together it's possible

annual report 2015

kina

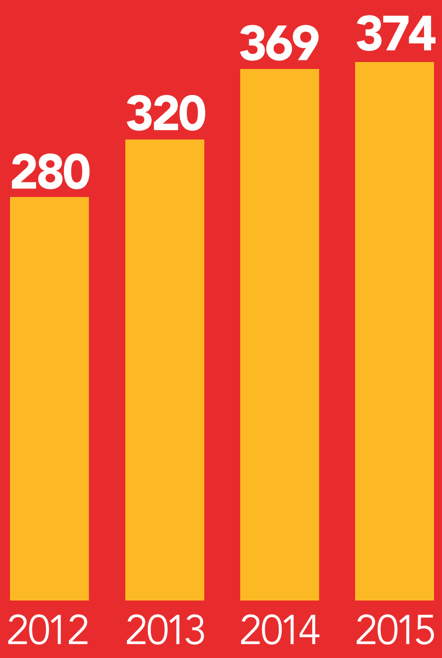
In 2015 we showed that together it's possible.

This is how we did it.

Contents

Highlights

Kina Lending Book (PGK Mln)*



* Note: Pro-forma financial information. Assumes combined Kina and Maybank, with pro-forma adjustments.

Completed acquisition **of Maybank PNG**

Listed on ASX and PoMSOX, raising **AUD97 million**

Announced pro-forma profit of **PGK47.5 million** exceeding prospectus forecasts

Announced dividend of **AUD3.4 cents per share**

Increased loan portfolio to **PGK374 million**

Increased deposit book to

PGK685 million

Lifted funds under management to

PGK5.5 billion

Increased funds under administration to

PGK4.8 billion

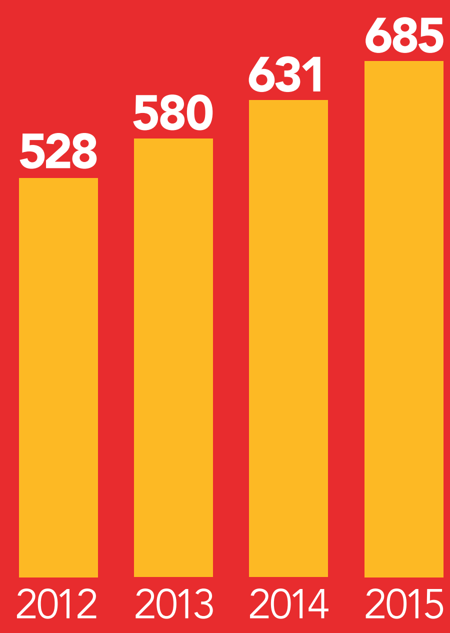
and member numbers to

160,000

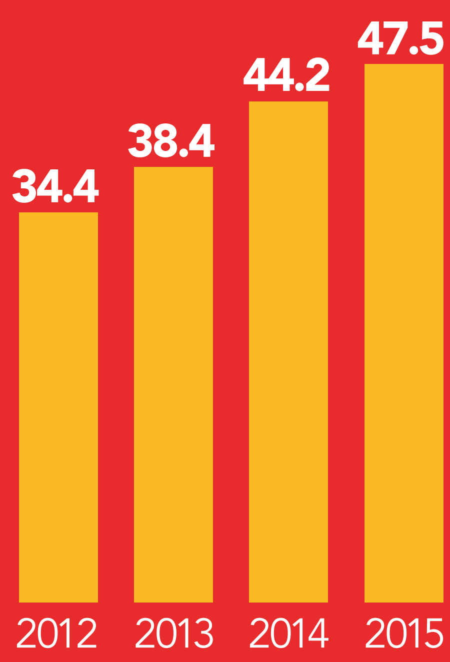
Completed rebranding of branch network

Completed delivery **of new internet banking platform**

Kina Deposits (PGK Bln)*



Pro-forma profit after Tax (PGK Mln)*



Chairman's letter

Dear Shareholder,

The year to December 2015 was a period of great success and dramatic change for Kina Securities. The company has effectively doubled in size during the past 12 months, emerging as the new force in PNG's rapidly maturing financial services sector and establishing a solid platform for rapid growth and enhanced profitability.

Two major events occurred during the year that fundamentally transformed the company. The first was the PGK350 million acquisition of Maybank PNG, which was initiated in May 2015 and finalised in September. The transaction created a dynamic, diversified financial services group with the scale, ambition and capability to deliver innovative new services to PNG consumers.

The acquisition enhanced Kina's position as a leading financial services institution, and importantly, it provided the company with a banking licence, which has helped to reduce funding costs and enabled access to new markets with significant operating synergies and cross-sell opportunities.

The second transformational event was the highly successful initial public offering (IPO) of Kina shares and the accompanying listing on the Australian and Port Moresby Stock Exchanges, which were completed in July. The IPO saw the company raise approximately PGK202 million (A$97 million), with more than 1500 investors participating in the offering, which was heavily oversubscribed.

The resounding success of the float was important, not only for Kina Securities, but also for PNG more broadly. It signalled to the international investment community that PNG's economy is maturing and its financial services sector, more particularly, is coming of age, is well run and prudentially sound, with the capability to generate attractive returns. PNG people can be proud of the success of a homegrown company like Kina, and the depth of international support for the float is a real vote of confidence in the country.

On behalf of the Board and management, I welcome those who invested in the company, and look forward to reporting strong share price and dividend growth in coming years as we continue to build the business.

In our first year as a listed company, we have recorded a solid operating performance, with net profit of PGK47.5 million (on a proforma basis) exceeding the forecasts included in the IPO prospectus by 4.9%. This is a solid result considering the extent of change and reorganisation being experienced across the group. In addition, the outlook for the company remains optimistic, notwithstanding some challenges in the global economy, and in PNG in particular, where falling commodity prices have constrained growth rates and economic activity. In Kina's key markets, being small business and retail consumers, we continue to see reasonable activity and great opportunity to expand our operations and grow our profitability. For that reason, Directors have recommended a final dividend of AUD3.4 cents per share, which is slightly above the forecast included in the prospectus.

The current year promises to be another good year for Kina as we build on what was achieved in 2015 and as sales momentum builds across the group. I commend our Chief Executive Syd Yates on his excellent leadership during the year and for the successful conclusion of the Maybank merger and the IPO, which involved a great deal of hard work by all our loyal staff. I welcome our new director, David Foster, who has brought great banking experience to the Board, as well as deep financial market experience that has been invaluable. My thanks to him and to all my fellow directors for their diligence and wise counsel, and finally, I thank all our shareholders for your ongoing support.

Yours faithfully

Sir Rabbie Namaliu, GL CSM KCMG
Chairman

We recorded a pro-forma net profit of

PGK47.5 million 4.9% above

IPO prospectus forecasts

"PNG people can be proud of the success of a homegrown company like Kina."

Managing Director's report

Dear Shareholder, "Together It's Possible" is the title of this, our first annual report as a publicly listed company.

It is a title that many of you will have seen before. It was used in the prospectus for the Initial Public Offering of the company in July, 2015, as well as in the Kina brand relaunch that we initiated after our acquisition of the Maybank PNG business. It is an important statement for Kina Securities because it embodies our fundamental operating approach and reflects the culture we are seeking to inculcate across the group.

This company has a range of important stakeholders, including our staff, customers, shareholders, suppliers and business partners, as well as regulators and the broader community. Our fervent belief is that by working collaboratively with our various stakeholders, and by understanding their needs and desires, we have a genuine opportunity to create a leading financial services company in PNG, offering innovate products and services, and with dedicated friendly staff serving a growing and satisfied customer base.

The great success that the company enjoyed in 2015 is a testament to what can be achieved when we work together. Few people believed that a PNG based financial services company could successfully complete a dual listing on the Australian and PNG stock exchanges, and raise some K202 million from investors around the world.

The fact that we were able to achieve that goal in the face of uncertain global economic conditions and volatile sharemarkets demonstrates the sound fundamentals of our business, the real growth potential that we enjoy in PNG, and the fact that domestic and international investors are confident that Kina can deliver strong results over time for its various stakeholders. In addition, it represents a major vote of confidence in the future of PNG, and the country's remarkable potential arising from its resourceful and rapidly growing population, as well as its enormous wealth of natural resources.

Highlights of 2015

Sir Rabbie has already highlighted the two stand-out achievements of 2015 that together represent a turning point for the organisation, taking Kina to a new level of corporate maturity, and setting us on an exciting path.

Maybank acquisition

The acquisition of the Maybank PNG business, which was announced in May and finally settled in September for a total cost of PGK349 million, elevates Kina to the ranks of PNG's fourth largest bank and arguably the most diversified financial services company in the country.

Following the acquisition, Kina operates:

- the fourth largest bank in PNG, with more than 11,000 clients, seven branches and an expanding electronic network;
- the largest wealth management business in PNG, with K5.5 billion in funds under management;
- one of the largest fund administrators in PNG, with more than 160,000 clients;
- the leading stockbroking company in PNG.

The acquisition was vitally important for a variety of reasons:

1) It provided us with a banking licence, which enables us to source funds from depositors and investors at lower cost than previously, when we operated as a finance company.

2) It dramatically increased the scale of our business, with the loan book almost doubling to approximately PGK374 million today, compared with PGK204 million at the date of the merger in September, and the deposit book today at more than PGK680 million, compared with around PGK 261 million at the time of the merger.

3) The balance sheet of the combined organisation has the capability to support larger transactions, with a diversity in the loan portfolio that reduces our overall risk profile.

Kina operates the fourth largest bank in PNG with more than

11,000 clients and 7 branches

"The great success that the company enjoyed in 2015 is testament to what can be achieved when we work together."

Managing Director's report

4) Expanded sales opportunities are immediately available, including additional cross-sales to existing customers, as well as entries into new market segments and business products.
5) Synergies from the combination are emerging already, including the benefits available from restructuring the investment and deposit profiles, and eliminating duplications in the business.
6) It delivers us a platform to grow into the future, by being smarter in our strategies, delivering quality products and first class service to our customers.

On the back of the Maybank acquisition, Kina has achieved the critical mass and capabilities needed to be a stronger competitor in the financial services industry in PNG, just as the nation's financial services sector is maturing rapidly, and as consumers increasingly are demanding better products and improved services to cater for their expanding aspirations.

Sharemarket listing

The other transformational event that Sir Rabbie mentioned was the public listing of the company, which has provided us with increased financial flexibility and access to a broad base of sophisticated investors and shareholders around the world, potentially providing a source of capital to further grow the business in the future.

The listing involved the sale of 97 million shares at a price of A$1.00 per share, and was fully underwritten by Morgans Stockbroking, whose support was invaluable. The proceeds of the offer were used to partially fund the acquisition of Maybank; to facilitate the sell down by the major shareholder, the Fu Shan group, in order to meet Bank of PNG conditions for the Maybank acquisition; and to provide working capital for the Company.

Following the completion of the offer, Fu Shan retained an approximately 35% interest in the Company, compared with 89.5% previously.

The offer was heavily oversubscribed and resulted in Kina emerging with a strong share register, which included a number of major PNG institutions as well as many significant global investors. A total of approximately 35 institutions invested in the stock, along with approximately 1500 other small investors, including some 91,000 shares issued to the company's 250 staff. Welcome to all those investors. I thank you for your interest and support.

The transition to public ownership has been achieved seamlessly, with Kina rapidly adjusting to the broader corporate obligations associated with listing on the stock exchange, including the various important disclosure and reporting requirements. By being listed, we now have the opportunity to demonstrate the inherent value of the franchise we hold in the PNG market by growing the business, boosting profitability and lifting returns to shareholders.

Already, the results we have achieved have been encouraging, as reflected in the financial performance for the year to December 2015.

Financial performance

In its maiden profit result as a listed entity, Kina was able to exceed the profit forecasts included in the prospectus lodged for its stock exchange listing, achieving a pro-forma net profit of PGK47.5 million for the full year to 31 December, 2015. This was 4.9% higher than the prospectus forecast of PGK45.3 million, and a solid performance that demonstrated that the benefits of the Maybank merger were beginning to emerge.

Directors declared a maiden dividend of AUD$0.034 per share for the year, which again exceeded the prospectus forecast of AUD$0.032 per share.

The features of the result were:

- strong net interest margin of 9.6%
- low cost to income ratio of 45%
- low bad debt expense of just PGK2.6 million (0.7% of gross loans)
- strong capital adequacy position of 33% (post dividend)

Asset growth and deposit growth were lower than expected, due in part to the disruption associated with the changes being implemented, but also because of some signs of increase competition for deposits in the final quarter of the year.

Lending growth recovered strongly post completion of the Maybank transaction in September, and we are only part of the way through the migration of the deposit book to a lower interest rate profile, and investment portfolio to a longer duration providing higher rates of return.

Focus for 2016

The completion of the Maybank integration process will be the main focus for the organisation in 2016, as the process of extracting all the available benefits has only partially been completed.

Opportunities remain for costs to be reduced by eliminating duplications, increasing operating efficiencies, and lifting our sales by providing quality products and services to our existing customers as well as new customers who are seeking to tap into our capabilities. The initial response from PNG consumers has been most encouraging, with many customer inquiries now being translated into new business.

Systems integration and technology enhancements are also being implemented to provide greater service and access to a broader customer base, and strengthened risk management systems are being introduced to maintain credit quality.

A second focus will be to refine our product and service offerings, to ensure we capture the targeted growth segments and build the desired business portfolio for the future. We are only just commencing this process, but we continue to see ample opportunity.

Already in 2016, we have advanced the process of building the management capability to deliver our ambitious growth targets. Early this year we announced a raft of new appointments, including a new Chief Financial Officer, EGM Banking, and Chief Risk Officer, to provide additional experience and expertise as well as leadership and management strength for the organisation. With this new team in place, and more senior appointments to be made in the coming weeks, we are confident that Kina Securities has the bench strength to deliver further solid results over the remainder of 2016.

"Kina has achieved the critical mass and capabilities needed to be a stronger competitor in the financial services industry in PNG, just as the nation's financial services sector is maturing rapidly, and as consumers increasingly are demanding better products and improved services to cater for their expanding aspirations."

Managing Director's report

PNG economy

The outlook for the PNG economy in 2016 remains reasonably cautiously positive, with growth of 4.3% predicted in the 2016 national budget. While slower than the strong 9.9% growth recorded in 2015, the growth rate remains relatively strong in comparison to other developed economies. While depressed commodity prices and delays in mining projects have led to a slowdown in the domestic economy, the non-mining sectors, including agriculture, manufacturing and financial services remain resilient. Kina's target markets of small business and retail consumers are not immune to the slowdown in the economy, but still provide enormous growth potential for our organisation as the economy matures and demand for financial services continues to grow. We are not seeing any signs of a deterioration in credit conditions, and remain confident that Kina has a high quality lending book.

Outlook

Kina has commenced the current year strongly, with momentum increasing after the completion of the Maybank acquisition and as integration of operations and systems gathers pace.

