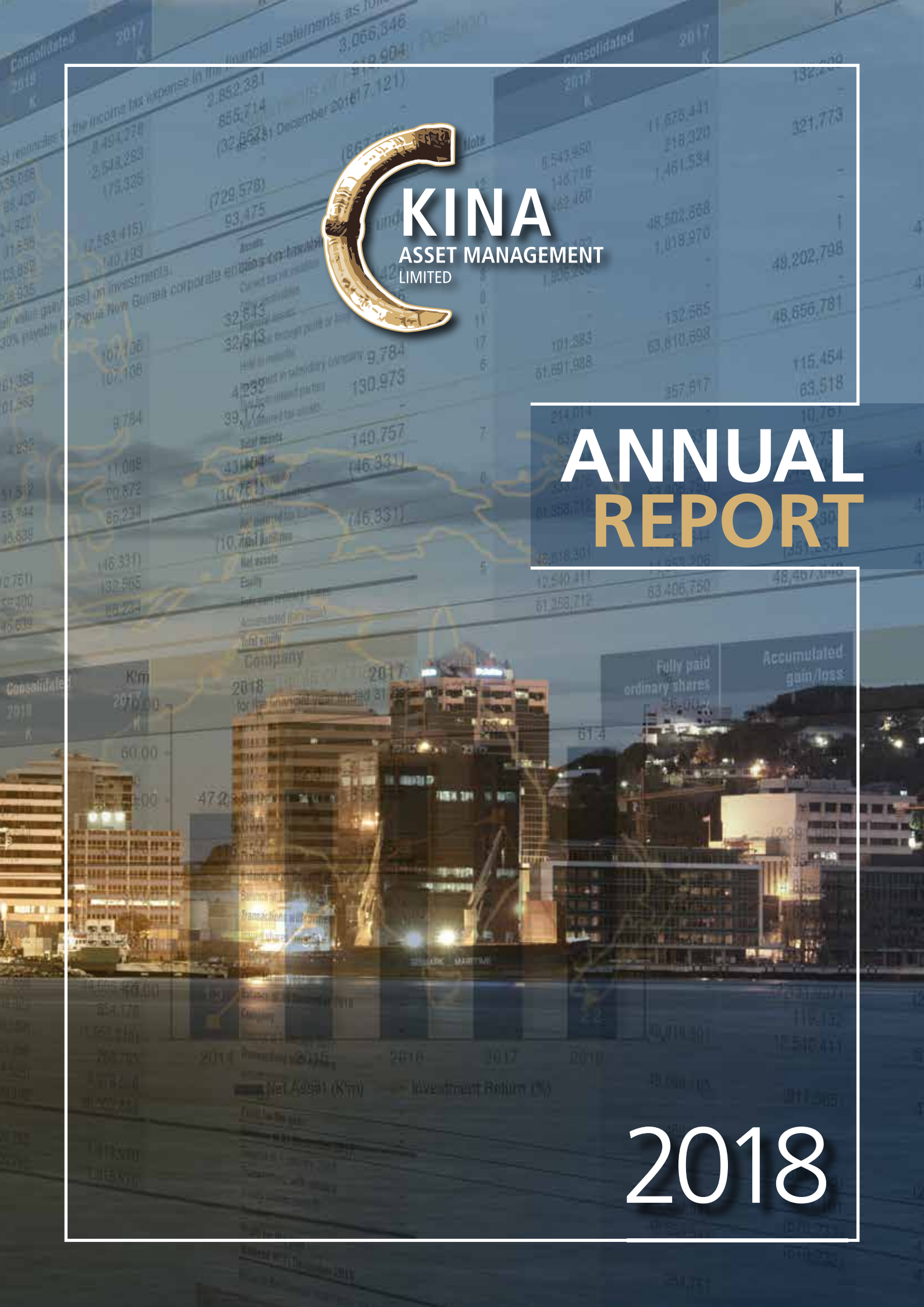




KINA
ASSET MANAGEMENT
LIMITED

ANNUAL REPORT

2018





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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

Investment Performance

The company generated a net profit after tax of K119,133 for the year ending 31 December 2018 compared with the net profit of K8.4 million for the previous corresponding period.

2018 Year In Summary

Net Asset
K61.4m
down K2.1m or 3.2%

Net Profit
K0.12m
down K8.2m or 98.6%

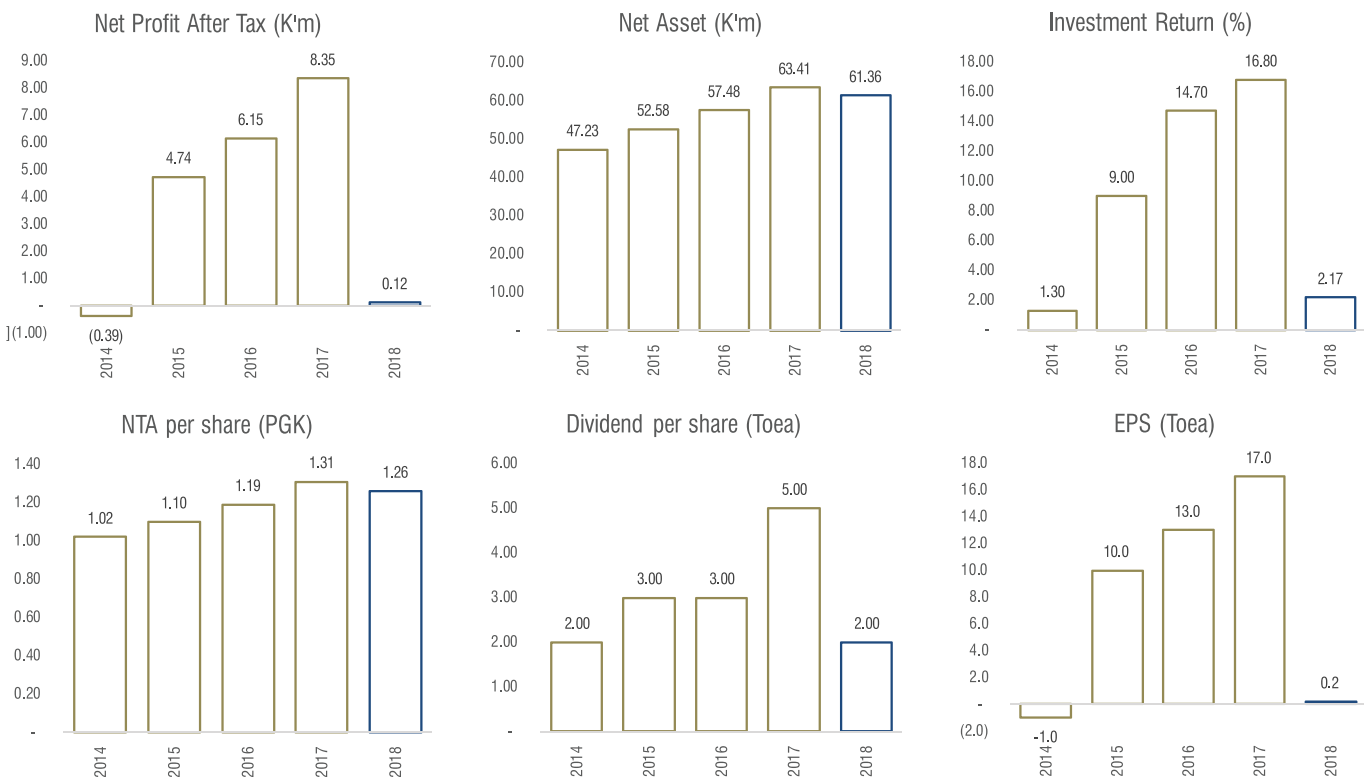
Investment Portfolio
K61.0m
down K2.14m or 3.4%

