



KINA ASSET MANAGEMENT LIMITED

APPENDIX 4B STATEMENT

FOR THE 12 MONTHS ENDED 31 DECEMBER 2018

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FULL YEAR RESULTS FOR ANNOUNCEMENT TO THE MARKET

12 MONTHS ENDING 31 DECEMBER 2018

The reporting period is the year ended 31 December 2018, and the corresponding prior period is the year ended 31 December 2017.

Highlights

Kina Asset Management Ltd (**KAML** or the **Company**) recorded a net profit after tax of K119,132 after adjustments for the year ended 31 December 2018.

The Company's modest return of 2.2% for the year was achieved in a challenging environment of subdued economic activity and volatile financial market conditions. Global financial markets struggled towards the year-end, as a number of geo-political developments and, in relation to Australian bank shares, the impact of the Banking Royal Commission, weighed heavily on investor confidence.

Notwithstanding these conditions, dividend and interest income contributed strongly to the Company's performance, totalling K4.2 million. Key contributors to dividend income were Bank of South Pacific (BSP), Vanguard International, and Credit Corporation.

Declines in international share prices resulted in capital losses of K2.7 million for the year. The prices of all of shares held by the Company declined, with the notable exception of Kina Securities, Oil Search and CSL.

The appreciation of the PNG Kina of 6.1% against the Australian dollar over the year resulted in a currency exchange loss of K2.1 million.

Asset allocation at year-end was 40.18% invested in domestic stocks, cash and fixed income; and 59.82% invested in international stocks and cash.

Key portfolio holdings at year end were: BSP at 23.4%, Vanguard International at 11.5%, CSL at 6.5% and Oil Search at 5.7%. Cash holdings stood at 14.1% as the fund's manager, Kina Funds Management (**KFM**), maintained a cautious approach to the Company's investments.

During the year, the Company increased its holdings in Telstra, Credit Corporation, Kina Securities and Oil Search. Other portfolio activity included a more aggressive approach to internal cash placements to maximise returns whilst new growth opportunities were being evaluated.

The Company's equity investments achieved mixed results against their respective benchmarks. Domestic equities (13.0%) again outperformed the benchmark KSI Home Index (4.8%). ASX-listed equities and global equity funds generated negative returns of -6.4% and -3.5% respectively, against their benchmark S&P/ASX50 and MSCI World ex-Australia index's PGK-equivalent returns of 11.1% and -5.1% respectively.

Net tangible asset backing per share as at 31 December 2018 was K1.26 (2017: K1.27 post dividend), a decrease of 0.8% after payment of a half year dividend in 2018 of K0.02 per share.

Domestic Investments

- BSP continues to maintain its position as the biggest driver of the Company's investment performance, with a total return of 22.2%. This return was attributable to an 8.3% increase in share price, and a dividend yield of 13.9% from payments of 79 toea per share (full year) and 32 toea per share (interim) during the year. BSP is the company's largest investment, representing 23.4% of the portfolio at year-end.
- Kina Securities recorded an impressive return of 29.5%, attributable to a 20.2% increase in share price, and a dividend yield of 9.3%.
- The next-best performer in the domestic portfolio was PNG government inscribed stock with income returns of 11.8%.

- Other domestic investments provided a combined return of -7.6%, due largely to share price falls arising from the February earthquake and ongoing economic challenges faced by PNG.
- Oil Search recorded negative total returns but despite the disappointing year-end result, that company's outlook remains positive with production expected to increase by an average 18% in 2019, and the finalisation of gas agreements by end of Q1 2019.

International Investments

- CSL continues to be the best performing stock in the international portfolio, generating a total return of 25.1%, and was the only international stock to generate positive returns during the year.
- The remainder of the international portfolio was greatly affected by market volatility observed in the last quarter of the year. The banking stocks ANZ, NAB and Westpac Bank were the most affected with losses of -14.4%, -16.8% and -18.9% respectively.

