and any other information included in the Group's annual report for the year ended 31 December 2017 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this report. The other information also includes the Annual Report to the shareholders, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information included in the annual report and we do 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.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 ISAs 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 are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

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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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements. 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 2017:

- 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

SC Beach
Partner

Registered under the Accountants Registration Act 1996

Port Moresby, 28 March 2018

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Statements of Comprehensive Income

for the financial year ended 31 December 2017

		Consolidated		Company	
		2017	2016	2017	2016
	Note	K	K	K	K
Continuing operations					
Revenue	3(a)	3,851,025	3,471,516	3,643,870	2,026,971
Changes in fair value of financial assets	8	4,978,656	3,302,856	-	-
Exchange gain		699,493	308,312	-	-
Net income		9,529,174	7,082,684	3,643,870	2,026,971
Directors' fees	16	(105,000)	(105,000)	(105,000)	(105,000)
Insurance		(86,968)	(80,948)	(86,969)	(80,948)
Management fees	17	(444,172)	(398,814)	-	-
Share registry fees		(134,624)	(97,609)	(134,624)	(97,609)
Other operating expenses	3(b)	(264,132)	(223,134)	(250,932)	(208,284)
Profit before tax		8,494,278	6,177,179	3,066,346	1,535,130
Income tax expense	6	(140,193)	(27,485)	(35,245)	(29,510)
Net Profit for the year		8,354,085	6,149,694	3,031,101	1,505,620
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		8,354,085	6,149,694	3,031,101	1,505,620
Earnings per share					
Basic (toea per share)	9	17	13		
Diluted (toea per share)	9	17	13		

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

Statements of Financial Position

as at 31 December 2017

	Note	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
Assets					
Cash and cash equivalents	12	11,676,441	10,526,253	59,732	260,484
Current tax receivables		218,320	359,704	28,533	-
Other receivables	4	1,461,534	561,917	688,967	527,049
Financial assets					
Fair value through profit and loss	8	48,502,868	44,556,459	-	-
Held to maturity	8	1,818,970	1,829,769	-	-
Investment in subsidiary company	11	-	-	1	1
Due from related parties	17	-	-	47,459,765	46,852,510
Net deferred tax assets	6	132,565	52,806	-	-
Total assets		63,810,698	57,886,908	48,236,998	47,640,044
Liabilities					
Other payables	7	357,617	311,851	315,355	273,441
Current tax liabilities		-	69,648	-	69,648
Net deferred tax liabilities	6	46,331	26,155	46,331	26,155
Total liabilities		403,948	407,654	361,686	369,244
Net assets		63,406,750	57,479,254	47,875,312	47,270,800
Equity					
Fully paid ordinary shares	5	48,553,544	48,088,165	48,553,544	48,088,165
Accumulated gain/(loss)		14,853,206	9,391,089	(678,232)	(817,365)
Total equity		63,406,750	57,479,254	47,875,312	47,270,800

Statements of changes in equity

for the financial year ended 31 December 2017

	Fully paid ordinary shares K	Accumulated gain/loss K	Total K
Consolidated			
Balance at 1 January 2016	47,899,583	4,678,169	52,577,752
Transactions with owners			
Issued shares (note 5)	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
Balance at 1 January 2017	48,088,165	9,391,089	57,479,254
Transactions with owners			
Issued shares (note 5)	465,379	-	465,379
Dividend	-	(2,891,968)	(2,891,968)
Profit for the year	-	8,354,085	8,354,085
Balance at 31 December 2017	48,553,544	14,853,206	63,406,750
Company			
Balance at 1 January 2016	47,899,583	(886,211)	47,013,372
Transactions with owners			
Issued shares (note 5)	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
Balance at 1 January 2017	48,088,165	(817,365)	47,270,800
Transactions with owners			
Issued shares (note 5)	465,379	-	465,379
Dividend	-	(2,891,968)	(2,891,968)
Profit for the year	-	3,031,101	3,031,101
Balance at 31 December 2017	48,553,544	(678,232)	47,875,312