NTA per share
K1.26
down K0.05 or 3.8%

Earnings per share
0.24 toea
down 16.8 toea or 98.6%

Interest and Dividend Income
K4.16m
up by K0.6m or 17.8%

5 Year Summary



Chairman's Report



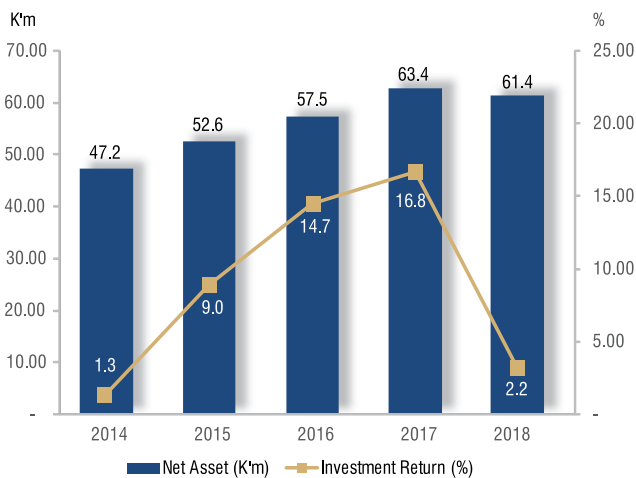
Shareholders will be well aware of the increasing volatility in global financial markets during 2018, and the negative implications for investment returns. The company has performed respectably well in these difficult conditions and is strongly placed for the future market.

KINA ASSET MANAGEMENT LIMITED has performed moderately for the year ended 31 December 2018 providing a portfolio return of 2.2% to our shareholders despite a challenging financial market environment during the year.

The company's net assets stood at K61.4 million as at 31 December 2018, a decrease of 3.2% from the previous year (2017: K63.4 million).

Net tangible asset backing per share as at 31 December 2018 was K1.26, a decrease of 0.8% from the previous year (2017: K1.27), after payment of a half year dividend in 2018 of K0.02 per share. The company's net asset position and investment returns for the past five years are shown in Exhibit 1.0.

EXHIBIT 1.0 – NET ASSETS & INVESTMENT RETURN

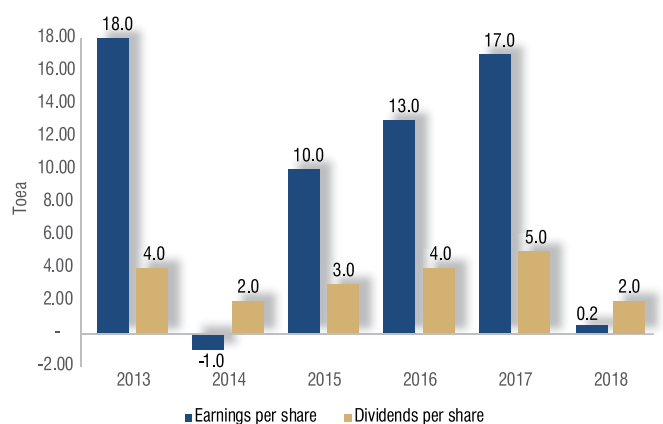


In my last report to shareholders, I noted that whilst Port Moresby had been a major beneficiary of infrastructure spending in preparation for the APEC meetings in November, the immediate opportunities were likely to be a one off boost and that the national economy would continue to remain subdued in 2018.

The earthquake in the PNG highlands in February caused enormous devastation to lives, the environment, and the national economy, with the resources sector already grappling with the declining markets for PNG's key commodity exports.

Internationally, the year began with an uncertain geo-political outlook balanced by generally strong economic fundamentals. The company was well-positioned with a strong liquidity position to protect it from a rising US Dollar as US authorities continued to raise interest rates and withdraw post-GFC monetary stimulus.

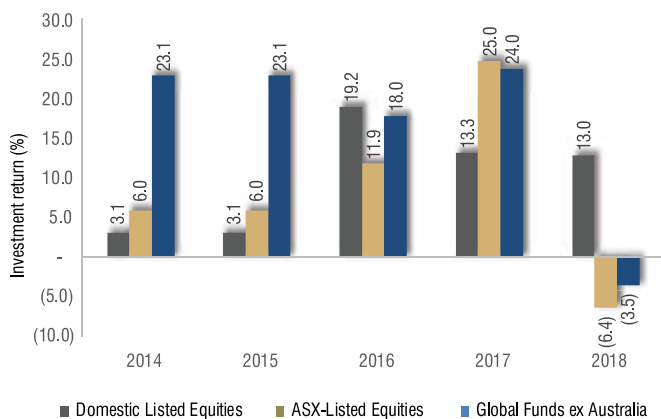
EXHIBIT 2.0 – EARNINGS & DIVIDENDS PER SHARE



As I have noted in other remarks, 2018 saw the re-emergence of market volatility, and the year ended tumultuously for investment markets. In the US, equity markets (S&P500) fell 19.8% from their highs before closing down 13.5% for the year. Similarly, Australian equities fell 13.9% from their highs before closing down 6.9% for the year. The Managing Director's Report outlines the impact of these market movements on the company's investment portfolio in greater detail below.

In the new-year, markets have rallied strongly in the first quarter, and many of the losses in 2018 have been recovered. The outlook remains uncertain, and as a result of the company's modest investment return during the year, the directors have decided not to pay a final dividend for 2018. The company's earnings and dividends history are shown in Exhibits 2.0 and 3.0

EXHIBIT 3.0 – 5-YEAR INVESTMENT PERFORMANCE



Later in this Report the company's corporate governance policies – including the Board's Code of Conduct and approach to Risk Management - are outlined in detail. The Company is committed to current best practice in corporate governance and these policies are reviewed each year to ensure they are reflective of that standard.