New business lending has accelerated in the current year, deposit volumes continue to rise, funding costs are being reduced as expected, and non-interest income is increasing steadily. Kina is continuing to take advantage of its competitive position as a homegrown PNG business with a market share of approximately 4% and substantial growth potential.

In our recent annual results announcement, we stated that we are well placed to deliver steady growth in operating results in 2016, including:

- Net interest margin of 8-10%;
- Cost to income ratio of less than 45% due to ongoing effective cost management;
- Profitable and quality lending growth, with strong momentum building in the period since the completion of the Maybank merger in September, 2015;
- Continued growth of the low cost deposit base

This continues to be our expectation.

In closing, I pay tribute to the statesmanship of Sir Rabbie Namaliu, who has led Kina with great finesse as we pressed forward with these significant operational advances over the past 12 months. Thanks to my fellow directors for their guidance, and to the Company's highly talented and diligent workforce which has delivered beyond our expectations over the past 12 months. Our staff are the key to our success, and they continue to demonstrate the highest quality of service and expertise as they strive to meet the needs of all our customers. Finally I pay regard to our 11,000 customers, and particular thanks to you, our shareholders for your support.

The year has been a great year for Kina, and shows again that "Together, it's possible."

Syd Yates, OBE
Chief Executive Officer

Pro-forma results compared to prospectus forecasts

December Year End PGKM	Kina Securities	Prospectus Forecast	Variance (PGKM)	Variance (%)
Interest income	77.3	82.1	(4.8)	(6)
Interest expense	(5.9)	(6.2)	0.3	5
Net interest income	**71.4**	**75.9**	**(4.5)**	**(0.1)**
Fee and commission income	23.7	25.3	(1.6)	(6)
Fee and commission expense	(0.1)	(0.1)	0.0	–
Net fee and commission income	**23.6**	**25.2**	**(1.6)**	**(6)**
Foreign exchange income	**27.7**	**23.2**	**4.5**	**19**
Other operating income	2.4	0.3	2.1	700%
Operating income	**125.2**	**124.6**	**0.6**	**–**
Impairments losses on loan and advances to customers	(2.6)	(3.9)	1.3	(33)
Other operating expenses	(55.8)	(55.5)	(0.3)	(1)
Profit before tax	**66.8**	**65.3**	**1.5**	**2**
Income tax benefit / (expense)	(19.3)	(20.0)	0.7	4
Net profit for the year	**47.5**	**45.3**	**2.2**	**5**

Key metrics

	FY December 2015	Prospectus Forecast	Variance (%)
Pro-forma earnings per share (PNG Toea)	29.0	27.6	5.1
Pro-forma earnings per share (A cents)	14.0	13.3	5.3
Dividends per share (cents per share)	3.4	3.2	6.3

Reconciliation of Stat profit to Pro forma profit

Description	Kina (million)
Statutory profit before tax	11.8
Add/(Less): Pro forma adjustments	
Capital Raising & Acquisition costs	12.0
Maybank 9 months results up to 30 September 2015	29.7
Interest income normalisation using prospectus investment securities portfolio mix	6.3
Interest expense normalisation of cost of funds using prospectus deposit portfolio mix	4.3
FX commission normalise using last three month's rate	3.2
Dividend and gain from financial asset normalise to zero	(0.2)
Normalisation of operating expenses and Others	(0.3)
Pro forma net profit before tax	**66.8**
Statutory taxation	(6.9)
Taxation on pro forma adjustments	(12.4)
Pro forma net profit after tax	**47.5**

Financial Reporting

Financial Reporting Kina Securities completed an initial public offering and was listed on the ASX and Port Moresby Stock Exchange in July 2015. This is the first full year profit result to be produced by the company since that time, and the first since the completion of the Maybank PNG acquisition in September, 2015.

The statutory result for the 12 months to December 31, 2015, was a profit of PGK4.95 million, which included 12 months contribution from the continuing Kina operations and three months contribution from the Maybank operations. The statutory profit was after costs of approximately PGK12.0 million associated with the Maybank acquisition as well as the listing of Kina Securities.

In the preparation of the prospectus to support the public listing of the company, pro-forma profit results were generated to provide investors with a clearer picture of the merged business.

The results for the period to December 31, 2015, have been set out in this document, calculated using methodologies and assumptions consistent with those used to generate the forecasts included in the prospectus. The pro-forma results are based on the statutory results for Kina and Maybank, with adjustments made to present the combined company as if the acquisition of Maybank had been completed at the start of the financial year, rather than at September 2015.

The adjustments include incremental corporate costs from operating as a publicly listed entity, cost of funds normalisations, investment portfolio allocation normalisations and exclude one-off costs of the public listing and share offer as well as other significant items. The pro-forma profit results provide the clearest indication of the ongoing performance of the business as a merged entity, enabling a ready and consistent comparison to the prospectus forecasts merged entity, enabling a ready and consistent comparison to the prospectus forecasts.

Board of directors

Sir Rabbie Namaliu
Non-Executive Chairman

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

Sir Rabbie is the former Prime Minister of PNG and former Speaker of the PNG National Parliament.

Furthermore, Sir Rabbie has ministerial experience in Foreign Affairs & Trade, Treasury, Primary Industry, Petroleum and Energy and other areas of government responsibility.

Sir Rabbie is chairman of Kramer Ausenco Ltd (appointed 2010), Kina Asset Management Ltd (appointed 2008), Kina Investment & Superannuation Services Ltd (appointed 2012) and Rimbunan Hijau Foundation (appointed 2010). In addition, Sir Rabbie holds directorships at Marengo Mining Limited (appointed 2008), Bougainville Copper Limited (appointed 2011), InterOil Corporation (appointed 2012) and 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 PNG Games in Kokopo, PNG.

Sir Rabbie is a member of the PNG Institute of Directors and a member of the Policy Advisory Group at the Crawford School of Public Policy at ANU.

Sir Rabbie holds a Bachelor of Arts (BA) degree from the University of PNG and received an Honorary Doctorate of Laws (Hon.LLD) from the same University.

Syd Yates
Chief Executive Officer

Mr Syd Yates joined Kina in 1997 and has extensive experience in the banking, finance and investment industries, with a career spanning more than 30 years.

He is the CEO of Kina Group. Syd is a director of KAML (appointed 2007), POMSoX (appointed 1998), the PNG Olympic Committee and the Commonwealth Games Association of PNG and is the Chairman for the PNG Olympic Fundraising Committee. He was PNG Chef de Mission for the Athens, Beijing and London Olympics.

Syd has previously been a director of Air Niugini Ltd, Bmobile Ltd and Media Niugini Ltd.

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

Don Manoa
Non-Executive Director

Mr Don Manoa has been a Director of Kina since March 2013 and has more than 20 years of experience as a board member in PNG's banking, finance and investment industries.

Don is also a director of KFL (appointed 2013) and KFM (appointed 2003).

Don currently serves as the chairman of the NGIP/AGMARK Group of Companies (appointed 2003) and as a director of PNG Sustainable Development Program Ltd (appointed 2002). Don has previously held management roles in both the PNG Electricity Commission (from 1986 to 1989) and Shell Company Limited PNG (from 1990 to 1997). In addition, Don has previously served as chairman of Shell Company (PNG) Limited (from 2000 to 2002) and the Gazelle Restoration Authority (from 2002 to 2004) and as a director of ANZ Banking Group PNG Ltd (from 1992 to 1996), Barclay Brothers (PNG) Ltd (from 1994 to 1997), Air Niugini Ltd (from 1997 to 1999) and Shorncliffe PNG Ltd (from 1989 to 2001). Don was also Honorary Consul for the Netherlands from 1998 to 2000.

Don has served on the boards of a number of charity and community service organisations in PNG and as a Commissioner in the Commissions of Enquiry into the National Provident Fund and the Government Department of Finance.

Don is a member of the PNG Institute of Directors.

David Foster
Non-Executive Director

Mr David Foster is an experienced non-executive director with a diverse portfolio of directorships and advisory roles. David has 25 years of experience in financial services. David was appointed a Director of Kina in 2015.

David is currently a non-executive director for Thorn Group Limited and is Chair of its Audit, Risk and Compliance Committee and a non-executive director of G8 Education and a member of the Audit Committee. He also has a number of advisory board roles in engineering and construction, education and local government. David's prior experience includes a number of senior executive roles within Suncorp Group Limited, most recently as chief executive officer of Suncorp Bank, where David led it through a highly volatile period during the global financial crisis. This included the turnaround of its retail, small and medium enterprise and agricultural businesses and managing down $18 billion in problem and non-core assets to maximise shareholder capital outcomes. David was also the Group Executive, Strategy during the acquisition of Promina Limited one of Australia's largest financial services transactions. Prior to Suncorp, David had over 14 years at Westpac Banking Corporation in a number of senior roles in Sydney and Queensland.

David has an MBA, a Bachelor of Applied Science and is a Senior Fellow with Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Hilary Wong
Non-Executive Director

Mr Hilary Wong has been a Director of Kina since 2001 and has over 14 years of experience in PNG's banking and finance industries. Within Kina Group, Hilary currently serves as a director of KFL (appointed 2001), KISS (appointed 2012), KNL (appointed 2001) and PNGHF (appointed 2005).

In addition, Hilary is currently serving as a director of WN Investments (appointed 1991) and Wu-Tung Development Limited (appointed 1991). Hilary is the chairman and co-founder of City Mission PNG and has received an international award from World City Mission in recognition of this involvement in charity and community service organisations in PNG.

Hilary is also the president of PNG's Tennis Association and a past member of the Organising Committee of the South Pacific Games. Hilary is a member of the PNG Institute of Directors.

Wayne Golding
Non-Executive Director

Mr Wayne Golding has over 25 years of board experience and has an extensive range of experience and skills in PNG's trade, investment and finance industries. Wayne is a former chairman of Kina.

Wayne is currently a Director of Kina (appointed 1996). Wayne is also currently serving as a director of Matching Investments Limited (appointed 1995), New Town Trading Ltd (appointed 1999), Ratung Ltd (appointed 1999), Tanubada Dairy Products Ltd (appointed 1988), 2G Developments Ltd (appointed 2012), and 2G Housing Ltd (appointed 2013).

Wayne is a former director of International Air Radio Limited, a subsidiary of British Airways (from 1992 to 1996), and was a member of the negotiating team acting for PNG regarding PNG's entry into a trade and investment agreement with the European Union.

Wayne was also a member of the committee that formed the APEC Business Advisory Council and has held various co-chair positions in their committees, including as co-chair of the Economic and Finance Committee.

Wayne is also the founding chairman of the Manufacturers' Council of PNG, a representative of the PNG/Queensland Business Council Group and advisor to the PNG National Fisheries Authority.

Wayne is a member of the PNG Institute of Directors and holds accounting and commerce qualifications from University of Technology, Sydney, Australia (formerly Sydney Technical College).

Jim Yap
Non-Executive Director

Mr Jim Yap has been a Director of Kina since 2012. Jim has significant experience in the banking industry in Australia, PNG and Taiwan. Within Kina Group, Jim is also a director of KFL (appointed 2012).

Jim also currently serves as a director of Niule No.1 Ltd (appointed 2009) and Raintree Development Ltd (appointed 2012).

Jim's previous experience includes senior management roles at ANZ Banking Group (PNG) Ltd, including roles as head of commercial banking and head of regional sales and origination. In addition, Jim has held a number of other roles within ANZ spanning over 37 years in retail banking, import and export, credit, corporate and institutional banking.

Jim holds a Bachelor of Science degree and Graduate Diploma in Education from Monash University, Melbourne, Australia, a Graduate Diploma in Management from the Royal Melbourne Institute of Technology, Melbourne, Australia, and is a member of the PNG Institute of Directors.

Peter Ng Choong Joo
Non-Executive Director

Mr Peter Ng has extensive experience in the banking, finance and investment industries, with a career spanning more than 35 years. Peter is currently a Director of Kina (appointed 2012).

Peter has previously worked in senior executive roles at Bank Negara Malaysia (from 1967 to 1977) and Bank Utama (Malaysia) Berhad (from 1977 to 2002). He was also a director of Kewangan Utama Berhad, a wholly-owned subsidiary of Utama Banking Group Berhad from 1995 to 1998. He was also a former director of Utama Merchant Bank Berhad (formerly Utama Wardley Berhad) from 1997 to 2001.

Peter is the executive chairman and a director of RH Mining Resources Ltd (appointed 2012), and holds directorships at RH Petrogas Limited (appointed 2012), Rimbunan Petrogas Limited (appointed 2012), RH Insurance Ltd (appointed 2005), Lubuk Tiara Sdn. Bhd (appointed 2011) and Qinzhou Development (Malaysia) Consortium Sdn. Bhd (appointed 2012).

Peter graduated with an MBA from Heriot-Watt University, Edinburgh, UK and is also an Associate of The Chartered Institute of Bankers (ACIB), London, UK.

Corporate governance statement

Introduction

Kina listed on the ASX and POMSoX on 29 July 2015 following the successful completion of its initial public offering. Since Kina's initial corporate governance statement was released on 29 July 2015, Kina has undergone a further review of its corporate governance structure and is implementing certain changes to its corporate governance structure. These changes are described in this statement.

This Statement outlines Corporate Governance framework and practices adopted by the Board of Kina and in place for the financial year ended 31 December 2015, by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**Recommendations**). The Statement was approved by the Board on 25 February 2016.

The Board considers and applies the Recommendations taking into account the circumstances of Kina. Where Kina's practices depart from a Recommendation, this Statement identifies the area of divergence and reasons for it, or any alternative practices adopted by Kina.

Governance framework

The Board has established a number of corporate governance documents consistent with the Recommendations, which in addition to Kina's Constitution, form the basis of Kina's corporate governance framework – these documents are referenced in this Statement where relevant, and are as follows:

1. Kina Securities Ltd Constitution (2015);
2. Board Charter (adopted 27 October 2015);
3. Audit and Risk Committee Charter (adopted 27 October 2015);
4. Remuneration and Nominations Committee Charter (adopted 27 October 2015);
5. Securities Trading Policy (adopted 27 October 2015);
6. Shareholder Communications Policy (adopted 30 July 2015);
7. Continuous Disclosure Policy (adopted 27 October 2015);
8. Diversity Policy (adopted 27 October 2015);
9. Directors Code of Conduct (adopted 30 July 2015);
10. Code of Corporate Conduct (adopted 30 July 2015); and
11. Conflict of Interest Policy (adopted 30 July 2015).

Copies of the corporate governance documents are available on Kina's website (www.kina.com.pg) at: http://investors.kina.com.pg/investors/?page=corporate-governance.

Board of Directors

The Role of the Board

The Board is responsible for the overall corporate governance of Kina. The Board monitors the operational and financial position and performance of Kina, and oversees its business strategy, including approving strategic goals. The Board is committed to maximising performance, generating shareholder value and financial returns, and sustaining the growth and success of Kina. In conducting Kina's business in accordance with these objectives, the Board seeks to ensure that Kina is properly managed to protect and enhance shareholder interests, and that Kina, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Kina, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for Kina's business and that are designed to promote responsible management and conduct of Kina.