Review and Outlook

The Company was well positioned for 2018, with a strong liquidity position held offshore to protect it from a rising US Dollar, which was supported by both strong economic fundamentals and rising interest rates, as US authorities continued to withdraw post-GFC monetary stimulus. 2018 finally saw the return of market volatility after a long period of economic recovery and steadily rising markets, and critically, the re-emergence of geo-political risks: the imposition of bilateral tariffs in an escalating trade war between the US and China, and the inability of the UK House of Commons to agree on terms negotiated for Brexit, as the March 2019 "hard exit" drew inevitably closer.

Domestically, the February 2018 earthquake in the PNG highlands devastated lives, the environment, and the economy, with the resources sector already grappling with the markets for PNG's key commodity exports. Despite hosting a successful APEC conference in November 2018, the economic benefits for PNG appeared transitory, as the markets continue to look for the commencement of long awaited transformational resource projects.

The year ended tumultuously, with a shut-down of the US government as part of President Trump's battle over funding for the Mexico border wall with the newly Democrat controlled Congress, and the British Prime Minister barely surviving a vote of no-confidence as the hard Brexit deadline approached. In Australia, the banking sector reeled under the revelations of the Banking Royal Commission.

At year end KAML's liquidity position remained intact. Global equity markets have risen strongly in the new-year, despite evidence of moderating economic growth in most economies, and an uncertain geo-political outlook. In Australia, an election is due to be held in May. Accordingly, the Company will approach 2019's growth opportunities with great caution.

Top 5 Holdings as at 31 December 2018

	Asset	Percentage of Portfolio (%)	Value of Investment (PGK)
1.	Bank South Pacific	23.37	14,259,533
2.	Vanguard Int'l Shares Index Fund	11.53	7,033,236
3.	CSL	6.47	3,947,974
4.	Oil Search	5.74	3,505,228
5.	Mirvac Group	5.48	3,345,937
6.	Telstra	5.04	3,072,139

Brands KAML Invests In



Financial Year ended 31 December 2018				
Kina Asset Management Limited and Subsidiary				
Company No	Half yearly	Final	financial year ended	
HUBSP0000055.		X	31-Dec-18	
Extracts from this report for announcement to the market (see note 1)				
Sales (or equivalent operating) revenue (item 1.1)				4,290,857
Abnormal after tax attributable to shareholders (item (2.5)				-
Operating profit (loss after tax (before amortisation of goodwill) attributable to shareholders (item 1.26)				119,132
Operating profit (loss) after tax attributable to shareholders (item 1.10)				119,132
Extraordinary items after tax attributable to shareholders item 1.13				-
Operating profit(loss) and extraordinary items after tax attributable to shareholders (item 1.16)				119,132
Dividend (distributions)				
		Amount per + security		
Final dividend (preliminary final report only -item 15.4)		n/a		n/a
Interim Dividend (Half yearly report only - item 15.6)		0.02		974,290
Previous corresponding period (Preliminary final report -item 15.5)		0.04		1,457,637
Half yearly report - item 15.7)		n/a		n/a
Record date for determining entitlements to the dividend (In the case of a trust, distribution) (see item 15.2)				NA

				Current Period K	Previous Corresponding period K
1.1	Sales (or equivalent operating) revenue			4,290,857	3,851,025
1.2	Share of associates "net profit(loss) attributable to shareholders" (equal to item 16.7)			-	-
1.3	Other Revenue			- 2,951,494	5,678,149
1.4	Operating profit (loss) before abnormal items and tax			328,067	8,494,278
1.5	Abnormal items before tax (detail in item 2.4)			-	-
1.6	Operating profit (loss) before tax (items 1.4 + 1.5)			328,067	8,494,278
1.7	Less tax			208,935	140,193
1.8	Operating profit (loss) after tax but before outside equity interest			119,132	8,354,085
1.9	Less outside equity Interest			-	-
1.10	Operating profit(loss) after tax attributable to shareholders			119,132	8,354,085
1.11	Extraordinary items after tax (detail in item 2.6)			-	-
1.12	Less outside Equity Interest			-	-
1.13	Extraordinary items after tax attributable to shareholders			-	-
1.14	Total Operating profit(loss) and extraordinary items after tax (items 1.8 + 1.11)			119,132	8,354,085
1.15	Operating profit (loss) and extraordinary items after tax attributable to outside equity interest (items 1.9 + 1.12)			-	-
1.16	Operating profit (loss) and extraordinary items after tax attributable to shareholders (item 1.10+1.13)			119,132	8,354,085
1.17	Retained profits (accumulated losses) at beginning of financial period			14,853,206	9,391,089
1.18	If change in accounting policy (include brief description)				-
1.19	Aggregate of amounts transferred from reserves				
1.20	Total available for appropriation (carried forward)			14,972,338	17,745,174
1.21	Dividend provided for or paid			- 2,431,927	- 2,891,968
1.22	Aggregate of amounts transferred to Reserves			-	-
1.23	Retained profits (accumulated losses) at end of financial period			12,540,411	14,853,206
	Profit restated to exclude amortisation of goodwill				
1.24	Operating profit(loss) after tax before outside equity interests (items 1.8) and amortisation of goodwill			119,132	8,354,085
1.25	Less(plus) outside equity interest			-	-
1.26	Operating profit(loss) after tax (before amortisation of goodwill) attributable to shareholders			119,132	8,354,085