The Directory at the end of this Report provides contact details for the Company's share registry. I would encourage shareholders to contact the share registry to confirm their bank payment details to ensure secure payment of their dividend entitlements.

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

Sir Rabbie Namaliu, GCL, KCMG, CSM
Chairman

Managing Director's Report



2018 was another challenging year for KAM, with the company reporting a respectable return of 2.2% in an increasing volatile global market environment towards the end of the year. The company is well-placed to deliver strong returns as future market conditions improve.

Investment Performance

Kina Asset Management Ltd (KAM) recorded a net profit after tax (NPAT) of K0.1 million for 2018, a decrease of 98.6% compared to the previous year.

The company's investment return of 2.2% for the year was achieved despite increasingly volatile market conditions, in a year marked by geo-political crises and a slowing global and domestic economy. The result reflects the company's strategic investment approach which focuses on long-term holdings of leading businesses in PNG and Australia, generating strong returns in rising markets, and limiting downside risk in more challenging market conditions.

Main contributors to the result were:-

- Capital loss of K2.7 million resulting from declines in the prices of most shares held by the company, with the notable exceptions of Bank of South Pacific, Kina Securities and CSL Limited which rose by 8.3%, 27.5%, and 31.0% respectively over the year.
- Dividend and interest income rose strongly to K4.2 million over the year. Key contributors to dividend income were Bank South Pacific (K1.8 million), Vanguard International and Credit Corporation (K0.6 million). Dividend income for the company's Australian equity holdings totalled K1.0 million.
- Currency exchange losses of K2.1 million arising from a 6.1% appreciation of the PNG Kina against the Australian Dollar.

Asset allocation at year end was 40.2% invested in domestic stocks, cash and fixed income and 59.8% invested in international stocks and cash.

Key portfolio holdings at year end were Bank of South Pacific (BSP) at 23.4%, Vanguard International at 11.5%, CSL Limited at 6.5%, Oil Search at 5.7%, Mirvac Group at 5.5%, and Telstra Corp at 5.0%.

Cash holdings at year end stood at 14.1%, and the company's fund manager Kina Funds Management is well placed to add to existing holdings, or exploit new investment opportunities as they arise in 2019.

EXHIBIT 1.0 – INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2018

| Investments | % of Portfolio |
|--|----------------|
| Domestic | |
| Cash | 0.6% |
| Fixed Income | 3.0% |
| Equities | |
| Bank South Pacific Limited | 23.4% |
| Credit Corporation Limited | 3.7% |
| Kina Securities Limited | 3.0% |
| City Pharmacy Limited | 0.8% |
| Oil Search Limited | 5.7% |
| Total Domestic Portfolio | 40.2% |
| International | |
| Cash | 13.5% |
| Equities | |
| ANZ Bank Limited | 3.6% |
| National Australia Bank Limited | 2.8% |
| Westpac Bank Limited | 2.9% |
| Mirvac Group | 5.5% |
| Transurban Group | 4.6% |
| CSL Limited | 6.5% |
| Telstra Incorporation Limited | 5.0% |
| Global Index Fund | |
| Vanguard International Shares Index Fund | 11.5% |
| iShare Wholesale Index International Equity Fund | 3.9% |
| Total International Portfolio | 59.8% |
| Total Portfolio | 100.0% |

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 for -6.4% and -3.5%, 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% from the previous year, after payment of a half year dividend in 2018 of K0.02 per share. The net assets of the company decreased by 3.2% to K61.36 million (2017: K63.41 million).

As a result of the modest investment return during the year, the directors have decided not to pay a final dividend for 2018. Having paid an interim dividend of 2 toea per share in October 2018, the total dividend for KAM shareholders in 2018 will be 2 toea per share.

Investment Strategy

As a long term investor KAM is generally not a trader of the securities that make up its portfolio. KAM takes a long term view of markets and investments and sets its portfolio accordingly.

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.

Overall, the company's transaction activity was light, reflecting the view that markets were approaching full value as geopolitical and economic head winds saw the inevitable return of market volatility.

Investment Portfolio

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%. BSP is the company's largest investment, representing 23.4% for the portfolio at year-end.

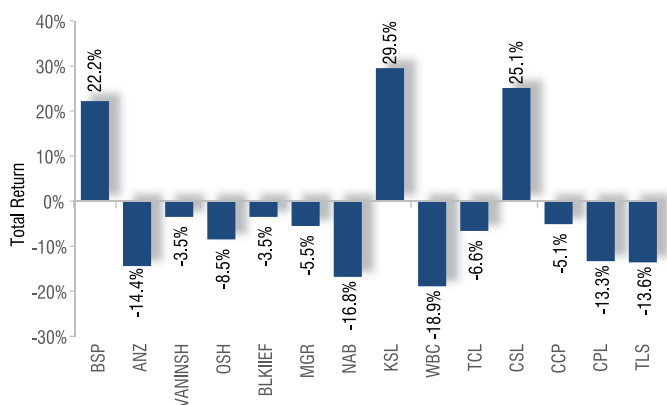
CSL Limited (ASX) continues to be the best performing stock in the international portfolio, and the only stock to report positive returns for 2018, with a total return of 25.1%.

The portfolio's Australian bank holdings - NAB, Westpac, and ANZ – generated impressive dividend yields of 6.5%, 5.8% and 5.4% respectively but capital losses pared back total returns.

In PNG, Oil Search and Credit Corporation generated dividend yields of 1.3% and 8.9% respectively, but capital losses drove the total returns for both stocks into negative territory.

Our Global Managed Funds also reported negative total returns despite good dividend yields, Vanguard International Shares Index Fund -2.2%, and Blackrock Wholesale.

EXHIBIT 2.0 – KEY SHARE RETURNS FOR 2018



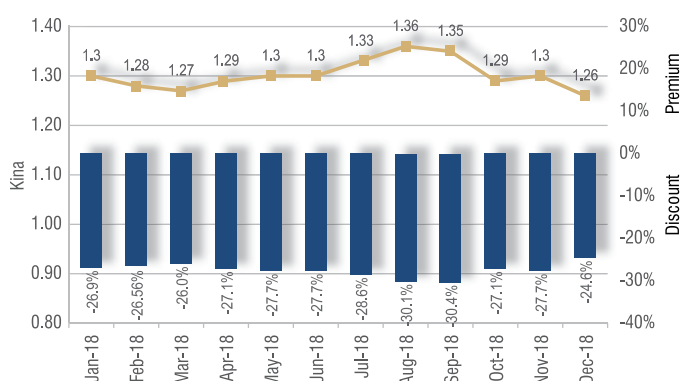
Summary

2018 was a challenging year for KAM and our shareholders. Whilst there were mixed results for individual stocks, the company's overall performance was respectable given market conditions.