The Board has adopted a board charter (**Board Charter**). The Board Charter sets out, amongst other things, the:

- roles and responsibilities of the Board, including those matters specifically reserved to the Board;
- role and responsibility of the CEO, which is primarily the day to day management of Kina;
- procedure for management of potential and actual conflicts of interest; and
- guidance on board performance evaluation, ethical standards and taking independent professional advice.

Director Appointment

As is required by the Bank of Papua New Guinea's Prudential Standards (BPNG Prudential Standards) Kina undertakes a Fit and Proper testing for candidates for Board positions and Executive Management positions which includes thorough background checks. When Directors are proposed for election, or re-election at general meetings the notice of meeting provides material and relevant information to enable shareholders to make an informed decision as to whether or not to elect or re-elect the candidate.

Kina has entered into a written agreement with each director and senior management team member that sets out, amongst other items, the terms of their appointment and their roles and responsibilities.

Board Composition

The Board seeks to ensure that it has the appropriate mix of skills, knowledge and experience to guide Kina and assist management to achieve the strategic objectives set by the Board. To assist in identifying areas of focus and maintaining an appropriate mix of skills and experience, the Board uses a skills matrix. The matrix, depicted below, sets out the skills, experience and expertise represented on the Board and assists the Remuneration and Nomination Committee in identifying actual or potential gaps. The Board reviews the matrix in light of Company strategy and uses it as one aspect of the criteria applying to Board appointments.

Independence

The Board considers an independent director to be a non-executive director who is not a member of Kina's management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board regularly (and at least annually) and having regard to the relationships listed in Box 2.3 of the Recommendations.

The Board does not consider Syd Yates to be independent as he is the CEO of Kina. Having regard to the Recommendations, Peter Ng and Jim Yap are not considered independent due to their association with a substantial shareholder of Kina; and Wayne Golding, Don Manoa and Hilary Wong are not considered independent due to the length of time over which they have held directorships within the Group.

The Board considers that each of the directors brings objective and independent judgement to Board deliberations and makes a valuable contribution to Kina through the skills they bring to the Board and their understanding of Kina's business.

The Board does not currently have a majority of independent directors. However, Kina's Board of Directors has been structured to ensure it has a high level of public market and PNG experience, coupled with financial and corporate governance capabilities. The Board has assessed that this is appropriate for the current stage of development and size of the business and the current Board members have the appropriate skills, knowledge and experience required to effectively oversee Kina's business.

Corporate governance statement

Directors' details

Name	Appointment date	Current length of service	Non-executive?	Independent?
Sir Rabbie Namaliu, GL CSM KCMG	2009	7 years	Yes	Yes
Syd Yates, OBE	1997	19 years	No	N/A
Peter Ng Choong Joo	2012	4 years	Yes	No
Don Manoa*	2003	12 years	Yes	No
Hilary Wong, OBE*	2001	15 years	Yes	No
Wayne Golding, OBE	1996	19 years	Yes	No
Jim Yap	2012	4 years	Yes	No
David Foster	2015	8 months	Yes	Yes

* Note that Don Manoa and Hilary Wong will be retiring at the 2016 AGM and will not be seeking re-election.

Director induction and education

Kina delivers an induction program to assist and introduce all new directors to the business. As part of the induction, new directors are given a detailed overview on Kina's operations, copies of governance and internal policies and procedures and instruction on the roles and responsibilities of the Board, its committees and management. After their initial induction, directors are expected to keep themselves updated on changes and trends at Kina, in the financial sector, market environment and any changes and trends in the economic, political, social, global, environmental and legal climate generally.

All directors are required to devote a minimum of 20 hours per year to their ongoing professional development. Directors are encouraged to attend recognised courses, seminars and conferences and internal education sessions are scheduled at Board meetings throughout the year.

Performance Evaluation

In accordance with the Board Charter, the performance of the Board, its members and its committees will be assessed each year. The Board has undertaken a performance evaluation and skills analysis during the year. As a result the Board has established a succession and renewal plan focussed on the next two years. The plan will manage the retirement and re-election of directors giving consideration to the length of time served on the Board and ensuring appropriate levels of Company experience and corporate knowledge are maintained as well as ensuring new appointments are made with a view to Company strategy over the medium to long term. The Board will continue to review individual, Committee and whole of Board performance and ensure that Board composition and the skills and experience of the Directors is appropriate.

Performance evaluations, overseen by the Chairman, in the case of the CEO, and the Remuneration and Nomination Committee in the case of senior management are carried out on an annual basis and were completed prior to listing in the year under review.

Chairman

In accordance with the Board Charter, the chairman of the Board is an independent director, Sir Rabbie Namaliu. The roles and responsibilities of the chairman are contained within the Board Charter.

Company Secretary

Mr Kong Wong was appointed company secretary on 22 June 2015. Kong has more than 15 years' experience in banking and finance, investment management, audit and financial control. Kong has a Bachelor of Economics, majoring in Accounting from La Trobe University and is a member of Certified Practising Accountants Australia and PNG.

Prior to Kong's appointment, Syd Yates acted as company secretary. Syd's biographical details are set out in the Directors' Report of the Annual Report. The company secretary is directly accountable to the Board through the chairman of the Board. The company secretary's responsibilities are set out in the Board Charter.

Board Committees

The Board has the power to establish and delegate powers to committees that are formed to facilitate effective decision making. The Board, however, accepts full accountability for matters delegated by it to those committees. The Board has established an Audit and Risk Committee and Remuneration and Nominations Committee. Each Committee has a separate charter which sets out, in detail, the guidance on the membership and powers of the Committee, and its roles and responsibilities. The charters are reviewed at least annually.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Kina, relevant legislative and other requirements and the skills and experience of individual directors.

The Remuneration and Nomination Committee is comprised of two independent directors (David Foster and Sir Rabbie Namaliu, the Chairman) and two directors that are not independent (Wayne Golding and Jim Yap). As such, the remuneration and nomination committee does not contain a majority of independent directors as recommended by Recommendation 2.1. The Board has assessed that this is appropriate for the current stage of development and size of the business and the current Committee members have the appropriate skills, knowledge and experience required to perform their duties as a Committee.

The Audit and Risk Committee is comprised of two independent directors (Don Manoa and David Foster, the Chairman) and two directors that are not independent (Wayne Golding and Jim Yap). As such, the audit and risk committee does not contain a majority of independent directors as recommended by Recommendation 4.1. The Board has assessed that this is appropriate for the current stage of development and size of the business and the current Committee members have the appropriate skills, knowledge and experience required to perform their duties as a Committee.

Remuneration

Kina is committed to fair and responsible remuneration throughout the Group. Senior Management are remunerated in a way that aims to attract and retain an appropriate level of talent and reflects their performance in relation to the delivery of corporate strategy and operational performance. Remuneration for non-executive directors is set using advice from independent consultants and takes into account the level of fees paid to non-executive directors of similar corporations and the responsibilities and work requirements of the non-executive directors.

The Remuneration Report and further details about the remuneration policy of Kina are set out in the Directors' Report.

	Remuneration and Nomination Committee	**Audit and Risk Committee**
Roles & Responsibilities	• recommend and review remuneration policy across group • review and consider composition of Board • make recommendations to Board in regard to succession planning for CEO and direct reports and appointments of directors • administering aspects of Fit and Proper requirements of BPNG Prudential Standards • review structure and level of director fees • review remuneration framework (incl. STIs, LTIs and non-cash elements) of CEO, senior management and Responsible Persons • review terms and conditions of employment agreements • review terms of superannuation and pension scheme arrangements • assist in annual performance review of CEO • oversee annual performance review of senior management • review effectiveness of Diversity Policy and its objectives and strategies	• reviewing effectiveness of reporting of financial information, audit systems and controls • reviewing and recommending to the Board half-year and annual financial statements and reports • audit planning • reviewing the provision of non-audit services by the external auditor • reviewing internal and external audit reports and where weaknesses in controls or procedures have been identified and monitoring remedial action taken by management to ascertain whether it has been adequate and appropriate • establishing and maintaining a risk management framework and through this, working with the Group Chief Risk Officer and management to identify, manage and monitor potential and actual issues, concerns and risks • monitoring the risk profile of Kina against the agreed risk appetite and risk management framework • annual review of the effectiveness of the risk management framework in supporting business performance/ strategy
Membership	David Foster Wayne Golding Jim Yap	Wayne Golding Don Manoa Jim Yap
Chair	Sir Rabbie Namaliu	Mr David Foster

Corporate governance statement

Membership of the Committees during the reporting period, the number of Committee meetings and the attendance at those meetings are set out below:

Director	Board meetings		Audit and Risk Committee[1]		Remuneration and Nomination[2]		Disclosure Committee[3]	
	A	B	A	B	A	B	A	B
Sir Rabbie Namaliu	9	9	-	-			2	2
Sydney Yates	9	9	-	-	-	-	2	2
David Foster[4]	8	8	3	3	3	3	2	2
Wayne Golding	9	9	3	3	3	3	-	-
Donald Manoa	9	9	3	3	-	-	-	-
Peter Ng	9	8	-	-	-	-	-	-
Hilary Wong	9	6	-	-	-	-	-	-
Jim Yap	9	9	3	3	3	3	-	-

Acting ethically and responsibly

The Board is committed to ensuring that Kina maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, and that Kina complies with all legal and other obligations.

Kina has adopted a Code of Corporate Conduct that applies to all employees of Kina and its subsidiaries (including subcontractors and consultants) and a separate Code of Conduct for Directors (**Codes of Conduct**). The Codes of Conduct set out certain minimum standards of conduct that Kina expects of its employees and directors including integrity, diligence, impartiality, equality and fairness. The Codes of Conduct set out how employees and directors are to conduct themselves in order to meet these minimum standards.

Diversity

The Board has adopted a Diversity Policy that emphasises Kina's commitment to the maintenance and promotion of workplace diversity and inclusiveness, and recognises people as the Company's most important asset. Diversity is a key driver in Kina's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow Kina's business. The Company's vision for diversity incorporates a number of different factors, including but not limited to gender, ethnicity and cultural background, disability, age and educational experience The Diversity Policy provides a framework to help Kina achieve its diversity goals, while creating a commitment to a diverse work environment where staff are treated fairly and with respect, and have equal access to workplace opportunities.

The Remuneration and Nominations Committee reviews and oversees the implementation of the Diversity Policy.

The recent acquisition of Maybank resulted in the Company taking on approximately 50 additional employees. As a result the Board determined that it would be inappropriate to set diversity objectives whilst staffing was in such a state of flux. The Remuneration and Nominations Committee will look to set measurable objectives in the early part of 2016. Kina's performance against these objectives will be reviewed annually by the Remuneration and Nominations Committee.

The gender composition of Kina's workforce, including the Board and senior management team is set out below:

Proportion of women and men employed by Kina as at 31 December 2015

	Total	Women		Men	
Board	8	0	0%	8	100%
Senior Management	7	1	14%	6	86%
Team Leader	34	18	52%	16	48%
Other employees	247	130	52%	117	48%

Written declarations

When the Board considers the statutory half-year and annual financial statements, the Board obtains a declaration equivalent to section 295A of the Corporations Act, from the CEO and CFO in regard to the integrity of the financial statements and assurance as to the effective operation of the risk management and internal compliance and control systems.

1. Prior to 19 June Audit and Risk Committee responsibilities were carried out by the Board
2. Prior to 19 June Remuneration and Nomination Committee responsibilities were carried out by the Board
3. The Disclosure Committee was established on 27 October 2015
4. Mr Foster was appointed to the Board 1 May 2015. Mr Foster was appointed Chair of the Audit and Risk Committee and a Member of the Remuneration and Nomination Committee 19 June 2015

External Auditor

Kina's external auditor is PricewaterhouseCoopers (PwC). The Audit and Risk Committee is responsible for recommending the appointment or removal of the auditor as well as annually reviewing their effectiveness, performance and independence.

The external auditor is required to attend the Company's annual general meeting and is available to address questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Timely and balanced disclosure

Kina is committed to observing its disclosure obligations under the ASX Listing Rules, the Corporations Act, the POMSoX Listing Rules and the PNG Securities Act. The Board has adopted a shareholder communication policy (**Shareholders Communications Policy**) and a continuous disclosure policy) (**Continuous Disclosure Policy**) that implements Kina's commitment to providing timely, complete and accurate disclosure of information.

The Shareholder Communications Policy promotes effective communication with shareholders and seeks to ensure that shareholders have equal and timely access to material information concerning Kina. The Policy implements an investor relations program, a key tenet of which is to encourage effective shareholder participation. Shareholders are encouraged to attend general meetings and shareholder information sessions and to submit written questions prior to those meetings.

The Continuous Disclosure Policy sets out the roles and responsibilities of officers and employees in complying with Kina's continuous disclosure obligations and nominates those individuals who are responsible for determining whether or not information is required to be disclosed.

Shareholder Communications

Kina's website contains information regarding the Company, the Board and management team, corporate governance, media coverage, ASX announcements, investor presentations and reports.

Kina's investor relations program includes a number of scheduled and ad hoc interactions with institutional investors, private investors, sell-side and buy-side analysts and the financial media. At a minimum, so as to ensure that shareholders and other stakeholders have a full understanding of Kina's performance and strategies, Kina will convene analyst briefings twice a year on Kina's financial performance and objectives.

In accordance with the Shareholder Communications Policy, shareholders are encouraged to attend general meetings, or, if they are unable to attend, vote by proxy or other means included in the notice of general meeting. Shareholders may receive and send information electronically to and from both Kina and Kina's share registry. Other methods of communication are also available to shareholders and other stakeholders, including telephone, mail and facsimile.

Kina may consider the use of other reliable technologies as they become widely available.

Risk Management and internal controls

Throughout the year Kina has invested significant time and effort in the design of a comprehensive risk management framework that extends to each area of the business. The risk division drives and influences the development of a strong and robust risk culture across the whole group. Under supervision of the Board, management is responsible for the design, identification, assessment and management of risk frameworks and related policies, and for adherence to these. A three lines of defence model has been implemented across the organisation. The Group's risk management activities comply with all relevant regulation including that of the Bank of Papua New Guinea (Prudential Standards), Legislation and the Investment Promotion Authority (IPA).

As part of the review and revision of Kina's risk management framework and internal control functions, an internal audit function which will report directly to the Audit and Risk Committee, is being expanded. At present the internal audit function has been co-sourced with external providers for planning and review purposes, which is acceptable under the BPNG Prudential Standards, but not a position Kina will continue in the long term. The internal audit function provides independent and objective assurance to the Board, via the Audit and Risk Committee. The internal audit plan is formulated using a risk based approach and activity and outcomes are reported to the Committee on a quarterly basis.

Kina does not have any material exposure to economic, environmental and social sustainability risks.

Dealings in Company securities

The Board has adopted a Securities Trading Policy that applies to the Kina's equity-based remuneration scheme and explains the conduct that is prohibited under the PNG Securities Act and the Corporations Act.