Intangible, abnormal and extra ordinary items		Consolidated- current period			
		Before tax K	Related tax K	Related outside equity interest K	Amount (after tax)attributable to shareholders K
2.1	Amortisation of goodwill				
2.2	Amortisation of other intangibles	-	-	-	-
2.3	Total Amortisation of Intangibles	-	-	-	-
2.4	Abnormal items	-	-	-	-
2.5	Total abnormal items	-	-	-	-
2.6	Extraordinary items	-	-	-	-
2.7	Total extraordinary items	-	-	-	-
Comparison of half year profits				Current year - K' 000	Previous year K' 000
3.1	Consolidated operating profit(loss) after tax attributable to shareholders reported for the 1st half year (item 1.10 in the half yearly report)			1,217,194	5,003,832
3.2	Consolidated operating profit(loss) after tax attributable to shareholders for the second half year			-1,098,062	3,350,253

		At end of current period K	As shown in last annual report K	As in last half yearly report K
	Current Assets			
4.1	Cash	8,543,950	11,676,441	9,182,648
4.2	Receivables	611,178	1,679,854	1,067,852
4.3	Investments	50,629,192	48,502,868	53,489,714
4.4	Inventories	-	-	-
4.5	Other(provide details if material)	-	-	-
4.6	Total Current assets	59,784,320	61,859,163	63,740,214
	Non Current Assets			
4.7	Deferred Tax Asset	101,383	132,565	328,107
4.8	Investment in associates		-	-
4.9	Investments	1,806,285	1,818,970	1,826,389
4.10	Inventories	-	-	-
4.11	Exploration and evaluation expenditure capitalised	-	-	-
4.12	Development properties (mining entities)	-	-	-
4.13	Other property, plant and equipment (net)	-	-	-
4.14	Intangibles (net)	-	-	-
4.15	Other (provide details if material)	-	-	-
4.16	Total Non current Assets	1,907,668	1,951,535	2,154,496
4.17	Total Assets	61,691,988	63,810,698	65,894,710
	Current Liabilities			
4.18	Accounts payables	214,014	357,617	906,093
4.19	Borrowings	-	-	-
4.20	Current Tax Liability	63,518	-	-
4.21	Other (dividend payable)		-	1,457,637
4.22	Total current liabilities	277,533	357,617	2,363,730
	Non Current Liabilities			
4.23	Deferred Tax Liabilities	55,744	46,331	364,673
4.24	Borrowings	-	-	-
4.25	Provisions	-	-	-
4.26	Other (provide details if material)		-	
4.27	Total non- current liabilities	55,744	46,331	364,673
4.28	Total Liabilities	333,277	403,948	2,728,403
4.29	Net Assets	61,358,712	63,406,750	63,166,307

Consolidated Balance Sheet (continued)]

		At end of current period K	As shown in last annual report K	As in last half yearly report K
	Equity			
4.30	Capital	48,818,301	48,553,544	48,553,544
4.31	Reserves	-	-	-
4.32	Retained Profits (accumulated losses)	12,540,412	14,853,206	14,612,763
4.33	Equity attributable to shareholders of the parent entity	61,358,712	63,406,750	63,166,307
4.34	Outside equity to shareholders of the parent entity	-	-	-
4.35	Total equity	61,358,712	63,406,750	63,166,307
4.36	Preference Capital included as part of 4.33	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by entities with mining interest if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