We remain optimistic that despite the many challenges faced domestically and internationally that KAM will continue to deliver positive results to its shareholders over the long-term. The company has invested in leading businesses, is financially robust, and holds high levels of liquidity to take advantage of market opportunities.

KAM's shares on POMSx continue to trade at a discount of between 20% -30% of the Net Tangible Asset (NTA) value of the company, and supports our view that the company remains undervalued.

EXHIBIT 3.0 – SHARE PRICE DISCOUNT TO NTA



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 KAM in the pursuit of sustainable growth.


Sydney George Yates, OBE
 Managing Director

The Board of Directors

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

SIR RABBIE NAMALIU GCL, CSM, KCMG

CHAIRMAN



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

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.

SYDNEY GEORGE YATES OBE

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.

Corporate Governance

Kina Asset Management Limited (KAM) 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.

KAM 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 3rd Edition (the ASX Corporate Governance Principles).

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

1. The Board of Directors

a) Code of Conduct

The Board has adopted the following Code of Conduct, 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 behavior;
- establishing authority levels;
- directors' remuneration;
- selecting, with the assistance of the Audit Committee, and recommending to shareholders, the appointment of external auditors; and
- 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; and
- 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 four directors, three Independent Non-Executive Directors and the Managing Director. In accordance with the Company's 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 KAM 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 KAM 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; and
- 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.

Corporate Governance

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; and
- 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 KAM'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 FY2019. 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 (ARC or the 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 ARC is comprised of two Non-Executive Directors. The Board appoints both the Members and the Chair of the Committee.

c) Audit and Risk Committee

The ARC 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 KAM;
- systems for ensuring operational efficiency and cost control;

Corporate Governance

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

ii) External Audit

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

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

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

iii) Compliance

The Audit Committee reviews the effectiveness of the systems for monitoring compliance with all legal and regulatory obligations and the Constitution of the Company. The Committee obtains regular updates from management and satisfies itself that all regulatory compliance matters have been considered in the preparation of the financial statements. Reviews of the findings of any examinations by regulatory agencies are undertaken and the Chairman of the Audit 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 KAM's Objectives, Goals and Strategic Focus Plans.

KAM 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 KAM has an Investment Management Agreement.

KFM's risk management policy ensures that KAM 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.

Corporate Governance

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 KAM 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 KAM'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

KAM 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.

Corporate Governance

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 POMSx (Listing Rules). 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 POMSx 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 POMSx and received an acknowledgment that POMSx 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 POMSx will be required.

Disclosure may also be required if POMSx 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 POMSx 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.

Corporate Governance

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:

- (i) making sure that the Company complies with its continuous disclosure obligation, and monitoring that compliance;
 - (ii) overseeing and coordinating disclosure of information to POMS0X, analysts, brokers, shareholders, the media and the public; and
 - (iii) educating directors and employees on this Disclosure Policy and raising awareness of the principles underlying continuous disclosure.
- (iv) Contravention and Liability

Contravention

The Company will contravene its continuous disclosure obligation if it fails to notify POMS0X 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 POMS0X, the Securities Commission or an aggrieved person (for example, a shareholder).

Commission

The Securities Commission and POMS0X jointly administer the continuous disclosure regime for listed companies in PNG. POMS0X is responsible for administering the Listing Rules while the Securities Commission is responsible for enforcing the Securities Act. POMS0X 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 POMS0X has formed the view that confidentiality has been lost.

POMS0X 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 POMS0X Listing Rules.



Financial Statements

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Directors' Report

for the financial year ended 31 December 2018

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 2018. 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 K2,758,906 (2017: net profit of K3,031,101) after income tax expense of K93,475 (2017: income tax expense of K35,245), while the Group reported a net profit of K119,132 (2017: net profit of K8,354,085) after income tax charge of K208,935 (2017: income tax expense of K140,193).

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, except for the application of new and revised IFRS that were in effect for the period ended 31 December 2018 as disclosed in Note 2.

Dividends

A dividend of K1,457,637 was declared and paid on 12 July 2018 in respect of the year ended 31 December 2017. An interim dividend of K974,290 was also declared and paid on 25 October 2018 for the year ended 31 December 2018. Out of both dividend payments, an amount of K264,757 was reinvested in the company, resulting in the issue of an additional 281,669 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 K165,000 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 (2017: Nil).

Independent audit report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent audit report on pages 16 - 17. 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, KCMG, CSM
Director

Port Moresby, 14 March 2019

Directors' Declaration

For the financial year ended 31 December 2018

The directors declare that:

- 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
- 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, KCMG, CSM
Director

Port Moresby, 14 March 2019

Independent Audit's Report to the members of Kina Asset Management Limited and its subsidiary

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kina Asset Management Limited (the "Company") and its subsidiary (the "Group") which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and Directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Companies Act 1997.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|--|
| Financial Assets – K52.4 million Refer to Note 8 to the financial statements. The financial assets of the Group comprise of equity instruments (K50.6 million) measured at fair value through profit or loss and Papua New Guinea Government inscribed stock (K1.8 million) measured at amortised cost. The financial instruments form 85% of the total assets of the group. Our audit focused on ownership and valuation of the equity instruments and inscribed stock given their substantial weighting in the group financial statements. | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none">Obtaining an understanding of the Group's procedures and controls around the acquisition and disposal and valuation of financial assets as part of our assessment of the risks of material misstatement.Obtaining direct confirmations from the share registries and custodians of the investments to confirm the ownership of the financial assets.Obtaining closing prices of the equity instruments from the respective market sources to verify the pricing of the equity instruments.Assessing the discount amortisation computation using the effective interest method to calculate the amortised cost and the carrying value of the government inscribed stock.Assessing the appropriateness of the disclosures in the notes to the financial statements. |

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report for the year ended 31 December 2018, but does not include the financial report and our auditors' report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report in accordance with International Financial Reporting Standards and the Companies Act 1997 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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 report, 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 report 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 report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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. 7

Report on Other Legal and Regulatory Requirements

The financial report of Kina Asset Management Limited is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Company. During the year ended 31 December 2018 we did not provide any other services to Kina Asset Management Limited.