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

Statements of Cash Flows

for the financial year ended 31 December 2017

	Note	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
Cash flows from operating Activities					
Dividend, interest and other					
Income receipts		4,470,494	3,428,075	2,891,968	1,436,774
Purchase of shares		(654,177)	(285,642)	-	-
Sale of shares		975,598	1,266,630	-	-
Payments to third parties		(1,311,976)	(979,048)	(741,616)	(501,038)
Tax credits		96,838	-	96,838	-
Tax paid		-	(33,222)	-	(33,222)
Net cash provided by operating activities		3,576,777	3,396,793	2,247,190	902,514
Cash flows from financing activities					
Dividend paid, net of reinvestment	19	(2,426,589)	(1,248,192)	(2,426,589)	(1,248,192)
Amounts (advanced to) / received from related parties		-	-	(21,513)	559,775
Net cash used in financing activities		(2,426,589)	(1,248,192)	(2,447,942)	(688,417)
Net increase / (decrease) in cash and cash equivalents		1,150,188	2,148,601	(200,752)	214,097
Cash and cash equivalents at the beginning of the financial year		10,526,253	8,377,652	260,484	46,387
Cash and cash equivalents at the end of the financial year	12	11,676,441	10,526,253	59,732	260,484

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 few amended standards and interpretations became mandatory for the first time for the financial year beginning 1 January 2017. These standards did not have any impact on the financial statements for the year ended 31 December 2017. In addition, there are new standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2017. The group has not early adopted these standards. Out of these standards, IFRS 9: "Financial Instruments" and IFRS 15 "Revenue from contracts with customer" become effective on 1 January 2018 and will be applicable to the Group for the 2018 year. IFRS 9 deals with the classification and measurement of financial assets and liabilities, hedge accounting and recognition of impairment losses. While the existing measurement basis of the financial assets and liabilities of the Group are not expected to be impacted by IFRS 9, additional disclosures will be required in relation to the accounting policies to comply with the new requirements of the standard. IFRS 15 introduces a five steps revenue recognition model. The investment income comprising interest, dividend and fair value appreciation are not impacted by IFRS 15. The fee income of the parent entity is within the scope of the IFRS 15. Management does not consider the recognition of fee income will be significantly impacted by IFRS 15. However, additional disclosures will be required in relation to the accounting policies under IFRS 15 when the standard is adopted.

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.

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.

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.

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 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
3. Revenue				
(a) Revenue				
Interest income	351,115	359,654	-	-
Dividend income	3,231,117	2,842,955	2,891,968	1,436,774
Gain on sale of investment securities	268,793	268,907	-	-
Subsidiary management fees	-	-	751,902	590,197
	3,851,025	3,471,516	3,643,870	2,026,971
(b) Other operating expenses				
Professional fees	126,915	70,060	113,715	55,210
Audit fees	53,000	44,000	53,000	44,000
Listing fees	33,945	36,000	33,945	36,000
Printing	24,813	35,000	24,813	35,000
Postage	-	25,000	-	25,000
Advertising	3,072	6,000	3,072	6,000
Travel and accommodation	15,454	4,800	15,454	4,800
Bank charges	3,833	1,974	3,833	1,974
Internet charges	-	300	-	300
Venue Hire	1,600	-	1,600	-
Registration Fees	1,500	-	1,500	-
	264,132	223,134	250,932	208,284

4. Other receivables

	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
Dividend receivable	193,239	174,291	-	-
Withholding taxes recoverable	217,965	337,689	217,965	165,215
Other receivable*	1,050,330	49,937	471,002	361,834
	1,461,534	561,917	688,967	527,049

* Other receivable includes proceeds for the sale of shares of K978,906 not collected at year-end.

5. Share capital

	Consolidated Number of shares	Consolidated Cost	Company Number of shares	Company Cost
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: 2017				
Beginning	48,090,974	48,088,165	48,090,974	48,088,165
Issued shares:	496,912	465,379	496,912	465,379
Ending	48,587,886	48,553,544	48,587,886	48,553,544

Fully paid ordinary shares carry one vote per share and the right to dividends.
In 2017, the company issued an additional 496,912 shares for K465,379 (2016: additional 198,507 for K188,582.