			Current Period K	Previous Corresponding period K
5.10	Opening Balance		-	-
5.2	Expenditure incurred during current period		-	-
5.3	Expenditure written off during current period		-	-
5.4	Acquisition, disposals, revaluation, increments, etc		-	-
5.5	Expenditure transferred to development properties		-	-
5.6	Closing balance as shown in the consolidated balance sheet (item 4.11)		-	-

Development properties

To be completed only by entities with mining interest if amounts are material

			Current Period K	Previous Corresponding period K
6.1	Opening Balance		n/a	n/a
6.2	Expenditure incurred during current period		n/a	n/a
6.3	Expenditure transferred from exploration and evaluation		n/a	n/a
6.4	Expenditure written off during current period		n/a	n/a
6.5	Acquisition, disposals, revaluation, increments, etc		n/a	n/a
6.6	Expenditure transferred to mine properties		n/a	n/a
6.7	Closing balance as shown in the consolidated balance sheet (item 4.12)		n/a	n/a

		Current Period K	Previous Corresponding period K
Consolidated Statement of Cash Flows			
Cash Flows related to operating activities			
7.1	Receipts from customers	4,455,850	4,470,494
7.2	Payments to suppliers and employees	- 696,990	- 1,311,976
7.3	Dividends received from associates	-	-
7.4	Other Dividends received	-	-
7.5	Interest and other items of similar nature received	-	-
7.6	Interest and other finance paid	-	-
7.7	Income taxes paid	-	-
7.8	Other	65,580	96,838
7.9	Net Operating cash flows	3,824,439	3,255,356
Cash flows related to investing activities			
7.10	Payment of purchase of property, plant and equipment	-	-
7.11	Proceeds from sale of property, plant and equipment	-	-
7.12	Payment for purchases of equity investments	- 6,198,322	- 654,177
7.13	Proceeds from sale of equity investments	1,408,559	975,598
7.14	Loans to other entities	-	-
7.15	Loans repaid by other entities	-	-
7.16	Other (investment in shares)	-	-
7.17	Net Investing cash flows	- 4,789,763	321,421
Cash flows related to financing activities			
7.18	Proceeds from issues of securities (shares, options, etc)	-	-
7.19	Proceeds from borrowings	-	-
7.20	Repayment of borrowings	-	-
7.21	Dividend paid (net of reinvestment of K464,757)	- 2,167,170	- 2,426,589
7.22	Other (provide details if material)		-
7.23	Net financing cash flows	- 2,167,170	- 2,426,589
7.24	Net Increase (decrease) in cash held	- 3,132,491	1,150,188
7.25	Cash at beginning of period (see reconciliation of cash)	11,676,441	10,526,253
7.26	Exchange rate adjustment to item 7.25 Adjustment to be	-	-
7.27	Cash at end of period (see reconciliation of cash)	8,543,950	11,676,441
Non-cash financing and investing activities			
<i>Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows. If an amount is qualified, show comparative amount.</i>			
	n/a		

Reconciliation of cash				
	Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current Period K	Previous Corresponding period K
8.1	Cash on hand and at Bank		8,543,950	11,676,441
8.2	Deposits at call		-	-
8.3	Bank Overdraft		-	-
8.4	Other (provide details)		-	-
8.5	Total cash at end of period(items 7.27)		8,543,950	11,676,441
	Ratios		Current Period	Previous Corresponding period K' 000
Profit before abnormal and tax sales				
9.1	Consolidated operating profit (loss) before abnormal items and tax (item 1.4) as a percentage of sales revenue(item 1.1)		7.65%	220.57%
9.2	Consolidated operating profit (loss) after tax attributable to shareholders (item 1.10) as a percentage of equity (similarly attributable) at the end of period(item 4.33)		0.19%	13.18%