DELOITTE TOUCHE TOHMATSU



Helen Hamilton-James
Partner
Chartered Accountants

Port Moresby, 14 March 2019

Statements of Comprehensive Income

for the financial year ended 31 December 2018

| | Note | Consolidated | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2018 K | 2017 K | 2018 K | 2017 K |
| Continuing operations | | | | | |
| Revenue | 3(a) | 4,290,857 | 3,851,025 | 3,363,624 | 3,643,870 |
| Changes in fair value of financial assets | 8 | (2,788,608) | 4,978,656 | - | - |
| Exchange gain/(loss) | | (162,886) | 699,493 | - | - |
| Net income | | 1,339,363 | 9,529,174 | 3,363,624 | 3,643,870 |
| Directors' fees | 16 | (165,000) | (105,000) | (165,000) | (105,000) |
| Insurance | | (53,485) | (86,968) | (53,485) | (86,969) |
| Management fees | 17 | (459,386) | (444,172) | - | - |
| Share registry fees | | (143,625) | (134,624) | (143,625) | (134,624) |
| Other operating expenses | 3(b) | (189,800) | (264,132) | (149,133) | (250,932) |
| Profit before tax | | 328,067 | 8,494,278 | 2,852,381 | 3,066,346 |
| Income tax expense | 6 | (208,935) | (140,193) | (93,475) | (35,245) |
| Net Profit/(loss) for the year | | 119,132 | 8,354,085 | 2,758,906 | 3,031,101 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | 119,132 | 8,354,085 | 2,758,906 | 3,031,101 |
| Earnings per share | | | | | |
| Basic (toea per share) | 9 | 0.2 | 17 | | |
| Diluted (toea per share) | 9 | 0.2 | 17 | | |

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

Statements of Financial Position

as at 31 December 2018

| | Note | Consolidated | | Company | |
|-----------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 K | 2017 K | 2018 K | 2017 K |
| Assets | | | | | |
| Cash and cash equivalents | 12 | 8,543,950 | 11,676,441 | 132,209 | 59,732 |
| Current tax receivables | | 148,718 | 218,320 | - | 28,533 |
| Other receivables | 4 | 462,460 | 1,461,534 | 321,773 | 688,967 |
| Financial assets | | | | | |
| Fair value through profit or loss | 8 | 50,629,192 | 48,502,868 | - | - |
| Held to maturity | 8 | 1,806,285 | 1,818,970 | - | - |
| Investment in subsidiary company | 11 | - | - | 1 | 1 |
| Due from related parties | 17 | - | - | 48,202,798 | 47,459,765 |
| Net deferred tax assets | 6 | 101,383 | 132,565 | - | - |
| Total assets | | 61,691,988 | 63,810,698 | 48,656,781 | 48,236,998 |
| Liabilities | | | | | |
| Other payables | 7 | 214,014 | 357,617 | 115,454 | 315,355 |
| Current tax liabilities | | 63,518 | - | 63,518 | - |
| Net deferred tax liabilities | 6 | 55,744 | 46,331 | 10,761 | 46,331 |
| Total liabilities | | 333,276 | 403,948 | 189,733 | 361,686 |
| Net assets | | 61,358,712 | 63,406,750 | 48,467,048 | 47,875,312 |
| Equity | | | | | |
| Fully paid ordinary shares | 5 | 48,818,301 | 48,553,544 | 48,818,301 | 48,553,544 |
| Accumulated gain/(loss) | | 12,540,411 | 14,853,206 | (351,253) | (678,232) |
| Total equity | | 61,358,712 | 63,406,750 | 48,467,048 | 47,875,312 |

Statements of changes in equity

for the financial year ended 31 December 2018

| | Fully paid ordinary shares K | Accumulated gain/loss K | Total K |
|------------------------------------|------------------------------------|-------------------------------|-------------------|
| Consolidated | | | |
| 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 |
| Balance at 1 January 2018 | 48,553,544 | 14,853,206 | 63,406,750 |
| Transactions with owners | | | |
| Issued shares (note 5) | 264,757 | - | 264,757 |
| Dividend | - | (2,431,927) | (2,431,927) |
| Profit for the year | - | 119,132 | 119,132 |
| Balance at 31 December 2018 | 48,818,301 | 12,540,411 | 61,358,712 |
| Company | | | |
| 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 |
| Balance at 1 January 2018 | 48,553,544 | (678,232) | 47,875,312 |
| Transactions with owners | | | |
| Issued shares (note 5) | 264,757 | - | 264,757 |
| Dividend | - | (2,431,927) | (2,431,927) |
| Profit for the year | - | 2,758,906 | 2,758,906 |
| Balance at 31 December 2018 | 48,818,301 | (351,253) | 48,467,048 |

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

Statements of Cash Flows

for the financial year ended 31 December 2018

| | Note | Consolidated | | Company | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | 2018 K | 2017 K | 2018 K | 2017 K |
| Cash flows from operating Activities | | | | | |
| Dividend, interest and other | | | | | |
| Income receipts | | 4,455,850 | 4,470,494 | 2,431,927 | 2,891,968 |
| Purchase of shares | | (6,198,322) | (654,177) | - | - |
| Sale of shares | | 1,408,559 | 975,598 | - | - |
| Payments to third parties | | (696,990) | (1,311,976) | (446,524) | (741,616) |
| Tax credits | | 65,580 | 96,838 | 65,580 | 96,838 |
| Tax paid | | - | - | - | - |
| Net cash provided by operating activities | | (965,324) | 3,576,777 | 2,050,983 | 2,247,190 |
| Cash flows from financing activities | | | | | |
| Dividend paid, net of reinvestment | 19 | (2,167,170) | (2,426,589) | (2,167,170) | (2,426,589) |
| Amounts (advanced to) / received from related parties | | - | - | 188,664 | (21,513) |
| Net cash used in financing activities | | (2,167,170) | (2,426,589) | (1,978,506) | (2,447,942) |
| Net increase / (decrease) in cash and cash equivalents | | (3,132,491) | 1,150,188 | 72,477 | (200,752) |
| Cash and cash equivalents at the beginning of the financial year | | 11,676,441 | 10,526,253 | 59,732 | 260,484 |
| Cash and cash equivalents at the end of the financial year | 12 | 8,543,950 | 11,676,441 | 132,209 | 59,732 |

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

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

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.

Application of New and Revised International Financial Reporting Standards

IFRS 9 – Financial Instruments

As at 1 January 2018, the Group has applied IFRS 9 Financial Instruments (as revised) and the related consequential amendments to other Accounting Standards for the first time. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The Group has not restated prior periods as a result of adoption of IFRS 9. There were no significant differences recognised between the previous carrying amounts of assets and liabilities as at 31 December 2017 and the carrying amounts of assets and liabilities as at 1 January 2018 as can be noted in the table below.

Classification and measurement of financial assets

The measurement category and carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 for the Group are compared as follows:

| Financial Assets | IAS 39 | | IFRS 9 | |
|--------------------------------|------------------------------------|------------------------|------------------------------------|------------------------|
| | Measurement Category | Carrying Amount PGK | Measurement Category | Carrying Amount PGK |
| Equities | Fair Value Through Profit and Loss | 48,502,868 | Fair Value Through Profit and Loss | 48,502,868 |
| PNG Government Debt Securities | Amortised Cost (Held to Maturity) | 1,818,970 | Amortised Cost | 1,818,970 |
| | | 50,321,838 | | 50,321,838 |

IFRS 15 – Revenue from Contracts with Customers

The Group has applied IFRS 15 – Revenue from Contracts with Customers (as amended) for the first time in the current period. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Group has applied IFRS 15 in accordance with the transition provisions set out in IFRS 15. There were no differences recognised between the previous carrying amounts of assets and liabilities as at 31 December 2017 and the carrying amounts of assets and liabilities as at 1 January 2018.