6. Income taxes

Income tax recognised in profit or loss

(a) Tax expense/(credit) comprises:	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
Current tax expense	24,450	29,510	32,190	27,998
Deferred tax	(59,582)	(2,025)	20,176	1,512
Prior year over provision	175,325	-	(17,121)	-
Total tax expense/(credit)	140,193	27,485	35,245	29,510

	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
6. Income taxes *(continued)*				
(b) The prima facie income tax expense on pre-tax accounting profit/(loss) reconciles to the income tax expense in the financial statements as follows:				
Profit before tax	8,494,278	6,177,179	3,066,346	1,535,130
Income tax expense calculated at 30%	2,548,283	1,853,154	919,904	460,539
Prior year over provision	175,325	-	(17,121)	-
Tax effect of non-assessable income*	(2,583,415)	(1,825,669)	(867,538)	(431,029)
	140,193	27,485	35,245	29,510

*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 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
Accrued liabilities	107,106	52,806	94,426	81,852
	107,106	93,375	94,426	81,852
Prepaid insurance	9,784	9,784	9,784	9,784
Accounts receivable	-	-	130,973	98,223
Interest and other receivable	11,088	56,940	-	-
	20,872	66,724	140,757	108,007
Net deferred tax assets / (liabilities)	86,234	26,651	(46,331)	(26,155)
Presented as:				
Net deferred tax liability	(46,331)	(26,155)	(46,331)	(26,155)
Net deferred tax asset	132,565	52,806		
	86,234	26,651		

	Consolidated 2017 K	Consolidated 2016 K	Company 2017 K	Company 2016 K
7. Other payables				
Other payables	600	600	600	600
Accrued expenses	357,017	311,251	314,755	272,841
	357,617	311,851	315,355	273,441
8. Financial assets				
Financial assets carried at fair value through profit or loss:				
Listed securities	48,502,868	44,556,459	-	-
Movements:				
Balance at the beginning of the year	44,556,459	41,965,684	-	-
Purchases	654,176	285,642	-	-
Disposal	(1,955,216)	(1,266,630)	-	-
Gains on Sale	268,793	268,907	-	-
Changes in fair value	4,978,656	3,302,856	-	-
	48,502,868	44,556,459	-	-
Held to maturity:				
Government Inscribed Stock	1,818,970	1,829,769	-	-
	1,818,970	1,829,769	-	-

8. Financial assets

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

Company	31 December 2017 Market price	No. of units	Market value	31 December 2016 Market price	No. of units	Market value
Bank South Pacific (BSP)	9.50	1,388,018	13,186,171	9.00	1,388,018	12,492,162
Credit Corporation (CCP)	1.65	1,151,491	1,899,960	1.90	1,151,491	2,187,833
Kina Securities Limited (KSL)	1.87	615,000	1,151,193	2.40	515,000	1,236,000
City Pharmacy (CPL)	0.75	701,191	525,893	1.00	701,191	701,191
Oil Search Limited (OSH)	19.57	180,642	3,535,681	16.37	283,642	4,643,220
ANZ Bank Limited (ANZ)	72.21	37,400	2,700,693	69.44	37,400	2,597,056
National Australia Bank (NAB)	74.30	30,792	2,287,737	70.00	30,792	2,155,440
Westpac Bank Limited (WBC)	78.77	29,900	2,355,188	74.41	29,900	2,224,859
Mirvac Group (MGR)	5.90	630,500	3,722,802	4.86	630,500	3,064,230
Transurban Group (TCL)	31.23	101,359	3,165,559	23.56	101,359	2,388,018
CSL Limited (CSL)	355.03	9,000	3,195,226	229.20	9,000	2,062,800
Telstra Corporation Limited (TLS)	9.12	50,000	456,030			
Vanguard International Shares Index	5.28	1,443,513	7,625,593	4.51	1,443,514	6,510,249
Blackrock Wholesale International Indexed Equity Fund	39.45	68,317	2,695,140	33.57	68,317	2,293,401
			48,502,868			44,556,459

Market value is determined from quoted prices in active markets, being the current last price at measurement date. Quoted shares on the Australia Stock Exchange have been translated at the year-end exchange rate (refer note 13(c)),

Detailed listing of the Group's held to maturity financial assets (Government Inscribed Stock) as at 31 December 2017 follow:

Serial Number	Settlement Date	Maturity Date	Coupon Rate	Face Value	31 December 2017 Balance	31 December 2016 Balance
S15052031	24/Oct/2014	15/May/2031	12.00%	500,000	429,627	435,216
S15052027	24/Oct/2014	15/May/2027	10.50%	500,000	436,468	439,976
S15052027	19/Dec/2014	15/May/2027	10.50%	500,000	456,260	458,202
S15082022	24/Jul/2015	18/Aug/2022	10.00%	500,000	496,615	496,375
				2,000,000	1,818,970	1,829,769

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

9. Earnings per share

	Consolidated 2017 Toea	Consolidated 2016 Toea
Basic and diluted earnings per share		
Total basic earnings per share	17	13

Basic earnings per share

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

	Consolidated 2017 K	Consolidated 2016 K
Net income used in the calculation of basic and diluted EPS	8,354,085	6,149,694
	2017 No.	**2016 No.**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	48,310,879	48,104,751

10. Contingent liabilities and contingent assets

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

11. Parent and subsidiary

Name of entity	Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Parent entity			
Kina Asset Management Limited	Papua New Guinea		
Subsidiary			
Kina Asset Management No 1 Limited	Papua New Guinea	100	100

12. 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	
	2017	2016	2017	2016
	K	K	K	K
Cash and cash equivalents	8,173,288	10,013,378	59,732	260,484
Interest bearing deposit	3,503,153	512,875	-	-
	11,676,441	10,526,253	59,732	260,484

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 0.3980 and USD/Kina 0.3170 (2016: 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
2017	K	K
Australian Dollar	41,545,518	-
US Dollar	3,502,812	-
2016		
Australian Dollar	29,236,041	-
US Dollar	3,422,672	-

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%	10%	10%	10%
2017	increase	decrease	increase	decrease
Loss/(profit)	(3,776,866)	4,616,168	(318,439)	389,201
2016				
Loss/(profit)	(3,910,877)	3,199,795	(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 2017 would increase/decrease by K2,425,143 (2016: 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.

There is no secondary market for the financial assets carried at amortised cost. Accordingly, the director consider there is no material difference between the fair value and carrying value of these financial assets.

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
2017	K	K	K	K	K
Revenue	2,584,459	6,944,715	9,529,174	3,643,870	9,529,174
Expenses			(1,209,274)	(577,524)	(1,034,896)
Operating profit			8,319,900	3,066,346	8,494,278
Income tax expense			(104,948)	(35,245)	(140,193)
Net profit			8,214,952	3,031,101	8,354,085
Assets	18,421,713	45,048,330	63,470,043	48,236,998	63,810,698
Liabilities			47,938,607	(361,686)	(403,948)
Net assets			15,531,436	47,875,312	63,406,750
2016					
Revenue	3,945,275	3,137,410	7,082,685	2,026,971	7,082,684
Expenses			(1,003,861)	(491,841)	(905,505)
Operating profit			6,078,824	1,535,130	6,177,179
Income tax credit / (expense)			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

15. Capital commitments

There were no capital commitments at year end.

16. Directors and key management personnel compensation

Details of key management personnel		2017	2016
		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:

	2017	2016
	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 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 Company or to their related entities.

iii. Transactions with key management personnel of the Company

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, Kina Funds Management Limited, and owns Columbus Investments Limited which is a shareholder of Kina Asset Management Limited and Kina Securities Limited. Sydney George Yates is an employee of Kina Securities Limited and is remunerated by that company.

During the year Kina Asset Management No. 1 Limited purchased 100,000 shares of Kina Securities Limited for K236,479 (AUD97,000).

Outstanding payable to Kina Funds Management Limited at year end was K38,921 (2016: K32,921). 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.

A management fee of K444,172 (2016: K398,814) is paid to Kina Fund Management Limited for services rendered by the entity. 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 K751,902 (2016:K590,197) to its subsidiary. The management fee is charged by the holding company, based on expenses incurred by the company. Payment is made through the intercompany account. At 31 December 2017, the subsidiary owed the Company K47,459,765 (2016:K46,852,510). These accounts are unsecured, non-interest bearing and are receivable on demand.