The Securities Trading Policy:

- prohibits any Relevant Person from entering into a hedge transaction involving unvested equity held pursuant to an employee, executive or director equity plan operated by Kina;
- sets out the prohibitions against insider trading and prescribes certain requirements for dealing in Kina securities;
- prohibits Relevant Persons from trading in Kina securities while in possession of material non-public information, which is information a reasonable person would expect to have a material effect on the price or value of Kina securities; and
- provides for certain black-out periods when no trading may occur.

Attendance at board meetings

Information on Board and committee meeting attendance for the year is presented in the following table:

			Committees							
Director	**Board**		**Risk**		**Audit**		**Remuneration**		**Nominations**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Sir Rabbie Namaliu	9	9	–	–	–	–	4	4	4	4
Wayne Golding	9	9	–	–	–	–	6	6	6	6
Donald Manoa	9	9	8	8	8	8	8	8	8	8
Hilary Wong	9	6	–	–	–	–	–	–	–	–
Peter Ng	9	8	–	–	–	–	–	–	–	–
Jim Yap	9	9	8	8	8	8	8	8	8	8
David Foster	8	8	6	6	6	6	8	8	8	8
Pae Gure	–	–	–	–	–	–	–	–	–	–

A = Number eligible to attend **B** = Number attended

Indemnification and insurance of Directors, Officers and Employees

The company has agreed to indemnify the directors, officers and employees of the group against any liability to another person for an act or omission that may arise from their positions, to the extent permitted by the PNG Companies Act 1997.

During the financial year the consolidated entity paid premiums to insure directors, officers and employees of the group against any claims brought against them while acting for the Group. Further disclosure is prohibited under the terms of the contract.

No indemnity has been granted to an auditor of the group in their capacity as auditor of the group.

Directors' report

The Directors of Kina Securities Limited and its Subsidiaries submit herewith the annual financial report of the Company and its Subsidiaries for the year ended 31 December 2015.

Principal activities

The principal continuing activities of the Company and its Subsidiaries during the year was the provision of share brokerage, fund administration, investment management services, asset financing, and provision of personal and commercial loans, money market operations and corporate advice. The Company has recently acquired Maybank PNG Limited whose principal activities were banking and related services.

The Directors consider there are no unusual or other matters that warrant their comments and the Group's financial position and results from operations are properly reflected in these financial statements.

Operating results

The Group's operations for the year are reviewed in the front section of the Annual Report.

The net profit attributable to equity holders for the year for the Group was K4.96 million compared with K14.03 million in 2014.

The profit includes the following items:

- Net interest income of K42.9 million, compared with K39.5 million in the prior year to December 2014.
- Net fee and commission income of K17.4 million, compared with K17.15 million in the prior year.
- Operating income before impairment losses and other operating income of K69.7 million, up from K57.3 million in the prior year.
- Impairment losses on loans and advances to K2.96 million, compared with K2.50 million in the prior year.
- Other operating expenses of K54.8 million, compared with K34.4 million in the prior period, which included one-off expenses associated with the acquisition of Maybank PNG and the listing of the company on the Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX).

Review of operations

Kina Securities completed an initial public offering and was listed on the ASX and POMSoX in July 2015, and it also completed the acquisition of the Maybank PNG business in September, 2015.

The statutory result for the 12 months to December 31, 2015, was a profit of K4.96 million, which included 12 months contribution from the continuing Kina operations and three months contribution from the Maybank operations.

The statutory profit was after costs of approximately K12.0 million associated with the Maybank acquisition as well as the listing of Kina Securities.

By year end, Kina had become firmly established as PNG's fourth largest bank with lending assets of K374 million and deposits of more than K680 million.

An explanation of the operational performance and highlights of the year is included at the front section of this annual report.

After balance date events

Kina has commenced the 2016 year strongly, with momentum increasing after the completion of the Maybank acquisition and as integration of operations and systems gathers pace. New business lending has accelerated, deposit volumes continue to rise, funding costs are being reduced as expected, and non-interest income is increasing steadily. While the PNG economy has experienced some slowing in activity due to reduced commodity prices, Kina's target markets of small business and retail consumers remain relatively resilient. Kina can continue to take advantage of its competitive position as a home-grown PNG business with a market share of approximately 4% and ample opportunity to grow.

Future developments

The focus for the current year will be to extract the maximum benefits from the Maybank merger through seizing opportunities for sales to new and existing customers, increasing investment portfolio returns and reducing funding costs. Systems integration and technology enhancements are also being implemented to provide greater service and access to a broader customer base, and strengthened risk management systems are being introduced to maintain credit quality. The Bank remains well placed to deliver steady growth in operating results in 2016.

Dividends

The Company did not provide for or pay a dividend during the year ended 31 December 2015. Subsequent to balance date the directors declared a dividend of 3.4 cents per share (total AUD$5.57m). The total dividend for 2014 was K10m (AUD$4.5m).

Solicitors

Through the year under review, Kina utilized the services of Allens at Level 6, Mogoru Moto Building, Champion Parade, Port Moresby, Papua New Guinea.

Kina Securities Limited

Remuneration report

Contents

Kina is not required to prepare a remuneration report. However, in the interests of transparency and best practice, Kina has elected to do so.

The remuneration report is focused on providing information that the Board considers important for shareholders to understand the remuneration framework of Kina.

Kina has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of Kina as set out below.

The Board has determined that to align the interests of Kina's Senior Executive Team and the goals of Kina, the remuneration of the CEO and the other Senior Executives of Kina should compromise the following components:

- A long term incentive (LTI) plan that will provide an opportunity for employees to receive an equity interest in the Company through the granting of Performance Rights; and
- A short term incentive (STI) plan enables the opportunity to receive an incentive payment calculated as a percentage of their salary each year, conditional upon achievement of financial and, if applicable, non-financial performance measures.

Kina is currently reviewing its STI and LTI plans to ensure that each plan is aligned to market best practice. In particular the Board is considering in detail proposed changes to the LTI, including the LTI vehicle to be used, who should participate, the quantum to be offered and the performance conditions to be used. No decisions have been reached on any changes to the STI and LTI plans, with the details of any such changes to be communicated via the next year's remuneration report

2. Kina's KMP (Key Management Personnel)

Kina's KMP comprise the Directors and The Senior Executive Team of Kina. "The Senior Executive Team" refers to the CEO and those executives with authority and responsibility for planning, directing and controlling the activities of Kina and the Kina Group, directly or indirectly. The KMP disclosed in this Remuneration Report are:

Name	Position held during the financial year ended 31 December 2015
Non-Executive Directors	
Sir Rabbie Namaliu	Non-Executive Chairman
Don Manoa	Non-Executive Director
David Foster	Non-Executive Director
Wayne Golding	Non-Executive Director
Hilary Wong	Non-Executive Director
Jim Yap	Non-Executive Director
Peter Ng Choong Joo	Non-Executive Director
Executive Directors and Senior Executive Team	
Syd Yates	CEO
Michael Van Dorssen	General Manager – KFL and PNGHF
Kong Wong	Group Financial Controller and Company Secretary
Victor Shubin	General Manager – KFM
Adam Fenech	General Manager – KISS, KWML and KNL
Aaron Bird	Chief Information Officer
Saima Sapias Kalis	Group Manager – Human Capital
Veronica Weiang[1]	Group Manager – Legal

2.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee assists the Board in the performance of its statutory and regulatory duties by:

- formulating advice to the Board on the remuneration of the Chief Executive Officer, senior management team and employees holding Responsible Person positions;
- providing an objective, non-executive review of the effectiveness of Kina's remuneration setting policies and practices;
- recommending to the Board for approval by shareholders the amount and structure of directors' fees;
- administering aspects of the "Fit and Proper" requirements of BPNG Prudential Standard PS8/2005; and
- identifying the mix of skills and individuals required to allow the Board to contribute to the successful oversight and stewardship of the Company.

Refer to Kina's Corporate Governance Statement.

The Remuneration and Nomination committee regularly reviews:

Kina's remuneration policy; the structure and quantum of the remuneration of the CEO, members of the senior management team, staff holding Responsible Person positions and selected risk and compliance staff; and the structure and level of non-executive directors' board fees and committee fees, to ensure that remuneration is aligned to Kina's strategy.

3. Executive remuneration

3.1 Remuneration policy and governance framework

The Remuneration and Nomination Committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. From time to time, the committee also engages external remuneration consultants to assist with this review. In particular, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

KMP are prohibited from entering into any hedging arrangement that limit the economic risk of holding Kina securities under Kina equity plans. This helps align executives' and shareholders' interests.

[1] Veronica Weiang ceased working for Kina on 30 September 2015

Remuneration report

The Board has determined that to align the interests of Kina's Senior Executive Team and the goals of Kina and to assist in the attraction, motivation and retention of management and employees of Kina, the remuneration packages of the CEO and the other Senior Executives of Kina should comprise the following components:

Fixed remuneration	Total fixed remuneration comprises base salary, other non-cash benefits and includes superannuation
STI Plan	The STI plan provides participants with an opportunity to earn an incentive calculated as a percentage of their salary each year, conditional upon achievement of individual KPIs which may consist of financial and, if applicable, non-financial performance measures. The Incentive earned will be paid: • 65% in cash; and • 35% in an offer of Performance Rights. The cash portion of the Incentive Earned will be paid in the next pay cycle following confirmation of the performance outcomes and incentive earned. The Performance Rights portion of the Incentive earned will be issued in one tranche and will vest subject to the participant remaining employed by Kina or a member of the Kina group at vesting date.
LTI Plan	The LTI Plan is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in Kina through the granting of Performance Rights. Under the LTI Plan, LTI Participants may be offered LTI Performance Rights that may be subject to vesting conditions set by the Board.
Retention Plan	A one-off equity based performance rights plan to assist in the retention and reward of key eligible employees. Under the retention plan for FY15, only Syd Yates was granted Performance Rights. These Performance Rights were subject to a service condition whereby 50% of the Performance Rights vest on the first anniversary of the grant date and the remaining 50% to vest on the second anniversary of the grant date. Whilst this plan was intended as a one off plan, the Kina Board has discretion on whether the Retention Plan will continue.

3.2 Fixed Remuneration (FR)

Executives may receive their fixed remuneration as cash, or cash with non-monetary benefits such as insurance, allowances and tax advisory services. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

For most executives, superannuation is included in FR.

3.3 Short-term incentive plan (STI)

(a) Structure of STI

Features	Description
Eligibility	The CEO and Senior Executive Team are eligible to participate in the STI Plan (STI Participants).
STI components	The STI Incentive Earned will be delivered as: • 65% as a cash bonus; • 35% as an offer of Performance Rights.
Performance measures	Individual KPIs specific to each Participant were determined by the Board shortly after listing. These KPIs consisted of both financial and non-financial performance measures and included measures such as: • Achievement of Corporate NPAT • Growing FUM by 12% • Completion of specific projects • 100% Compliance with R&Q framework • 100% on-time reporting of monthly accounts Each measure was rated using a Performance Rating scale of 1-4: **Rating** — **Pay-out percentage** 1 Did not meet expectations — Nil pay-out 2 Met some expectations – rated as 80% of target achieved — 50% pay-out 3 Met all expectations – rated as 100% of target achieved — 100% pay-out 4 Exceeded expectations – rated as 120%+ of target achieved — 150% pay-out

Calculation of STI Performance Rights	The number of STI Performance Rights granted is determined by dividing the Incentive Earned by the 10 day volume weighted average price per share following the release of Kina's audited financial statements for the year ending 31 December 2015.		
Vesting of STI Performance Rights	STI Performance Rights are restricted from exercise until the second anniversary after the grant date.		
Forfeiture of STI Performance Rights	STI Performance Rights are subject to Kina's clawback policy. Under the clawback policy, unvested STI Performance Rights may be forfeited if the Board determines that adverse events or outcomes arise that should impact on the grant of STI Performance Rights to a STI Participant.		
Payments and grants	Payments under the STI Plan are made in March of each year after the release of full year financial results to ASX and POMSoX.		
Target STI and maximum STI that can be awarded		**CEO**	**Other Senior Executives**
	Target:	50% of base salary	30% of base salary
	Maximum:	75% of base salary	45% of base salary

(b) FY15 STI results

Details of Kina's performance against the STI performance measures are summarised as follows:

The KPIs for each Executive falls into one of the following categories:

- Corporate;
- Business Unit (BU);
- Risk & Quality: and
- Individual.

The weighting and the KPIs under each category are specific to the individual executive. The KPIs associated with the CEO's STI arrangement are provided below:

SYD YATES – KPI DETAIL

Category & Weighting	KPI	KPI Weighting	Target STI Allocation ($)	Actual performance achieved (Rating 1-4)	Actual Payout ($)
Corporate (40%)	Corporate NPAT of K45.2	40%	80,000	4	120,000
BU (50%)	Complete IPO	30%	60,000	4	90,000
	Maybank Merger and Acquisition	20%	40,000	3	40,000
Quality & Risk (10%)	Board Assessment	10%	20,000	3	20,000
		100%	**200,000**		**270,000**

The outcomes of the STI payments to Executives for the FY15 year are provided in the table below:

Participant	Annual base salary (AUD)	Target STI opportunity (50% for CEO/30% for Execs)	Total incentive earned	Cash bonus (65%)	Performance rights (35%) (dollar value)*
Syd Yates	$400,000	$200,000	$270,000	$175,500	$94,500
Adam Fenech	$243,000	$72,900	$49,208	$31,985	$17,223
Kong Wong	$270,000	$81,000	$60,750	$39,488	$21,263
Aaron Bird	$172,500	$51,750	$53,044	$34,479	$18,565
Victor Shubin	$195,000	$58,500	$29,250	$19,013	$10,238
Michael Van Dorssen	$306,700	$92,010	$96,611	$62,797	$33,814
Saima Kalis	$91,522	$27,457	$10,296	$6,693	$3,604
Veronica Weiang	$96,339	$28,902	$0	$0	$0
TOTAL			**$569,159**	**$369,955**	**$199,207**

* Please note, the number of Performance Rights to be issued under the STI plan is yet to be confirmed. At this stage, only the dollar value is known.

Remuneration report

3.4 Long term incentive plan

Executives participate, at the Board's discretion, in the LTI plan comprising annual grants of Performance Rights. Further detail is shown in the table below:

(a) Structure of 2015 LTI

The Company is currently reviewing the LTI plan for future grants to ensure that it aligns performance to achieving shareholder value.