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.

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

(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', 'fair value through other comprehensive income', and 'amortised cost'. 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 amortised cost are measured at amortised cost using the effective interest rate.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on: (1) Debt investments measured subsequently at amortised cost or at FVTOCI; (2) Lease receivables; (3) Trade receivables and contract assets; and (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Investments in PNG Government Debt instruments measured at amortised cost are subject to impairment, however the application of IFRS 9 has not resulted in a loss allowance being recognised in the period.

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.

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

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) Revenue 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 income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

(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.

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

| | Consolidated | | Company | |
|---------------------------------------|--------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| 3. Revenue | | | | |
| (a) Revenue | | | | |
| Interest income | 371,462 | 351,115 | - | - |
| Dividend income | 3,794,139 | 3,231,117 | 2,431,926 | 2,891,968 |
| Gain on sale of investment securities | 125,257 | 268,793 | - | - |
| Subsidiary management fees | - | - | 931,697 | 751,902 |
| | 4,290,857 | 3,851,025 | 3,363,624 | 3,643,870 |
| (b) Other operating expenses | | | | |
| Professional fees | 256,971 | 126,915 | 243,771 | 113,715 |
| Audit fees | 55,000 | 53,000 | 55,000 | 53,000 |
| Listing fees | 33,270 | 33,945 | 33,270 | 33,945 |
| Printing | 25,004 | 24,813 | 25,004 | 24,813 |
| Advertising | 6,005 | 3,072 | 6,005 | 3,072 |
| Travel and accommodation | 35,651 | 15,454 | 35,651 | 15,454 |
| Bank charges | 9,793 | 3,833 | 9,793 | 3,833 |
| Internet charges | 100 | - | 100 | - |
| Meeting and Venue Hire | 2,621 | 1,600 | 2,621 | 1,600 |
| Registration Fees | - | 1,500 | - | 1,500 |
| Accounting Software Fees | 3,280 | - | 3,280 | - |
| Postage fees accrual reversal | (237,795) | - | (265,261) | - |
| | 189,800 | 264,132 | 149,133 | 250,932 |

| | | | | |
|-------------------------------|---------|-----------|---------|---------|
| 4. Other receivables | | | | |
| Dividend receivable | 230,089 | 193,239 | - | - |
| Withholding taxes recoverable | 177,093 | 217,965 | 177,093 | 217,965 |
| Other receivables | 55,278 | 1,050,330 | 144,680 | 471,002 |
| | 462,460 | 1,461,534 | 321,773 | 688,967 |

| | Consolidated | | Company | |
|---|------------------|------------|------------------|------------|
| | Number of shares | Cost | Number of shares | Cost |
| 5. Share capital | | | | |
| 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: 2018 | | | | |
| Beginning | 48,587,886 | 48,553,544 | 48,587,886 | 48,553,544 |
| Issued shares: | 281,669 | 264,757 | 281,669 | 264,757 |
| Ending | 48,869,555 | 48,818,301 | 48,869,555 | 48,818,301 |

Fully paid ordinary shares carry one vote per share and the right to dividends.

In 2018, the company issued an additional 281,669 shares for K264,757 (2017: additional 496,912 for K465,379).

| | Consolidated | | Company | |
|---|--------------|----------|----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| 6. Income taxes | | | | |
| Income tax recognised in profit or loss | | | | |
| (a) Tax expense/(credit) comprises: | | | | |
| Current tax expense | 161,707 | 24,450 | 161,707 | 32,190 |
| Deferred tax | 40,594 | (59,582) | (35,570) | 20,176 |
| Prior year over provision | (24,922) | 175,325 | 32,662 | (17,121) |
| Dividend WHT relating to foreign dividends received | 31,555 | - | - | - |
| Total tax expense/(credit) | 208,935 | 140,193 | 93,475 | 35,245 |

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

| | Consolidated | | Company | |
|--|--------------|-------------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | 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 | 328,068 | 8,494,278 | 2,852,381 | 3,066,346 |
| Income tax expense calculated at 30% | 98,420 | 2,548,283 | 855,714 | 919,904 |
| Prior year over provision | (24,922) | 175,325 | (32,662) | (17,121) |
| Dividend WHT relating to foreign dividends received | 31,555 | - | - | - |
| Tax effect of non-assessable income* | 103,882 | (2,583,415) | (729,578) | (867,538) |
| | 208,935 | 140,193 | 93,475 | 35,245 |
| *Tax effect of non-assessable income includes the dividend income and fair value gain/(loss) 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. | | | | |
| Accrued liabilities | 101,383 | 107,106 | 32,643 | 94,426 |
| | 101,383 | 107,106 | 32,643 | 94,426 |
| Deferred tax liabilities comprise: | | | | |
| Prepaid insurance | 4,232 | 9,784 | 4,232 | 9,784 |
| Accounts receivable | - | - | 39,172 | 130,973 |
| Interest and other receivable | 51,512 | 11,088 | - | - |
| | 55,744 | 20,872 | 43,404 | 140,757 |
| Net deferred tax assets / (liabilities) | 45,639 | 86,234 | (10,761) | (46,331) |
| Presented as: | | | | |
| Net deferred tax liability | (10,761) | (46,331) | (10,761) | (46,331) |
| Net deferred tax asset | 56,400 | 132,565 | | |
| | 45,639 | 86,234 | | |

| | Consolidated | | Company | |
|--------------------------|--------------|---------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| 7. Other payables | | | | |
| Other payables | - | 600 | - | 600 |
| Accrued expenses | 207,370 | 357,017 | 108,810 | 314,755 |
| Group Tax Payable | 6,644 | - | 6,644 | - |
| | 214,014 | 357,617 | 115,454 | 315,355 |

| | Consolidated | | Company | |
|---|--------------|-------------|---------|------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| 8. Financial assets | | | | |
| Financial assets carried at fair value through profit or loss: | | | | |
| Listed securities | 50,629,192 | 48,502,868 | - | - |
| Movements: | | | | |
| Balance at the beginning of the year | 48,502,868 | 44,556,459 | - | - |
| Purchases | 6,198,322 | 654,176 | - | - |
| Disposal | (1,408,559) | (1,955,216) | - | - |
| Gains on Sale | 125,256 | 268,793 | - | - |
| Changes in fair value | (2,788,608) | 4,978,656 | - | - |
| | 50,629,192 | 48,502,868 | - | - |
| Held to maturity: | | | | |
| Government Inscribed Stock | 1,806,285 | 1,818,970 | - | - |
| | 1,806,285 | 1,818,970 | - | - |