			Current Period K	Previous Corresponding period K
	Earnings per share (EPS)			
10.1	Calculation of the following in accordance with IAS 33: <i>Earnings per share</i>			
	(a) Basic EPS		0.00	0.17
	(b) Diluted EPS (if material differently from (a))		n/a	n/a
	© Weighted average number of ordinary shares (K'000) outstanding during the period used in the calculated of the basic EPS		48,681,458	48,310,879
	NTA backing (see note 7)			
11.1	Net tangible asset backing per ordinary security		1.26	1.31
	Details of specific receipts/outlays,revenues/expenses			
			Current Period K	Previous Corresponding period K
12.1	Interest revenue included in determining item 1.4		371,462	351,115
12.2	Interest revenue included in item 12.1 but not yet received (if material)		41,134	36,960
12.3	Interest expense included in item 1.4(include all forms of interest,lease finance charges, etc)		-	-
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)		-	-
12.5	Outlays(except those arising from the acquisition of an existing business) capitalised in intangibles (if material)		-	-
12.6	Depreciation and amortisation (excluding amortisation of intangibles)		-	-

	Control gained over entities having material effect		
13.1	Name of entity		n/a
13.2	Consolidated operating profit(loss) and extraordinary items after tax of the entity since the date in the current period on which control was acquired		n/a
13.3	Date from which such profit was calculated		n/a
13.4	Operating profit(loss) and extraordinary items after tax of the entity for the whole of the corresponding period		n/a
	Loss of control of entities having material effect		
14.1	Name of Entity (or group of entity		n/a
14.2	Consolidated operating profit(loss) and extraordinary items after tax of the entity(or group of entities) for the current period to the date of loss of control		n/a
14.3	Date to which the profit(loss) in item 14.2 has been calculated		
14.4	Consolidated operating profit(loss) and extraordinary items after tax of the entity(or group of entities) while controlled during the whole of the previous corresponding period		n/a
14.5	contribution to consolidated operating profit(loss) and extraordinary items from sale of interest leading to loss of control		n/a

Reports for industry and geographical segments			
Segments			
<u>Operating Revenue</u>			
Sales to customers outside the economic entity	4,290,857	n/a	
Inter-segment sales	0	n/a	
Unallocated revenue	0	n/a	
Total Revenue	4,290,857	n/a	
Segment result (including abnormal items where relevant)	328,067	n/a	
Unallocated expenses	0	n/a	
Consolidated operating profit before tax (equal to item 1.6)	328,067	n/a	
Segment assets)	61,691,988	n/a	
Unallocated assets)	0	n/a	
Total assets (equal to item 4.17)	61,691,988	n/a	
Dividends (in the case of a trust, distribution)			
15.1 Date the dividend(distribution) was paid			
2017 final dividend payment date		12/07/2018	
2018 Interim dividend payment date		25/10/2018	
15.2 Record date to determine entitlements to the dividends (distribution) (ie, on the basis of registrable transfers received up to 5.00 pm		17/10/2018	
2017 Interim dividend record date		20/09/2017	
15.3 If it is a final dividend, has it been declared? preliminary report only - Special dividend		n/a	
Amount per security			
		Amount per security	
(Preliminary final report)			
15.4 Final Dividend: Current year:			
15.5 Previous year:	0.03	1,457,637	
Half yearly and preliminary final reports			
15.6 Interim Dividend: Current year	0.02	974,290	
15.7 Previous year	n/a	n/a	

Total dividend (distribution) per security (interim plus final) <i>(preliminary final report only)</i>			
		Current year	Previous year
15.8	Ordinary securities	0.05	0.06
15.9	Preference securities	-	
Half yearly report- interim dividend(distribution) on all securities or			
Preliminary final report- final dividend(distribution) on all securities			
		Current year K	Previous year K
15.10	Ordinary Securities	n/a	n/a
15.11	Preference securities	n/a	n/a
15.12	Total	n/a	n/a
The dividend or distribution plans shown below are in operation			
n/a			
The last date(s) for receipt of election notices for the dividend or distribution plans		n/a	
Any other disclosures in relation to dividends (distributions)			
Details of aggregate share of profits (losses) of associates			
Entity share of associates		Current period K	Previous corresponding period K
16.1	Operating profit(loss) before income tax	-	-
16.2	Income tax expense	-	-
16.3	Operating profit(loss) after income tax	-	-
16.4	Extraordinary items net of tax	-	-
16.5	Net profit(loss)	-	-
16.6	Outside equity interest	-	-
16.7	Net profit(loss) attributable to shareholders	-	-