Features	Description
Eligibility	Participants must be a permanent full-time or part-time employee or Executive Director of Kina or any of its subsidiaries (LTI Participants).
LTI components	The LTI Plan will be delivered as Performance Rights with each right conferring on its owner the right to be issued or transferred one (1) fully paid ordinary share in the Company.
Performance measures	In respect of the FY15 LTI grant, the Performance Rights will only vest subject to satisfaction of both of the following conditions: The net profit after tax (NPAT) as set out in the Kina Group FY15 Statutory Report equals or exceeds the Kina Group NPAT set out in the FY15 Statutory Forecast Income Statement of the IPO Prospectus (being 5.7m); and The relevant participant remaining employed by a Kina Group member on the Vesting date.
Calculation of LTI Performance Rights	The number of LTI Performance Rights for 2015 was determined by dividing the LTI Award amount by the IPO share price.
Vesting and exercise of LTI Performance Rights	Subject to satisfaction of performance measures outlined above, the LTI Performance Rights will vest on the third anniversary of admission of Kina to the official lists of ASX and POMSoX.
Forfeiture of LTI Performance Rights	Unvested LTI Performance Rights may be forfeited: if the Board determines that any vesting condition applicable to the LTI Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; in certain circumstances if the LTI Participant's employment is terminated; or in other circumstances specified in the LTI Plan (for example, if the Board determines that the LTI Participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina).
Lapse of LTI Performance Rights	Unless otherwise specified in the vesting conditions or otherwise determined by the Board, a LTI Performance Right lapses on the earliest of: if the Board determines that any vesting condition applicable to the LTI Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; the expiry of the exercise period (if any); in circumstances of cessation of employment; in other circumstances specified in the LTI Plan (for example, if the Board determines that the LTI Participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina); or if the participant purports to deal in the LTI Performance Right in breach of any disposal or hedging restrictions in respect of the Performance Right.
Timing of grants	It is intended that future grants under the LTI Plan will be made annually. However, there is no obligation on Kina to make any further grants under the LTI Plan.
Target LTI and maximum LTI that can be awarded	

	CEO	Other Senior Executives
Target:	50%	30%
Maximum:	50%	30%

(b) FY15 LTI results

Details of Kina's performance against the LTI performance measures are summarised as follows:

Participant	Value of Performance Rights granted	Financial measure (FY15 forecast NPAT of at least $21,827,000 AUD/K45.2m)	Employed with Kina or a Kina Group member on 3rd anniversary of Grant date
Syd Yates	$200,000	Achieved	Not yet achieved
Adam Fenech	$72,900	Achieved	Not yet achieved
Kong Wong	$81,000	Achieved	Not yet achieved
Aaron Bird	$51,750	Achieved	Not yet achieved
Victor Shubin	$58,500	Achieved	Not yet achieved
Michael Van Dorssen	$92,010	Achieved	Not yet achieved
Saima Kalis	$27,457	Achieved	Not yet achieved

3.5 Retention Plan

Features	Description
Eligibility	The Board to determine the Participants eligible for participation in the Retention Plan. For FY15, only Syd Yates was eligible to participate.
Retention Plan	The Retention Plan is a once off award of Performance Rights to assist in the retention and reward of some key eligible participants. The grant of performance rights were conditional upon completion of the Listing and payment occurred on Listing date.
Vesting conditions	In respect of the FY15 Retention Plan grant, the Performance Rights are subject to a service condition as follows: 50% of the Performance Rights granted to vest on the first anniversary of grant date; and 50% of the Performance Rights granted to vest on the second anniversary of grant date.
Calculation of LTI Performance Rights	The Board determined that under the Retention Grant, Syd Yates received a once off grant of $200,000 worth of Performance Rights, which will result in 200,000 Performance Rights being granted.
Forfeiture of Retention Plan Performance Rights	Unvested Retention Plan Performance Rights may be forfeited: if the Board determines that any vesting condition applicable to the Retention Plan Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; in certain circumstances if the Retention Plan Participant's employment is terminated; or in other circumstances specified in the Retention Plan (for example, if the Board determines that the Retention Plan Participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina).
Lapse of Retention Plan Performance Rights	Unless otherwise specified in the vesting conditions or otherwise determined by the Board, a Retention Plan Performance Right lapses on the earliest of: if the Board determines that any vesting condition applicable to the Retention Plan Performance Right has not been satisfied in accordance with its terms or is not capable of being satisfied; the expiry of the exercise period (if any); in circumstances of cessation of employment; in other circumstances specified in the Retention Plan (for example, if the Board determines that the Retention Plan Participant has committed an act of fraud or gross misconduct in relation to the affairs of Kina); or if the participant purports to deal in the Retention Plan Performance Right in breach of any disposal or hedging restrictions in respect of the Performance Right.
Timing of grants	It is intended that there will be no future grants under the Retention Plan as it was a once off grant.

Remuneration report

Retention Plan payment as a % of [base remuneration]	Number of Retention Plan Rights granted during FY15	Number of Retention Plan Performance Rights vested during FY15	Exercise date
50%	200,000	200,000	First anniversary of the grant date: 50% of the Performance Rights vest Second anniversary of the grant date: 50% of the Performance Rights vest

3.6 Remuneration components

(a) FY15 remuneration

The components of the Senior Executive Team's remuneration are set out in table (in AUD).

	SHORT -TERM EMPLOYEE BENEFITS			POST -EMPLOYMENT BENEFITS		SHARE BASED PAYMENTS		TOTAL
	Cash salary/ fees/ short-term compensated absences	Short-term cash profit-sharing and other bonuses	Non-monetary benefits	Pension and superannuation benefits	Other post-employment benefits	Equity settled: shares and units	Equity settled: options and rights	Total
Syd Yates	400,000	175,500	225,434		233,808		494,500	1,529,242
Michael Van Dorssen	306,700	62,797	233,105	54,396			125,823	782,821
Kong Wong	270,000	39,488	146,917				102,263	558,668
Victor Shubin	195,000	19,013	136,692				68,738	419,443
Adam Fenech	243,000	31,985	130,058				90,123	495,166
Aaron Bird	172,500	34,479	222,406				70,315	499,700
Saima Sapias Kalis	91,522	6,693	10,740				31,061	140,016

3.7 Performance based and non-performance based components

The following table sets out the relative proportions of those elements of the remuneration of the Senior Executive Team that are performance based and non-performance based.

	Performance based	Non-performance based
Syd Yates	100%	Nil
Michael Van Dorssen	100%	Nil
Kong Wong	100%	Nil
Victor Shubin	100%	Nil
Adam Fenech	100%	Nil
Aaron Bird	100%	Nil
Saima Sapias Kalis	100%	Nil

3.8 Performance Rights holdings

The table below sets out the current holdings of Performance Rights by the Senior Executive Team:

	Performance Rights held at start 1 January 2015	Performance Rights issued during FY15	Performance Rights forfeited/lapsed during FY15	Performance Rights held at year end 31 December 2015
Syd Yates	0	506,061	Nil	506,061
Michael Van Dorssen	0	129,961	Nil	129,961
Kong Wong	0	104,864	Nil	104,864
Victor Shubin	0	69,990	Nil	69,990
Adam Fenech	0	92,230	Nil	92,230
Aaron Bird	0	72,586	Nil	72,586
Saima Sapias Kalis	0	31,502	Nil	31,502

3.9 Employment agreements

(a) *Summary of employment contracts of the Senior Executive Team*

	Term of contract	Notice period	Termination payments
Syd Yates	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Michael Van Dorssen	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Kong Wong	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Victor Shubin	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Adam Fenech	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Aaron Bird	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.
Saima Sapias Kalis	3 years	3 months	Provided no misconduct has been committed, the employee may receive a proportionate level of salary and cash equivalent of entitlements owing for the remainder of the notice period.

(b) *CEO employment agreement*

Kina may terminate Syd Yates' employment without notice or payment in lieu of notice in circumstances where Syd Yates:

- is bankrupt or has made any arrangement or composition with his creditors or taken advantage of any legislation for relief of an insolvent debtor; or
- is convicted of any criminal offence, other than an offence which in the reasonable opinion of the Board does not affect his position as CEO of Kina.

On termination of Syd Yates' employment agreement, Syd will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

Details of Syd Yates' voluntary escrow arrangements are set out in Section 6 of this Remuneration Report.

Remuneration report

Remuneration of employees

During the year, the number of employees or former employees (not being directors of the Company), receiving remuneration in excess of PGK100,000 per annum from the Group stated in bands of PGK10,000 were as follows:

	2015	2014
K1,520,000 – K1,530,000	1	–
K1,160,000 – K1,170,000	–	1
K850,000 – K860,000	1	–
K830,000 – K840,000	1	1
K770,000 – K780,000	–	1
K350,000 – K360,000	1	1
K280,000 – K290,000	1	1
K180,000 – K190,000	1	1
K150,000 – K160,000	1	1
K140,000 – K150,000	1	1
K100,000 – K110,000	2	–

4. Non-executive director arrangements

4.1 Remuneration policy

Non-executive directors receive a board fee and fees for chairing or participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are inclusive of superannuation.

Fees are reviewed annually by the Board taking into account comparable roles and market data provided by the Board's independent remuneration advisor. The current base fees were reviewed with effect from 1 January 2015.

4.2 Remuneration components

Kina's Board and Committee fee structure during the financial year ending 31 December 2015 was:

Board fees	Chairman	Non-executive Director/ committee member
Board		
Board	$135,000 (plus any superannuation entitlements)	$75,000 (plus any superannuation entitlements)
Committee fees		
Audit and Risk Committee	Fees between $5,000 and $15,000 per annum will be paid to Directors who participate in any Committee	Fees between $5,000 and $15,000 per annum will be paid to Directors who participate in any Committee
Remuneration and Nomination Committee	Fees between $5,000 and $15,000 per annum will be paid to Directors who participate in any Committee	Fees between $5,000 and $15,000 per annum will be paid to Directors who participate in any Committee
Preparation for listing		
Sir Rabbie Namaliu	$80,000	
Jim Yap		$55,000
David Foster		$30,000
Wayne Golding		$30,000
Peter Ng		$20,000

Directors remuneration

During the year the Directors remuneration for the Company included fee and one off payment for services provided in relation to the IPO. The total remuneration paid to the directors during the year in PGK were as follows:

	2015 K	2014 K
Directors		
W. Golding	98,030	92,000
P. Ng	85,592	40,000
T. K. Lee	–	10,000
H. Wong	42,237	77,250
R. Namaliu	221,849	60,000
D. Foster	123,829	–
D. Manoa	47,894	43,750
J. Yap	154,876	65,000
	774,307	388,000
Salaries and other benefits		
S. G. Yates		
- Salaries	1,095,131	750,244
- Other benefits	427,076	412,200
	1,522,207	1,162,444
	2,296,514	1,550,444

(a) Fee pool

Under the Constitution, the Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director of the Company. However, the total amount of fees (including statutory superannuation entitlements, if any) paid to the Directors for their services (excluding, for these purposes, the remuneration of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. For the financial year ending 31 December 2015, this has been fixed at $1.28 million per annum. Any increase in the total amount payable by the Company to the Non-Executive Directors as remuneration for services must be approved by the Company in general meeting.

The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board.

(b) Committee fees

The committee chairman fees are not duplicated for those Directors who are appointed to chair meetings of more than one committee or the Board.

(c) Preparation for listing

To reflect the considerable additional time required of the existing Directors to prepare Kina for Listing, the Board agreed to pay a once off additional fee.

4.3 Variable Remuneration

(a) Special remuneration

Directors may be paid such special or additional remuneration as the Board determines for performing extra services or making any special exertions for the benefit of Kina which, in the Board's opinion, are outside of the scope of ordinary duties of a Director.

(b) Reimbursement for out of pocket expenses

Directors may be reimbursed for travel and other expenses incurred in attending and returning from any Board, Board committee or general meeting of Kina, or otherwise in connection with the business or affairs of Kina Group.

(c) Retirement benefits

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

(d) Participation in incentive schemes

The Non-Executive Directors are not entitled to participate in any Kina Group employee incentive scheme.

5. Related party transactions

Please refer to Note 30 to the financial statements, for further comments on Related party transactions.

6. Directors' interests in shares

Directors are not required under the Constitution to hold any shares in the Company.

The Directors were entitled to apply for Shares under the Offer.

As at the date of this Remuneration Report, the Directors have the following interests in the shares in Kina (either directly or through beneficial interests or entities associated with the Director).

Director	Number of Shares	Shareholding as at the date of this remuneration report (%)
Sir Rabbie Namaliu	50,000[1]	0.03
Syd Yates	5,070,297[2]	3.10
David Foster	40,000[3]	0.02
Wayne Golding	5,116,706[4]	3.12
Don Manoa	20,000	0.01
Jim Yap	320,000	0.20

7. Auditor's report

Kina was not required to have this report audited, however as the remuneration report was prepared as a voluntary disclosure, the expected level of detail that would be required under the Corporations Act, has been disclosed through this report.

1. Shares held by Tobit Investments Ltd – Sir Rabbie is a Shareholder and Chairman of Tobit Investments Ltd.
2. 164,200 Shares held directly. 4,406,097 Shares held by Columbus Investments Ltd (Syd Yates is sole shareholder). 500,000 Shares held by Kina Asset Management No. 1 Ltd (Columbus Inv. Ltd holds approx. 7% of ISC in KAML of which KAM No.1 Ltd is a wholly-owned sub and Syd Yates is exec director of KAML).
Prior to Listing, Syd Yates entered into a voluntary escrow in respect of 4,406,097 Shares (Escrowed Shares). Under the terms of the voluntary escrow arrangement, Syd Yates is restricted from dealing in the Escrowed Shares until a date which is two Business Days after the date on which Kina's half-year financial results for the period ending 30 June 2016 are released to ASX and POMSoX by Kina.
3. Shares held by Foster Coastal Investments pty Ltd as trustee for Foster Coastal Superannuation Fund. Mr Foster is Director of Foster Coastal Investments Pty Ltd and a beneficiary of Foster Coastal Superannuation Fund).
4. 4,846,706 held directly. 270,000 held by Matching Investment Company, of which Mr Golding owns 50%.
Prior to Listing, Wayne Golding entered into a voluntary escrow in respect of 4,846,706 Shares (Escrowed Shares). Under the terms of the voluntary escrow arrangement, Wayne Golding is restricted from dealing in the Escrowed Shares until a date which is two Business Days after the date on which Kina's half-year financial results for the period ending 30 June 2016 are released to ASX and POMSoX by Kina.

Directors' declaration

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable
- in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the Companies Act 1997, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed at Port Moresby on behalf of the board on the 24th day of March 2016.

Sir Rabbie Namaliu, GL CSM KCMG
Chairman

Syd Yates, OBE
Director

Independent auditors report

Independent Auditor's Report

to the shareholders of Kina Securities Limited

Report on the financial statements

We have audited the accompanying financial statements of Kina Securities Limited (the Company), which comprise the statements of financial position as at 31 December 2015, the income statements, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and

2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2015, and their financial performance and cash flows for the year then ended.

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

Independent Auditor's Report

Kina Securities Limited

Report on other legal and regulatory requirements

The Companies Act 1997 requires in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2015:

1. we have obtained all the information and explanations that we have required;
2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and
3. we have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacities as auditor and provider of tax compliance and certain other assurance services. In addition, PricewaterhouseCoopers Securities Limited – Australia also provided non-audit services to the Company during the year. These services have not impaired our independence as auditor of the Company and the Group.