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

8. Financial assets

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

| Consolidated | 31 December 2018 | | | 31 December 2017 | | |
|---|------------------|--------------|--------------|------------------|--------------|--------------|
| | Market price | No. of units | Market value | Market price | No. of units | Market value |
| Bank South Pacific (BSP) | 10.26 | 1,388,818 | 14,259,533 | 9.50 | 1,388,018 | 13,186,171 |
| Credit Corporation (CCP) | 1.35 | 1,686,337 | 2,276,555 | 1.65 | 1,151,491 | 1,899,960 |
| Kina Securities Limited (KSL) | 2.25 | 821,330 | 1,848,528 | 1.87 | 615,000 | 1,151,193 |
| City Pharmacy (CPL) | 0.65 | 701,191 | 455,774 | 0.75 | 701,191 | 525,893 |
| Oil Search Limited (OSH) | 16.96 | 206,642 | 3,505,228 | 19.57 | 180,642 | 3,535,681 |
| ANZ Bank Limited (ANZ) | 57.95 | 37,400 | 2,167,268 | 72.21 | 37,400 | 2,700,693 |
| National Australia Bank (NAB) | 57.02 | 30,792 | 1,755,895 | 74.30 | 30,792 | 2,287,737 |
| Westpac Bank Limited (WBC) | 59.32 | 29,900 | 1,773,741 | 78.77 | 29,900 | 2,355,188 |
| Mirvac Group (MGR) | 5.31 | 630,500 | 3,345,937 | 5.90 | 630,500 | 3,722,802 |
| Transurban Group (TCL) | 27.60 | 101,359 | 2,797,518 | 31.23 | 101,359 | 3,165,559 |
| CSL Limited (CSL) | 438.66 | 9,000 | 3,947,974 | 355.03 | 9,000 | 3,195,226 |
| Telstra Corporation Limited (TLS) | 6.75 | 455,000 | 3,072,139 | 9.12 | 50,000 | 456,030 |
| Vanguard International Shares Index | 4.87 | 1,443,513 | 7,033,236 | 5.28 | 1,443,513 | 7,625,593 |
| Blackrock Wholesale International Indexed Equity Fund | 34.98 | 68,317 | 2,389,866 | 39.45 | 68,317 | 2,695,140 |
| | | | 50,629,192 | | | 48,502,868 |

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 2018 are as follows:

| Serial Number | Settlement Date | Maturity Date | Coupon Rate | Face Value | 31 December 2018 | 31 December 2017 |
|---------------|-----------------|---------------|-------------|------------|------------------|------------------|
| | | | | | Balance | Balance |
| S15052031 | 24/Oct/2014 | 15/May/2031 | 12.00% | 500,000 | 419,598 | 429,627 |
| S15052027 | 24/Oct/2014 | 15/May/2027 | 10.50% | 500,000 | 427,348 | 436,468 |
| S15052027 | 19/Dec/2014 | 15/May/2027 | 10.50% | 500,000 | 461,728 | 456,260 |
| S15082022 | 24/Jul/2015 | 18/Aug/2022 | 10.00% | 500,000 | 497,611 | 496,615 |
| | | | | 2,000,000 | 1,806,285 | 1,818,970 |

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

9. Earnings per share

| Basic and diluted earnings per share | Consolidated | |
|--------------------------------------|--------------|--------------|
| | 2018 Toea | 2017 Toea |
| Total basic earnings per share | 0.2 | 17 |

| Basic earnings per share | Consolidated | |
|---|--------------|-------------|
| | 2018 K | 2017 K |
| The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows: | | |
| Net income/(loss) used in the calculation of basic and diluted EPS | 119,132 | 8,354,085 |
| | 2018 No. | 2017 No. |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 48,681,458 | 48,310,879 |

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 | |
|------------------------------------|--------------------------|--------------------|-----------|
| | | 2018 % | 2017 % |
| Parent entity | | | |
| Kina Asset Management Limited | Papua New Guinea | | |
| Subsidiary | | | |
| Kina Asset Management No 1 Limited | Papua New Guinea | 100 | 100 |

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

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 | |
|---------------------------|--------------|------------|---------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| Cash and cash equivalents | 4,166,597 | 8,173,288 | 132,209 | 59,732 |
| Interest bearing deposit | 4,377,353 | 3,503,153 | - | - |
| | 8,543,950 | 11,676,441 | 132,209 | 59,732 |

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 at year end are AUD/Kina 0.4221 and USD/Kina 0.3045 (2017: AUD/Kina 0.3980 and USD/Kina 0.3170).

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 | |
|-------------------|------------|--|-------------|--|
| | K | | K | |
| 2018 | | | | |
| Australian Dollar | 38,151,168 | | - | |
| US Dollar | 3,702,647 | | - | |
| 2017 | | | | |
| Australian Dollar | 41,545,518 | | - | |
| US Dollar | 3,502,812 | | - | |

Foreign currency sensitivity analysis

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

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

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

| | Australian Dollar Impact | | US Dollar Impact | |
|---------------|--------------------------|--------------|------------------|--------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| 2018 | | | | |
| Loss/(profit) | (3,468,288) | 4,239,019 | (336,604) | 411,405 |
| 2017 | | | | |
| Loss/(profit) | (3,776,866) | 4,616,168 | (318,439) | 389,201 |

(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.

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

13. Financial instruments (continued)

(f) Other price risk

The Group is exposed to equity price risks arising from equity investments. The sensitivity analysis below has 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 2018 would increase/decrease by K2,531,460 (2017: K2,425,143)

(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 directors 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 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 (“KAM1”). Kina Asset Management Limited (“KAM”) information relates to results and financial position of the parent entity.

| | Domestic | International | KAM1 | KAM | Total after inter company adjustment |
|-------------------------------|------------|---------------|--------------|------------|--------------------------------------|
| | K | K | K | K | K |
| 2018 | | | | | |
| Revenue | 2,557,757 | (1,218,394) | 1,339,363 | 3,363,624 | 1,339,363 |
| Expenses | | | (1,431,750) | (511,243) | (1,011,296) |
| Operating profit/(loss) | | | (92,387) | 2,852,381 | 328,067 |
| Income tax expense | | | (115,460) | (93,475) | (208,935) |
| Net profit/(loss) | | | (207,847) | 2,758,906 | 119,132 |
| Assets | 24,859,559 | 36,464,035 | 61,323,594 | 48,656,781 | 61,691,988 |
| Liabilities | | | (48,431,932) | (189,733) | (333,276) |
| Net assets | | | 12,891,662 | 48,467,048 | 61,358,712 |
| 2017 | | | | | |
| 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 | | | 8,371,900 | 3,066,346 | 8,494,278 |
| Income tax credit / (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 |

15. Capital commitments

There were no capital commitments at year end.