(e) Equity interests held by key management personnel

- Sir Rabbie Langanai Namaliu: 59,358 shares held through Tobit Investments Limited (2016:58,146).
- Gregory Frank Taylor: 34,000 shares held directly (2016: 34,000).
- Sydney George Yates: 3,190,827 shares held through Columbus Investment Limited (2016: 3,190,827).

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 Incorporation
	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 Investment and Superannuation Services Limited*
	Director	Kina Wealth Management Limited *
	Director	Kina Nominees Limited*
	Director	Kina Securities Limited*
	Director	Media Niugini Limited
	Director	Port Moresby Stock Exchange Limited*
	Owner	Yates Consulting Ltd (Australian Family Company)

*Sydney George Yates retired as a director of these companies on 2 January 2018.
*Sydney George Yates retired as a director of Port Moresby Stock Exchange in December 2017

18. Remuneration of auditors

	Consolidated		Company	
	2017 K	2016 K	2017 K	2016 K
Audit of the financial report	53,000	44,000	53,000	44,000
Other services	73,915	26,400	73,915	26,400
	126,915	70,400	126,915	70,400

The auditor of the Group is PricewaterhouseCoopers.

19. Dividends

A dividend of K1,923,639 was declared and paid on 12 July 2017 in respect of the year ended 31 December 2016. An interim dividend of K968,329 was also declared and paid on 4 October 2017 for the year ended 31 December 2017. Out of both dividend payments, an amount of K465,379 was reinvested in the company, resulting in the issue of an additional 496,912 shares.

20. Subsequent events

There are no other subsequent events that may require a disclosure of adjustment to the financial statements.

Shareholder Information

for the financial year ended 31 December 2017

a) Distribution of ordinary shares according to size as at 31 December 2017

Range	Number of holders	Number of Shares	% of Issued Capital
1 – 1000	1,777	1,142,446	2.35
1001 – 5000	581	1,351,477	2.78
5001 – 10000	89	732,915	1.51
10001 – 100000	67	1,996,427	4.11
100001 and over	23	43,364,621	89.25
Total	2,537	48,587,886	100.00

b) The twenty larget shareholders of ordinary equity shares as at 31 December 2017

Rank	Shareholders	Number of Shares	% of issued capital
1	MONIAN LIMITED	11,973,117	24.64
2	COMRADE TRUSTEE SERVICES LIMITED	5,426,027	11.17
3	CREDIT CORPORATION (PNG) LIMTED	4,255,463	8.76
4	KINA FUNDS MANAGEMENT LIMITED	3,594,723	7.40
5	MOTOR VEHICLE INSURANCE LTD	3,500,000	7.20
6	COLUMBUS INVESTMENTS LIMITED	3,190,827	6.57
7	PACIFIC MMI INSURANCE LIMITED	2,692,975	5.54
8	EAST NEW BRITAIN SAVINGS & LOAN SOCIETY LIMITED	1,500,000	3.09
9	CAPITAL LIFE INSURANCE COMPANY LIMITED	1,327,103	2.73
10	CAPITAL GENERAL INSURANCE COMPANY LIMITED	1,111,400	2.29
11	MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED	1,000,000	2.06
12	GALE INVESTMENT LIMITED	500,000	1.03
13	MINERAL RESOURCES OK TEDI NO 2 LIMITED	500,000	1.03
14	MINERAL RESOURCES STAR MOUNTAIN LIMITED	500,000	1.03
15	THEODIST LIMITED	500,000	1.03
16	COURTNEY JADE SALTER	329,321	0.68
17	NEW GUINEA FRUIT COMPANY LIMITED	270,300	0.56
18	ZOGI DISTRIBUTORS LIMITED	253,805	0.52
19	NORMAN JOHN NIGHTINGALE + DARRIE PADIR NIGHTINGALE	250,000	0.51
20	PAPINDO TRADING COMPANY	250,000	0.51
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES		**42,925,061**	**88.35**
Total Remaining Holders Balance		**5,662,825**	**11.65**
Total		**48,587,886**	**100.00**

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, Kina Haus Douglas Street (PO Box 1141) Port Moresby National Capital District 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

Level 9, Kina Haus
Douglas Street
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