Restriction on distribution or use

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

PricewaterhouseCoopers

Grant Burns
Partner
Registered under the Accountants Registration Act 1996

Port Moresby
24 March 2016

Income statements

For the financial year ended 31 December 2015

	Notes	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Interest income	5	**52,298,062**	46,644,129	**345,056**	165,142
Interest expense	5	**(9,438,194)**	(7,100,161)	**(1,539,122)**	(203,045)
Net interest income/(expense)		**42,859,868**	39,543,968	**(1,194,066)**	(37,903)
Fee and commission income	6	**17,552,531**	17,274,926	**2,125,927**	839,978
Fee and commission expense	6	**(105,559)**	(124,448)	**(105,559)**	(124,448)
Net fee and commission income		**17,446,972**	17,150,478	**2,020,368**	715,530
Profit on sale of shares in subsidiary	7	**–**	–	**125,500,000**	–
Foreign exchange income		**7,754,219**	–	**899,912**	–
Dividend income	8	**188,928**	350,938	**7,474**	20,113,824
Net (losses)/gain from financial assets through profit and loss		**(499,355)**	(470,323)	**703**	(2,850)
Other operating income	9	**1,915,581**	679,366	**16,168,493**	14,673,511
Operating income before impairment losses and other operating expenses		**69,666,213**	57,254,427	**143,402,884**	35,462,112
Impairment losses	10, 30	**(2,961,985)**	(2,498,471)	**(7,513,700)**	(1,220)
Other operating expenses	11	**(54,820,195)**	(34,412,904)	**(20,865,815)**	(13,406,202)
Profit before tax		**11,884,033**	20,343,052	**115,023,369**	22,054,690
Income tax expense	12	**(6,928,302)**	(6,315,698)	**(291,434)**	(586,271)
Net profit for the year attributable to the equity holders of the Company		**4,955,731**	14,027,354	**114,731,935**	21,468,419
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year attributable to the equity holders of the Company		**4,955,731**	14,027,354	**114,731,935**	21,468,419

		2015	2014
Earnings per share – basic & diluted (toea)	28 b	**4.14**	15.92

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

Statements of Changes in Shareholders' Equity

As at 31 December 2015

CONSOLIDATED	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE GROUP				
	Share Capital K	Capital Reserve K	Share based payment Reserve K	Retained Earnings K	Total K
Balance as at 31 December 2013	2,000,000	49,050	-	93,175,851	95,224,901
Profit for the year	–	–	–	14,027,354	14,027,354
Other comprehensive income	–	–	–	–	–
Dividend paid	–	–	–	(10,000,000)	(10,000,000)
Balance as at 31 December 2014	**2,000,000**	**49,050**	**–**	**97,203,205**	**99,252,255**
Profit for the year	–	–	–	4,955,731	4,955,731
Other comprehensive income	–	–	–	–	–
Additional shares issued through IPO offer – net of transaction costs	139,797,464	–	–	–	139,797,464
Employee share scheme	–	–	460,379	–	460,379
Dividend paid	–	–		–	–
Balance as at 31 December 2015	**141,797,464**	**49,050**	**460,379**	**102,158,936**	**244,465,829**

PARENT	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT				
	Share Capital K	Capital Reserve K	Share based payment Reserve K	Retained Earnings K	Total
Balance as at 31 December 2013	2,000,000	49,050	–	5,826,047	7,875,097
Profit for the year	–	–	–	21,468,419	21,468,419
Other comprehensive income	–	–	–	–	–
Dividend paid	–	–	–	(10,000,000)	(10,000,000)
Balance as at 31 December 2014	**2,000,000**	**49,050**	–	17,294,466	19,343,516
Profit for the year	–	-	–	114,731,935	114,731,935
Other comprehensive income	–	–	–	–	–
Additional shares issued through IPO offer – net of transaction costs	139,797,464	–	–	–	139,797,464
Employee share scheme	–	–	460,379	–	460,379
Dividend paid	–	–		–	–
Balance as at 31 December 2015	**141,797,464**	**49,050**	**460,379**	**132,026,401**	**274,333,294**

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

Statements of Financial Position

As at 31 December 2015

	Notes	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Assets					
Cash and due from banks	14	**131,251,147**	52,792,011	**35,002,107**	2,349,349
Central bank bills	15	**231,665,280**	39,364,105	**–**	–
Regulatory deposits	16	**45,490,500**	–	**–**	–
Financial assets at fair value through profit or loss	17	**4,054,661**	4,695,223	**145,297**	75,013
Loans and advances to customers	18	**374,059,089**	202,191,521	**–**	27,427
Investments in government inscribed stocks	19	**64,134,508**	19,672,699	**–**	–
Due from subsidiaries	30	**–**	–	**352,791,615**	12,308
Deferred tax assets	13 a	**5,546,779**	3,108,038	**610,674**	382,381
Investments in subsidiaries	20	**–**	–	**500,008**	10,000,010
Property, plant and equipment	21	**20,895,228**	6,991,861	**5,561,169**	6,991,861
Goodwill	32	**90,353,405**	–	**–**	–
Intangible assets	22	**6,864,249**	–	**532,729**	–
Other assets	23	**14,734,002**	12,244,763	**3,441,344**	10,140,542
		989,048,848	341,060,221	**398,584,943**	29,978,891
Liabilities					
Due to other banks		**1,729,388**	–	**–**	–
Due to customers	24	**685,529,464**	228,759,552	**–**	–
Current income tax liabilities	25	**1,567,260**	521,298	**560,306**	670,592
Deferred income tax liabilities	13 b	**139,989**	687,582	**695,812**	613,237
Due to subsidiaries	30	**–**	–	**112,541,378**	5,414,405
Employee provisions	26	**5,408,405**	2,172,882	**2,200,496**	1,084,436
Other liabilities	27	**50,208,513**	9,666,652	**8,253,657**	2,852,705
		744,583,019	241,807,966	**124,251,649**	10,635,375
Net assets		**244,465,829**	99,252,255	**274,333,294**	19,343,516
Shareholders' equity					
Issued and fully paid ordinary shares	28 a	**141,797,464**	2,000,000	**141,797,464**	2,000,000
Capital reserve		**49,050**	49,050	**49,050**	49,050
Share-based payment reserve	28 c	**460,379**	–	**460,379**	–
Retained earnings		**102,158,936**	97,203,205	**132,026,401**	17,294,466
Total equity		**244,465,829**	99,252,255	**274,333,294**	19,343,516

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors and signed on its behalf by:
24 March 2016.

Sir Rabbie Namaliu
Director

Mr. Syd Yates
Director

Statements of Cash Flows

For the financial year ended 31 December 2015

	Notes	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Cash flows from operating activities					
Interest received		**50,662,367**	42,925,744	**342,321**	159,419
Interest paid		**(11,039,651)**	(6,505,455)	**(1,539,122)**	(203,045)
Foreign exchange gain		**7,754,219**	–	**899,912**	–
Dividend received		**188,928**	350,938	**7,474**	20,113,824
Fee and commission income received		**21,210,500**	22,499,876	**2,149,605**	871,683
Fee and commission expense paid		**(105,559)**	(2,327,438)	**(105,559)**	(124,448)
Net trading and other operating income received		**5,979,556**	3,568,134	**4,059,417**	3,615,428
Recoveries on loans previously written-off		**2,240,076**	3,154,521	**–**	–
Support fees charged from subsidiaries		**–**	–	**12,088,132**	11,015,247
Cash payments to employees and suppliers		**(53,786,773)**	(32,480,963)	**(18,574,899)**	(12,089,924)
Income tax paid		**(8,603,253)**	(7,239,266)	**(547,347)**	(17,079)
Cash flows from operating profits before changes in operating assets and liabilities		**14,500,410**	23,946,091	**(1,220,066)**	23,341,105
Changes in operating assets and liabilities:					
- increase in regulatory deposits		**(1,030,700)**	–	**–**	–
- (increase)/decrease in loans and advances to customers		**(34,561,480)**	(14,040,305)	**27,427**	–
- net decrease/(increase) in other assets		**3,847,495**	(1,704,389)	**–**	(1,461,607)
- net decrease in due to customers		**(67,714,017)**	(26,289,227)	**–**	–
- decrease due to other banks		**(519,208)**	–	**6,698,400**	–
- net increase in other liabilities		**6,821,491**	2,574,069	**6,517,012**	(168,319)
Net cash inflow/(outflow) generated from/(used in) operating activities	29 b	**(78,656,009)**	(15,513,761)	**12,022,773**	21,711,179
Cash flows from investing activities					
Purchase of property, equipment and software		**(5,159,704)**	(2,758,661)	**(1,007,291)**	(2,758,661)
Proceeds from sale of property and equipment		**49,001**	47,200	**49,000**	47,200
Receipt of funds from related parties		**–**	–	**95,527,161**	–
Loan to subsidiary		**–**	–	**(213,666,768)**	–
Net cash acquired in business combination, net of consideration paid	32	**82,666,404**	–	**–**	
Net movement in investment securities		**38,637,689**	(34,388,725)	**–**	–
Acquisition of shares		**(114,201)**	(1,071,900)	**(106,731)**	–
Payments for work in progress - projects		**–**	(6,754,042)	**–**	(6,754,042)
Proceeds from the sale of redemption securities		**263,112**	11,899,778	**37,150**	–
Net cash inflow/(outflow) generated from/(used in) investing activities		**116,342,301**	(33,026,350)	**(119,167,479)**	(9,465,503)
Cash flows from financing activities					
Proceeds from the issuance of share capital, net of transaction costs		**139,797,464**	–	**139,797,464**	–
Dividend payment		**–**	(10,000,000)	**–**	(10,000,000)
Repayments from debt securities		**–**	4,015,266	**–**	–
Net cash inflow/(outflow) generated from/(used) in financing activities		**139,797,464**	(5,984,734)	**139,797,464**	(10,000,000)
Net increase/(decrease) in cash and cash equivalents		**177,483,756**	(54,524,845)	**32,652,758**	2,245,676
Cash and cash equivalents at beginning of year		**57,767,391**	112,292,236	**2,349,349**	103,673
Cash and cash equivalents at end of year	29 a	**235,251,147**	57,767,391	**35,002,107**	2,349,349

The notes on pages 40 to 74 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the financial year ended 31 December 2015

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Kina Securities Limited and its subsidiaries.

a) Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Papua New Guinea Companies Act 1997.

The consolidated financial statements as at and for the year ended 31 December 2015 were authorized for issue by the Board of Directors on 24 March 2016.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

(iii) New and amended standards

Standards, amendment and interpretations effective in the year ended 31 December 2015

The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2015 with no impact on the consolidated financial statements:

- Amendment to IAS 19 regarding defined benefit plans (effective 1 July 2014). These narrow scope amendments simplify the accounting for contributions to defined benefit plans that are independent of the number of years of employee service.
- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39.
- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Standards, amendments, and interpretations issued but not effective for the year 31 December 2015 or adopted early

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2016 or later periods, but the entity has not early adopted them:

- Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective 1 January 2016). These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendments to IAS 27 "Separate financial statements" on the equity method (effective 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (original effective date of 1 January 2016 now postponed) in relation to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual improvements 2014 (effective 1 January 2016) makes minor changes to IFRS 5, IFRS 7, IAS 19, and IAS 34.
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 January 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.
- Amendment to IFRS 10 and IAS 28 (effective 1 January 2016) on investment entities applying the consolidation exemption. The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. "The amendments to IAS 28 allow an entity which is "not an investment entity, but has an interest in an associate or joint venture which is an investment "entity, a policy choice when applying the equity method of accounting.

1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

(iii) New and amended standards (continued)

Standards, amendments, and interpretations issued but not effective for the year 31 December 2015 or adopted early (continued)

- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9, 'Financial Instruments" (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, relaxes the requirements for hedge accounting and introduces an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 16, "Leases" (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed and IFRS 16 will require a lessee to recognize a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. For lessees who previously entered into operating leases, one of the main impacts will be an increase in debt on the balance sheet.

The Group and the Company have conducted investigations and do not consider that there is any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported consolidation financial position or financial performance of the Group and the Company for the year ended 31 December 2015.

IFRS 9 and IFRS 16 may have significant impact on the consolidated financial statements of the Group when these standards become effective. IFRS 9 will affect the classification, measurement and impairment of financial instruments. IFRS 16 will require the recognition of all leases on the Group's statement of financial position.

b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (note 32).

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Segment reporting

Operating segments are presented on a basis that is consistent with information provided internally to the Group's key decision makers. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Group has three reportable segments, which are the Company's two business divisions – Kina Bank and Kina Wealth Management – and the Corporate segment (or unallocated costs).

d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Kina, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Notes to the financial statements

For the financial year ended 31 December 2015

1. Summary of significant accounting policies (continued)

e) Revenue recognition

(i) Interest income

Interest income for all interest earning financial assets including those at fair value is recognized in the income statement using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest relating to impaired loans is recognized using the loan's original effective interest rate based on the net carrying value of the impaired loan after giving effect to impairment charges. This rate is also used to discount the future cash flows for the purpose of measuring impairment charges. For loans that have been impaired this method results in cash receipts being apportioned between interest and principal.

(ii) Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees related to investment funds are recognized notably over the period the service is provided.

(iii) Foreign exchange income

Realized gains or losses, and unrealized gains or losses arising from changes in the fair value of the trading assets and liabilities are recognized as trading income in the income statement in the period in which they arise.

(iv) Dividend income

Dividends on quoted shares are recognized on the ex-dividend date. Dividends on unquoted shares are recognized when the Company's right to receive payment is established.

f) Expense recognition

(i) Interest expense

Interest expense, including premiums or discounts and associated expenses incurred on the issue of financial liabilities, is recognized in the income statement using the effective interest method.

(ii) Impairment on loans and receivables carried at cost

The annual charge against profits for bad and doubtful debts reflects new specific provisions, reversals of specific provisions no longer required and movements in the general provision.

(iii) Leasing

Operating lease payments are recognized in the income statement as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received. Incentives received on entering into operating leases are recorded as liabilities and amortized as a reduction of rental expense on a straight – line basis over the lease term.

g) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rate (and law) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

1. Summary of significant accounting policies (continued)

g) Income tax (continued)

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

h) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss.

i) Impairment of assets

Goodwill having an indefinite useful life is not subject to amortization and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Goodwill was tested for impairment as at 31 December 2015 and no impairment has been recognized in the income statement. The recoverable amount has been determined as the value in use at each reporting date. Value in use refers to expected future cash flows over the next five years on a discounted cash flow basis.

Notes to the financial statements

For the financial year ended 31 December 2015

1. Summary of significant accounting policies (continued)

i) Impairment of assets (continued)

Key assumptions used in the model are as follows:

- a pre-tax discount rate of approximately 11.2%,
- 2016 cash flow based on the approved budget,
- historical growth rate in loans and deposits, and
- terminal growth rate of 3%.

j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

k) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation
- differences related to changes in the amortized cost of the security are recognized in profit or loss and other changes in the carrying amount are recognized in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

1. Summary of significant accounting policies (continued)

k) Investments and other financial assets (continued)

(iv) Measurement (continued)

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognized in the statement of profit or loss as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 36.