16. Directors and key management personnel compensation

Details of Directors Fees

The total remuneration paid to directors during the period was K165,000 and consisted of fixed directors' fees, as follows:

| | 2018 | 2017 |
|---------------------|--------|--------|
| | K | K |
| Sir Rabbie Namaliu | 66,000 | 60,000 |
| Gregory Taylor | 49,500 | 45,000 |
| Sydney George Yates | 49,500 | Nil |

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

Notes to and forming part of the financial statements for the financial year ended 31 December 2018

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:

- Sydney George Yates is a director of Credit Corporation Limited and owns Columbus Investments Limited which is a shareholder of Kina Asset Management Limited, Kina Securities Limited and Credit Corporation Limited.

During the year Kina Asset Management No. 1 Limited purchased 206,330 shares of Kina Securities Limited for K386,802.

Outstanding payable to Kina Funds Management Limited at year end was K97,919 (2017: K38,921). 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 K459,386 (2017: K444,172) is paid to Kina Fund Management Limited for services rendered by the entity.

(d) Transactions between the Company and its subsidiary

During the year the holding company charged management fees of K931,697 (2017:K751,902) 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 2018, the subsidiary owed the Company K48,202,799 (2017:K47,459,765). These accounts are unsecured, non-interest bearing and are receivable on demand.

(e) Equity interests held by key management personnel

- Sir Rabbie Langanai Namaliu: 65,260 shares held through Tobit Investments Limited (2017:59,358).
- Gregory Frank Taylor: 45,225 shares held directly (2017: 34,000).
- Sydney George Yates: 3,268,717 shares held through Columbus Investment Limited (2017: 3,190,827).

Notes to and forming part of the financial statements

for the financial year ended 31 December 2018

17. Related Party Transactions (continued)

(f) Interest register

| Name of Director | Position | Entity |
|---------------------|----------------------|---|
| Sir Rabbie Namaliu | Director/Chairman | Kina Asset Management 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 Limited |
| | Director/Shareholder | TFG International Limited (Australia) |
| Sydney George Yates | Director/Shareholder | Columbus Investments Limited |
| | Director | Kina Asset Management Limited |
| | Owner | Columbus Consulting Ltd (Australian Family Company) |
| | Director | Credit Corporation PNG Limited (and subsidiaries) |
| | Director | Papua New Guinea Olympic Committee |

18. Remuneration of auditors

| | Consolidated | | Company | |
|--------------------------------------|--------------|---------|---------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | K | K | K | K |
| Audit of the financial report | 55,000 | 53,000 | 55,000 | 53,000 |
| Other services | - | 73,915 | - | 73,915 |
| | 55,000 | 126,915 | 55,000 | 126,915 |

The auditor of the Group is Deloitte Touche Tohmatsu.

19. Dividends

A dividend of K1,457,637 was declared and paid on 12 July 2018 in respect of the year ended 31 December 2017. An interim dividend of K974,290 was also declared and paid on 25 October 2018 for the year ended 31 December 2018. Out of both dividend payments, an amount of K264,757 was reinvested in the company, resulting in the issue of an additional 281,669 shares.

20. Unclaimed dividends

Unclaimed dividends are the un-presented cheques by shareholders from dividends paid by the Group from 2009 to 2018. As at 31st December 2018, a total of K589,521 is held through dividend accounts maintained by the Group's share registry, PNG Registries Ltd.

21. 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 2018

a) Distribution of ordinary shares according to size as at 31 December 2018

| Range | Number of holders | Number of Shares | % of Issued Capital |
|-----------------|-------------------|-------------------|---------------------|
| 1 – 1000 | 1,758 | 1,127,747 | 2.31 |
| 1001 – 5000 | 577 | 1,336,494 | 2.74 |
| 5001 – 10000 | 91 | 741,423 | 1.52 |
| 10001 – 100000 | 68 | 2,037,891 | 4.17 |
| 100001 and over | 23 | 43,626,000 | 89.27 |
| Total | 2,517 | 48,869,555 | 100.00 |

b) The twenty largest shareholders of ordinary equity shares as at 31 December 2018

| Rank | Shareholders | Number of Shares | % of issued capital |
|-----------------------------------|--|-------------------|---------------------|
| 1 | MONIAN LIMITED | 11,973,117 | 24.50 |
| 2 | COMRADE TRUSTEE SERVICES LIMITED | 5,426,027 | 11.10 |
| 3 | CREDIT CORPORATION (PNG) LIMITED | 4,255,463 | 8.71 |
| 4 | KINA FUNDS MANAGEMENT LIMITED | 3,594,723 | 7.36 |
| 5 | MOTOR VEHICLE INSURANCE LTD | 3,500,000 | 7.16 |
| 6 | COLUMBUS INVESTMENTS LIMITED | 3,268,717 | 6.69 |
| 7 | PACIFIC MMI INSURANCE LIMITED | 2,692,975 | 5.51 |
| 8 | EAST NEW BRITAIN SAVINGS & LOAN SOCIETY LIMITED | 1,500,000 | 3.07 |
| 9 | CAPITAL LIFE INSURANCE COMPANY LIMITED | 1,398,594 | 2.86 |
| 10 | CAPITAL GENERAL INSURANCE COMPANY LIMITED | 1,171,271 | 2.40 |
| 11 | MINERAL RESOURCES DEVELOPMENT COMPANY LIMITED | 1,000,000 | 2.05 |
| 12 | GALE INVESTMENT LIMITED | 500,000 | 1.02 |
| 13 | MINERAL RESOURCES OK TEDI NO 2 LIMITED | 500,000 | 1.02 |
| 14 | MINERAL RESOURCES STAR MOUNTAIN LIMITED | 500,000 | 1.02 |
| 15 | THEODIST LIMITED | 500,000 | 1.02 |
| 16 | COURTNEY JADE SALTER | 370,084 | 0.76 |
| 17 | NEW GUINEA FRUIT COMPANY LIMITED | 270,300 | 0.55 |
| 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 |
| Top 20 Shareholders Total: | | 43,175,076 | 88.35 |
| Remaining Holders Total: | | 5,694,479 | 11.65 |
| Total: | | 48,869,555 | 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 | Deloitte Touche Tohmatsu Chartered Accountants PO Box 1275 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 Part of Link Group Australia Level 4, Cuthbertson House, Cuthbertson Street, Port Moresby NCD PO Box 1265, Port Moresby NCD, Papua New Guinea Ph: +675 321 6377 or 321 6378 Fax: +675 321 6379 Mb: +675 7601 7780 pngregistrieslimited@online.net.pg |
| Investment Manager | Kina Funds Management Limited |





KINA

ASSET MANAGEMENT
LIMITED

KINA ASSET MANAGEMENT LIMITED

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