Material interest in entities which are not controlled entities				
Name of Entity		Percentage of ownership interest held at end of period or date of disposal		Contribution to operating profit(loss) and extraordinary items after tax(item 1.14)
		Current period	Previous corresponding period	Current period K
17.1	Equity accounted associated entities			Previous corresponding period K
		n/a	n/a	n/a
17.2	Total	n/a	n/a	n/a
17.3	Other material interest	n/a	n/a	n/a
17.4	Total	n/a	n/a	n/a
Issued and quoted securities at end of current period				
Description includes rate of interest and any redemption or conversion rights together with prices and dates.				
Category of securities		Number issued	Number quoted	Amount paid per share(toea)
18.1	Preference securities (description)	n/a	n/a	n/a
18.2	Issued during period			
18.3	Ordinary Securities	48,587,886	-	-
18.4	Issued during current period	281,669	-	0.94
	Cancellation of shares	-	-	-
		-	-	-
18.5	Convertible debt securities (description and factor)	-		
18.6	Issued during current period	-		

18.7	Options (description and conversion factor)			Exercise price	Expiry date (if any)
			n/a	n/a	
			n/a	n/a	
18.8	Issued during current period		n/a	n/a	
18.9	Exercised during current period		n/a	n/a	
18.10	Expired during current period		n/a		
18.11	Debentures (total only)		n/a		
18.12	Unsecured notes (totals only)		n/a		
	Comments by directors				
	Comments on the following matters are required by POMSoX or, in relation to the yearly report, by IAS 34 Financial year accounts and consolidated Accounts. The comments do not take the place of the directors report (as required by the companies Act 1997) and may be incorporated into the directors report. For both half yearly and preliminary final reports, if there are no comments in a section state Nil. If there is insufficient space to comment attach notes to this report.				
	Basis of accounts preparation				
	If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and IAS 34. Half-year accounts and consolidated accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period.(delete if preliminary statement				
	Material factors affecting the revenues and expenses of the economic entity for the current period				
	There are no material factors affecting the revenues and expenses of the economic entity for the current period				
	A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)				
	n/a				
	Changes in accounting policies since the last annual report are disclosed as follows				
	(Disclose changes in the yearly report in accordance with IAS 34. Financial year accounts and consolidated accounts. Disclose changes in the preliminary final report in accordance with IAS 8: Accounting Policies Disclosure)				
	n/a				

	Additional disclosure for trust			
19.1	Number of units held by the management company or a related party of it		n/a	
19.2	A statement of the fees and commissions payable to the management company			
	initial service charges		-	
	Management fees		459,386	
	other fees		-	
	Annual meeting			
	(preliminary final report only)			
	The annual meeting will be held as follows:			
	Place		Port Moresby	
			(the final venue to be confirm at a later date)	
	Date		Between May and June 2019	
	Time			
	Approximate date the annual report will be available		Around May 2019	

1	This report has been prepared under accounting policies which comply with accounting standards approved by the Accounting Standards Board pursuant to the Companies Act 1997 or other Standards acceptable to POMSoX (see note 13)		
	Identify other standards used	International Financial Reporting Standards	
2	Report the financial statements prepared under the Companies Act 1997 (if separate), use accounting policies.		
3	This report does give a true and fair view of the matters disclosed (see note 2)		
4	This report is based on financial statements to which one of the following applies.		
	<input checked="" type="checkbox"/>	The financial statements have been audited	<input type="checkbox"/> The financial statements have been subject to review
	<input type="checkbox"/>	The financial statements are in the process of being audited or subject to review	<input type="checkbox"/> The financial statements have not yet been audited or reviewed
5	If the audit report or review by the auditor is not attached, details of any qualifications are attached/ will follow immediately they are available (delete one)		
6	The entity has a formally constituted audit committee.		
	Sign here..... Director	Date....14 March 2019.....	
	Print name.....Syd Yates.....		