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortized cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Impairment testing of loans and advances to customers is described in note 3c.

l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on the basis of straight line to write-off the cost of such assets to their residual values over their estimated lives as follows:

Furniture and fittings	11.25% to 15%
Building improvements	10%
Motor vehicle	30%
Office equipment	15% to 30%

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate at each balance date. Gains and losses on disposal (being the difference between the carrying value at the time of sale or disposal and the proceeds received) are taken into account in determining operating profit for the year. Repairs and maintenance costs are charged to income statement, when the expenditure is incurred.

m) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill is not amortized but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Customer deposits relationship

Customer deposit relationship was recognized due to the acquisition of Maybank (PNG) Limited (note 32) and represents the value, or avoided cost, of having a deposit base from consumer and business transaction accounts, savings accounts, term deposits and other money market accounts that provide a cheaper source of funding than alternative sources of funding. Customer deposit relationship is amortized using the straight-line method over a period of five years and are stated at cost less accumulated amortization and impairment. Customer deposit relationship is assessed for any indication of impairment at each reporting date and whenever there is an indicator that these maybe impaired.

Notes to the financial statements

For the financial year ended 31 December 2015

1. Summary of significant accounting policies (continued)

m) Intangible assets (continued)

(iii) Software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Expenditure which enhances or extends the performance of computer software program beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

n) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligations can be made.

o) Employee benefits

(i) Short-term obligations

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognized in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

The contributions in relation to employees of the Group who contribute to defined contribution pension plans are charged to the income statement in the year to which they relate.

(ii) Share-based payments

Senior executive employees are entitled to participate in share ownership scheme. The fair value of share rights provided to senior executive employees as share-based payments is recognized as an expense with a corresponding increase in equity. The fair value is measured at grant date and is recognized over the period the services are received which is the expected vesting period during which the senior executive employees would become entitled to exercise share right.

(iii) Cash bonus

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

p) Share capital and other equity accounts

(i) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividends

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Company's shareholders.

(iii) Reserves

Capital reserve comprises accumulated gains on asset revaluation. Share-based payment reserve comprises the fair value of performance rights during the vesting period.

(iv) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year (note 28c).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

q) Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Details of such investments held under trust may be found in note 31.

r) Changes in accounting policies and comparatives

The line items in the statements of financial position were rearranged in order of liquidity. Comparative information has been rearranged to conform to changes in presentation in the current year. Accrued interests were reclassified from other assets and other liabilities to their principal balances (investments in government inscribed stocks and due to customers). Central bank bills with more than three months maturity have been excluded from cash and cash equivalents for the purpose of cash flow statements (note 29a). Credit related fees are now classified as part of interest income in note 5.

There were no changes in the accounting policies in 2015.

2. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in the notes to the financial statements together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgments are:

- Estimation of current tax payable and current tax expense – note 25 and note 12
- Recognition of deferred tax asset for carried forward tax losses – note 13 (a)
- Estimated allowance for loans and advances to customers – note 18
- Estimated goodwill impairment – note 1(i)
- Estimated useful life of intangible asset – note 22
- Estimation of fair values of assets acquired and liabilities assumed in a business combination – note 32

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3. Financial risk management

By its nature the Group's activities are principally related to the use of financial instruments. The Group accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due. The Group raises its interest margins by obtaining above-average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing.

The Group also enters into transactions denominated in foreign currencies. This activity generally requires the Group to take foreign currency positions in order to exploit short-term movements in foreign currency market. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Risk in the Group is managed by a system of delegated limits. These limits set the maximum level of risks that can be assumed by each operational unit and the Group as a whole. The limits are delegated from the Board of Directors to executive management and then to the respective operational managers.

a) Market risk

(i) Foreign exchange risk

The Group undertakes transactions denominated in
foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. Though there are no specific hedging activities to mitigate any currency risk, this exposure is monitored by management on an ongoing basis.

Exposure

The Group's exposure to foreign currency risk at the end of reporting period, expressed in PGK, was as follows:

	USD	AUD	SGD	GBP	EUR	NZD	HKD	PHP	MYR
					IN K'000				
31 December 2015									
Cash balance	1,241	255	63	–	–	–	–	–	–
Due from other banks	13,787	2,470	608	5	38	367	31	65	3
	15,028	**2,725**	**671**	**5**	**38**	**367**	**31**	**65**	**3**
31 December 2014									
Cash balance	549	98	53	–	–	–	–	–	–
Due from other banks	6,410	1,159	494	7	4	16	20	21	9
	6,959	**1,257**	**547**	**7**	**4**	**16**	**20**	**21**	**9**

*There was no material liability denominated in foreign currency.

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in US/PGK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar denominated financial instruments.

	IMPACT ON INCOME STATEMENT IN K '000	
	2015	2014
USD/PGK – exchange rate – increase 10% (2014:10%)	(1,501)	(633)
USD/PGK – exchange rate – decrease 10% (2014: 10%)	1,501	633

3. Financial risk management (continued)

a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk in the balance sheet arises from the potential for a change in interest rate to have an adverse effect on the revenue earnings in the current reporting period and future years. As interest rates and yield curves change over time the Group may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively managed by the Assets and Liabilities Committee (ALCO), which meets regularly to review the effects of fluctuations in the prevailing levels of market interest rates of the financial position and cash flows of the Group. The objective of interest rate risk control is to minimize these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term.

Sensitivity

Given the profile of assets and liabilities at 31 December 2015 and prevailing interest rates, a 100 basis points increase/decrease in market rates in relation to lending will result in a K2,683,470 (2014: K1,881,984) increase/decrease in net interest income.

The table below summarizes the consolidated effective annual interest rates for monetary financial instruments:

	2015 % p.a.	2014 % p.a.
Assets		
Cash and due from banks	**1.0**	1.0
Central bank bills	**2.87**	2.87
Loans and advances to customers	**20.71**	22.34
Investments in government inscribed stocks	**9.50**	9.50
Liability		
Due to customers	**4.39**	4.18

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held and classified as financial assets at fair value through profit or loss. To manage its price risks arising from financials assets at fair value through profit or loss, the Group diversifies its portfolio. Diversification of portfolio is done in accordance with the limits set by the Group. The Group's financial assets at fair value through profit or loss are publicly traded on the Port Moresby Stock Exchange (POMSoX) and the Australian Stock Exchange (ASX).

Sensitivity

The sensitivity analyzes below have been determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 5% higher/lower, net profit for the year ended 31 December 2015 and net assets as of balance date would have been affected by K202,733 (2014: K234,761). The Group's sensitivity to equity prices has not changed significantly from the prior year.

b) Credit risk

(i) Risk management

The Group takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance date. Management therefore carefully manages its exposures to credit risks.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual review or more frequent review.

Comprehensive credit standards and approval limits have been formulated, approved by the Credit Committee and implemented. The Credit Committee (which reports to the Board) is responsible for the development and implementation of credit policy and loan portfolio review methodology.

Exposure to credit risk is managed through daily review of the ability of the borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. This is the responsibility of the Manager Credit. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

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For the financial year ended 31 December 2015

3. Financial risk management (continued)

c) Credit risk (continued)

The tables below segregate the financial assets of the Group between financial assets that are neither past due nor impaired, past due but not impaired and impaired. An asset is considered to be past due when any payment under the contractual terms has been missed. The amount included as past due is the entire contractual balance, rather than the overdue portion.

	CONSOLIDATED					
	Neither past due nor impaired Km	Past due but not impaired Km	Impaired Km	Total Km	Impairment Km	Total carrying value Km
31 December 2015						
Cash and due from banks	131.2	–	–	131.2	–	131.2
Central bank bills	231.7	–	–	231.7	–	231.7
Regulatory deposits	45.5	–	–	45.5	–	45.5
Financial assets at fair value through profit or loss	4.0	–	–	4.0	–	4.0
Loans and advances to customers	368.8	11.2	2.7	382.7	8.7	374.0
Investments in government inscribed stocks	64.1	–	–	64.1	–	64.1
Total	**845.3**	**11.2**	**2.7**	**859.2**	**8.7**	**850.6**
31 December 2014						
Cash and due from banks	52.8	–	–	52.8	–	52.8
Central bank bills	59.4	–	–	59.4	–	59.4
Financial assets at fair value through profit or loss	4.7	–	–	4.7	–	4.7
Loans and advances to customers	194.9	10.1	6.2	211.2	7.6	203.6
Investments in government inscribed stocks	19.7	–	–	19.7	–	19.7
Total	**331.5**	**10.1**	**6.2**	**347.8**	**7.6**	**340.2**

	PARENT					
	Neither past due nor impaired Km	Past due but not impaired Km	Impaired Km	Total Km	Impairment Km	Total carrying value Km
31 December 2015						
Cash and due from banks	35.0	–	–	35.0	–	35.0
Financial assets at fair value through profit or loss	0.1	–	–	0.1	–	0.1
Due from subsidiaries	–	–	360.3	360.3	7.5	352.8
Total	**35.1**	**–**	**360.3**	**395.4**	**7.5**	**387.9**
31 December 2014						
Cash and due from banks	2.3	–	–	2.3	–	2.3
Due from subsidiaries	–	–	–	–	–	–
Total	**2.3**	**–**	**–**	**2.3**	**–**	**2.3**

3. Financial risk management (continued)

c) Credit risk (continued)

(ii) Impaired loans

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognized in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognized are written off against the provision when there is no expectation of recovering additional cash. Subsequent recoveries of amounts previously written off are credited against impairment loss on loans and advances to customers. See note 1k (v) for information about how impairment losses are calculated.

Individually assessed impaired loans amounted to K 5.3 million (2014: K4.6 million).

(iii) Past due but not impaired

As at 31 December 2015, loans and advances to customers of K 11.2 million (2014: K10.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

(iv) Neither past due nor impaired

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. These relate to customers for whom payment is made on a timely basis. Cash and due from banks are maintained at Central Bank of Papua New Guinea and other banks with good credit standing.

(v) Credit risk concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The risk concentrations within the customer loan portfolio are as follows:

	CONSOLIDATED	
	Kmillion	%
31 December 2015		
Real estate, renting and business service activity	91.3	23.6%
Housing loans	81.7	21.1%
Retail trade	55.2	14.3%
Other business	39.8	10.3%
Other personal	35.7	9.2%
Building and construction	26.1	6.8%
Wholesale	14.9	3.9%
Transport, storage and communication	11.3	2.9%
Forestry	9.0	2.3%
Fisheries	5.0	1.3%
Hotels and restaurants activity	4.6	1.2%
Buyers, processors and exporters	4.6	1.2%
Food, drink and tobacco processing	3.0	0.8%
Textile, leather and wood products	3.0	0.8%
Engineering and metal processing	0.7	0.2%
Electricity, gas and water supply	0.5	0.1%
Total	**386.4**	**100.0%**

3. Financial risk management (continued)

d) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due. The Group's liquidity and funding risks are governed by a policy framework which is approved by the Board of Directors. Liquidity and funding positions and associated risks are overseen by the ALCO. The following outlines the Group's approach to liquidity and funding risk management focusing on conditions brought on by the current global economic environment:

- ensuring the liquidity management framework is compatible with local regulatory requirements,
- daily liquidity reporting and scenario analysis to quantify the Group's positions,
- targeting commercial and corporate customers' liability compositions,
- intense monitoring of detail daily reports to alert management and directors of abnormalities, and
- arranging back up facilities to protect against adverse funding conditions and to support day-to-day operations.

The Group is monitoring its liquidity contingency plans, lending requirements and guidelines which include:

- the monitoring of issue severity/stress levels with high level diligence,
- early warning signals indicative of an approaching issue and a mechanism to monitor and report these against signals,
- action plans and courses of action to account for early warning signals as noted above,
- management reporting at a higher level,
- maintenance of contractual obligations in regards to deposits, and
- assigned responsibilities for internal and external written communications.

Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	CONSOLIDATED					
	Up to 1 month Km	1 to 3 months Km	4 to 12 months Km	1 to 5 years Km	Total contract value Km	Total carrying value Km
31 December 2015						
Due to other banks	–	–	1.7	–	1.7	1.7
Due to customers	441.0	163.3	86.8	1.9	693.0	685.5
Other liabilities	37.2	8.1	4.4	–	49.7	49.7
Total	**478.2**	**171.4**	**92.9**	**1.9**	**744.4**	**736.5**
31 December 2014						
Due to other banks	–	–	–	–	–	–
Due to customers	56.6	102.9	68.8	2.9	231.2	228.7
Other liabilities	6.7	1.2	0.9	–	8.8	8.8
Total	**63.3**	**104.1**	**69.7**	**2.9**	**240.0**	**237.5**

The Parent's financial liabilities as at 31 December 2015 and 2014 are all classified from 1 to 12 months; hence, contractual value is equal to its carrying value.

3. Financial risk management (continued)

d) Liquidity risk (continued)

	PARENT					
	Up to 1 month Km	1 to 3 months Km	4 to 12 months Km	1 to 5 years Km	Total contract value Km	Total carrying value Km
31 December 2015						
Other liabilities	0.1	5.3	2.8	–	8.2	8.2
Due to subsidiaries	–	–	113.1	–	113.1	112.5
Total	**0.1**	**5.3**	**115.9**	**–**	**121.3**	**120.7**
31 December 2014						
Other liabilities	2.9	–	–	–	2.9	2.8
Due to subsidiaries	–	–	5.4	–	5.4	5.4
Total	**2.9**	**–**	**5.4**	**–**	**8.3**	**8.2**

4. Capital adequacy

To monitor the adequacy of its capital Kina Bank Limited (KBL), Kina Finance Limited (KFL), and PNG Home Finance Limited (PNGHFL), use ratios established by Bank of Papua New Guinea (BPNG). These entities are required to comply with various Prudential Standards issued by BPNG, the official authority for the prudential supervision of banks and similar institutions in Papua New Guinea.

One of the most critical standards is the capital adequacy requirement. Capital adequacy refers to the prescribed ranges of overall capital ratios to measure whether a bank or finance company is under, adequately, or well capitalized. All banks and finance companies are required to maintain at least the minimum measure of capital to risk-weighted assets to absorb potential losses. The BPNG follows the prudential guidelines set by the Bank of International Settlements under the terms of the Basel Accord.

The minimum ratio of base capital to risk-weighted assets set by the BPNG for tier 1 capital ratio is 8%, total capital ratio is 12% and leverage capital ratio is 6%.

As at 31 December 2015, tier 1 capital ratio and total capital ratio are satisfied and the criteria for "well-capitalized" and the leverage capital ratio are satisfied.

The measure of capital used for the purpose of prudential supervision is referred to as base capital. Total base capital varies from the capital shown on balance sheet and is made of tier 1 (core) and tier 2 (supplementary) capital, after deducting the value of investments in other banks and financial institutions. Tier 1 capital is obtained by deducting from equity capital and audited retained earnings (or accumulated losses), intangible assets including deferred tax assets. Tier 2 capital cannot exceed the amount of tier 1 capital, and can include subordinated loan capital, specified assets revaluation reserves, un-audited profits (or losses) and a small percentage of general loan provisions. The Leverage Capital is calculated as Tier 1 Capital divided by Total Assets. Risk-weighted assets are derived from on-balance sheets assets. On-balance sheet assets are weighted for credit risk by applying weightings (0, 20, 50 and 100 percent) according to risk classification criteria set by the BPNG, for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets.

Regulatory capital ratios are as follow:

	2015 K	2014 K
Risk weighted assets	**506,620,865**	**179,504,138**
Capital : tier 1	170,074,007	55,798,500
Capital : tier 2	19,964,034	11,252,757
Capital : tier 1 and tier 2	**190,038,041**	**67,051,257**
Capital adequacy ratios		
Tier 1 capital	33.57%	31.08%
Total capital ratio	37.51%	37.35%
Leverage capital ratio	17.78%	17.78%

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For the financial year ended 31 December 2015

5. Net interest income/(expense)

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Interest income				
Cash and short-term funds	**4,864,127**	2,603,485	345,056	138,522
Investment in government inscribed stocks	**2,323,169**	1,633,497	–	–
Loans and advances to customers	**45,110,766**	42,407,147	–	–
Due from subsidiary (note 30)	**–**	–	–	26,620
	52,298,062	46,644,129	345,056	165,142
Interest expense				
Banks and customers	**(9,438,194)**	(7,100,161)	–	–
Due to subsidiaries (note 30)	**–**	–	(1,539,122)	(203,045)
	(9,438,194)	(7,100,161)	(1,539,122)	(203,045)
Net interest income/(expense)	**42,859,868**	39,543,968	(1,194,066)	(37,903)

6. Net fee and commission income

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Fee and commission income				
Investment and portfolio management	**7,781,026**	9,269,121	**–**	–
Fund administration	**7,412,729**	6,895,775	**–**	–
Shares brokerage	**925,927**	839,978	**925,927**	839,978
Other fees	**1,432,849**	270,052	**1,200,000**	–
Fee and commission expense	**17,552,531**	17,274,926	**2,125,927**	839,978
Other fees paid	**(105,559)**	(124,448)	**(105,559)**	(124,448)
Net fee and commission income	**17,446,972**	17,150,478	**2,020,368**	715,530

7. Profit on sale of share in subsidiary

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Profit on sale of shares in subsidiary	**–**	–	**125,500,000**	–

On 30 September 2015, the Group, through Kina Ventures Limited (KVL) (a subsidiary) acquired Maybank (PNG) Limited (subsequently renamed Kina Bank Limited) and Mayban Property (PNG) Limited (subsequently renamed Kina Property Limited). The Parent sold its investment in Kina Finance Limited (KFL) (a subsidiary) to Kina Bank to facilitate the settlement of the purchase consideration. Carrying value of this investment at the time of sale was K9.5 million and the sale value of the shares was K135 million resulting in a profit of K125.5 million in the Parent entity's financial statements.

8. Dividend income

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Financial assets at fair value through profit or loss	**188,928**	350,938	**7,474**	113,824
Subsidiary companies	**–**	–	**–**	20,000,000
	188,928	350,938	**7,474**	20,113,824

9. Other operating income

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Profits from disposal of property and equipment	**45,482**	42,836	**45,482**	42,836
Support fees from subsidiaries (note 30)	–	–	**12,088,132**	11,015,247
Rental from subsidiaries (note 30)	–	–	**1,040,677**	1,072,209
Management fees	–	–	**2,417,626**	2,202,990
Other	**1,870,099**	636,530	**576,576**	340,229
	1,915,581	679,366	**16,168,493**	14,673,511

10. Impairment losses

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Individually assessed (note 18, 23 and 30)	**2,331,368**	4,392,138	**7,513,700**	1,220
Collective allowance (note 18)	**630,617**	–	–	–
Reversal of prior year provision	–	(1,893,667)	–	–
	2,961,985	2,498,471	**7,513,700**	1,220

11. Other operating expenses

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Staff costs	**23,479,538**	19,111,828	**8,763,316**	6,939,175
Acquisition costs relating to business combination (note 32)	**7,489,850**	–	**112,979**	–
Administrative expenses	**6,393,294**	6,381,096	**2,253,877**	2,518,489
Initial public offer (IPO) related costs – existing shares	**4,122,085**	–	**4,122,085**	–
Operating lease	**3,921,891**	3,742,941	**1,286,382**	1,027,139
Depreciation and amortization	**2,480,595**	1,701,162	**1,901,736**	1,701,162
Software maintenance and support charges	**1,852,517**	1,731,452	**163,662**	365,921
Auditor's remuneration	**415,805**	205,891	**38,978**	34,833
Impairment losses on other assets	**22,679**	2,998	**22,679**	2,998
Other	**4,641,941**	1,535,536	**2,200,121**	816,485
	54,820,195	34,412,904	**20,865,815**	13,406,202

As at 31 December 2015 the Group had 238 (2014: 212) employees and 2 (2014: nil) consultants. The Company had 73 (2014:77) employees and 2 (2014:nil) consultants .

Notes to the financial statements

For the financial year ended 31 December 2015

12. Income taxes

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Profit before tax	11,884,033	20,343,052	**115,023,369**	22,054,690
Prima facie tax at 30% (2014: 30%)	**3,565,210**	6,102,916	**34,507,011**	6,616,407
Tax effect of				
- Net gains less losses from financial assets through profit and loss	**90,291**	37,145	**–**	–
- Non-deductible expenses/(non-assessable income)	**3,272,397**	(73,363)	**(34,119,765)**	(6,030,136)
Prior year tax under/(over) provision	**404**	249,000	**(95,812)**	–
Income tax expense/(benefit)	**6,928,302**	6,315,698	**291,434**	586,271
Represented by:				
Current tax	**6,825,185**	6,529,361	**437,151**	514,676
Deferred taxes	**103,117**	(213,663)	**(145,717)**	71,595
Income tax expense	**6,928,302**	6,315,698	**291,434**	586,271

13. Deferred taxes

a) Deferred tax assets are attributable to the following:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Allowance for losses	**3,786,776**	2,261,292	**21,156**	19,398
- Loans and advances to customers	**34,873**	35,464	**30,236**	24,067
- Other assets	**1,622,521**	651,634	**547,589**	325,332
Employee provisions	**78,623**	90,044	**11,693**	13,584
Accruals	**–**	45,618	**–**	–
Unrealized exchange loss on revaluation of foreign currency bank account	**23,986**	23,986	**–**	–
Tax losses carried forward	**5,546,779**	3,108,038	**610,674**	382,381

b) Deferred tax liabilities are attributable to the following:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Depreciation and amortization	**43,132**	549,034	**665,237**	549,034
Prepayments and others	**96,857**	138,548	**30,575**	64,203
	139,989	687,582	**695,812**	613,237

13. Deferred taxes (continued)

c) The movement on deferred tax account is as follows:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at beginning of year	**2,420,456**	2,206,793	**(230,855)**	(159,261)
Acquisition of subsidiary	**3,089,451**	–	**–**	–
Income statement credit/(charge)	**(103,117)**	213,663	**145,717**	(71,595)
Balance at end of year	**5,406,790**	2,420,456	**(85,138)**	(230,856)
Represented by:				
Deferred tax assets (note 13(a))	**5,546,779**	3,108,038	**610,674**	382,381
Deferred tax liabilities (note 13(b))	**(139,989)**	(687,582)	**(695,812)**	(613,237)
	5,406,790	2,420,456	**(85,138)**	(230,856)

14. Cash and due from banks

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Cash on hand	**1,184,526**	4,600	**2,800**	2,800
Exchange settlement account (BPNG)	**55,655,796**	–	**–**	–
Due from other banks	**74,410,825**	52,787,411	**34,999,307**	2,346,549
	131,251,147	52,792,011	**35,002,107**	2,349,349

15. Central bank bills

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Central bank bills	**231,665,280**	39,364,105	**–**	–

Central bank bills are debt securities issued by the Bank of Papua New Guinea (BPNG). Central bank bills amounting to K104,000,000 (2014: K4,975,380) with a maturity term of one to three months from the date of purchase are classified as cash and cash equivalents (note 29). Central bank bills are measured at amortized cost.

16. Regulatory deposits

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Regulatory deposits	**45,490,500**	–	**–**	–

Bank of Papua New Guinea requires a minimum cash reserve requirement against due to customers. The amount of deposit is determined in accordance with the requirements of Bank of Papua New Guinea.

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17. Financial assets through profit or loss

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Equity securities				
- Listed	**3,993,074**	4,633,636	**145,297**	75,013
- Unlisted	**61,587**	61,587	**–**	–
	4,054,661	4,695,223	**145,297**	75,013

The movement in financial assets at fair value through profit or loss is reconciled as follows:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at beginning of year	**4,695,223**	15,649,770	**75,013**	77,863
Gains/(losses) from changes in fair value	**(499,355)**	(470,323)	**703**	(2,850)
Additions	**114,199**	1,071,900	**106,731**	–
Disposal	**(263,116)**	(11,899,778)	**(37,150)**	–
Gains on disposal	**7,710**	343,654	**–**	–
Balance at end of year	**4,054,661**	4,695,223	**145,297**	75,013

The fair value of the listed equities is based on quoted market prices at the end of the reporting period. The quoted market price used is the current market prices. These financial instruments are categorized as level 1 within the fair value hierarchy. Unlisted equities are categorized within level 3 of the fair value hierarchy.

18. Loans and advances to customers

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Loan to individuals	**119,039,921**	91,111,757	**–**	–
Loan to corporate entities	**263,752,890**	118,642,058	**68,408**	92,087
Gross loans and advances to customers	**382,792,811**	209,753,815	**68,408**	92,087
Allowances for losses	**(8,733,722)**	(7,562,294)	**(68,408)**	(64,660)
	374,059,089	202,191,521	**–**	27,427

Details of gross loans and advances to customers are as follows:

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Overdrafts	**63,697,588**	–		
Property mortgage	**218,439,947**	95,066,006	**–**	–
Asset financing	**15,023,932**	24,031,984	**–**	–
Insurance premium funding	**244,626**	192,324	**–**	–
Business and other loans	**85,386,718**	90,463,501	**68,408**	92,087
	382,792,811	209,753,815	**68,408**	92,087

Movements in allowance for losses are as follows:

	CONSOLIDATED 2015 K	CONSOLIDATED 2014 K	PARENT 2015 K	PARENT 2014 K
Individually assessed				
Balance at beginning of year	**4,621,381**	3,726,272	**64,660**	63,440
Impairment losses during the year (note 10)	**2,308,689**	4,392,138	**3,748**	1,220
Loans written off	**(3,917,722)**	(4,746,764)	**–**	–
Reversals	**–**	(1,318)	**–**	–
Transfers from/(to) collective	**154,592**	(389,583)	**–**	–
Recoveries	**2,129,537**	1,640,636	**–**	–
Balance at end of year	**5,296,477**	4,621,381	**68,408**	64,660
Collectively assessed				
Balance at beginning of year	**2,940,913**	3,068,501	**–**	–
Impairment losses during the year (note 10)	**630,617**	(1,893,667)	**–**	–
Loans written off	**(90,232)**	(137,388)	**–**	–
Recoveries	**110,539**	1,513,884	**–**	–
Transfers from/(to) individual	**(154,592)**	389,583	**–**	–
Balance at end of year	**3,437,245**	2,940,913	**–**	–
Total	**8,733,722**	7,562,294	**68,408**	64,660

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19. Investments in government inscribed stocks

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Government inscribed stocks principal balance	**63,000,000**	18,000,000	**–**	–
Unamortized premium	**66,278**	1,117,024	**–**	–
Accrued interest	**1,068,230**	555,675		
	64,134,508	19,672,699	**–**	–

The movement in investments in government inscribed stocks is as follows:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at beginning of year	**19,672,699**	23,286,810	**–**	–
Additions	**44,085,756**	–	**–**	–
Disposal on maturity	**–**	(4,015,266)	**–**	–
Accrued interest	**512,555**	555,675	**–**	–
Amortized premium	**(136,502)**	(154,520)	**–**	–
	64,134,508	19,672,699	**–**	–

Investments in government inscribed stocks are measured at amortized cost.

20. Investments in subsidiaries

	SHAREHOLDINGS	
	2015	2014
	%	%
Kina Bank Limited (KBL) – note 32	100	–
Kina Finance Limited (KFL) – note 7	100	100
Kina Funds Management Limited (KFM)	100	100
Kina Investment and Superannuation Services Limited (KISS)	100	100
Kina Nominees Limited (KNL)	100	100
Kina Property Limited (KPL)	–	–
Kina Ventures Limited (KVL)	–	–
Kina Wealth Management Limited (KWML)	100	100

* Direct and indirect interest of the Company

All the subsidiaries are incorporated in Papua New Guinea. The results of the operations of above subsidiaries have been considered in the Group's financial statements.

21. Property, plant and equipment

CONSOLIDATED	Furniture & Fittings K	Building improvements K	Motor Vehicles K	Office Equipment K	Land & Building K	Total K
Cost						
Balance 31 December 2013	482,403	696,220	1,910,797	7,043,321	2,129,010	12,261,751
Additions	28,675	173,900	739,145	1,816,941	–	2,758,661
Disposal	–	–	(112,718)	–	–	(112,718)
Balance 31 December 2014	511,078	870,120	2,537,224	8,860,262	2,129,010	14,907,694
Acquisition of subsidiary	520,363	5,670,485	833,548	2,603,501	9,617,000	19,244,897
Additions	29,870	909,882	204,518	585,368	–	1,729,638
Disposal	–	–	(438,174)	(2,582)	–	(440,756)
Balance 31 December 2015	**1,061,311**	**7,450,487**	**3,137,116**	**12,046,549**	**11,746,010**	**35,441,473**
Accumulated depreciation						
Balance 31 December 2013	(204,909)	(368,166)	(1,326,555)	(4,423,395)	–	(6,323,025)
Charge during the year	(70,821)	(79,752)	(490,818)	(1,059,771)	–	(1,701,162)
Disposal	–	–	108,354	–		108,354
Balance 31 December 2014	(275,730)	(447,918)	(1,709,019)	(5,483,166)	–	(7,915,833)
Acquisition of subsidiary	(265,628)	(2,286,914)	(643,301)	(1,747,285)	–	(4,943,128)
Charge during the year	(79,165)	(227,316)	(454,719)	(1,363,322)	–	(2,124,522)
Disposal	–	–	436,949	289	–	437,238
Balance 31 December 2015	**(620,523)**	**(2,962,148)**	**(2,370,090)**	**(8,593,484)**	**–**	**(14,546,245)**
Book value 31 December 2015	**440,787**	**4,488,339**	**767,027**	**3,453,065**	11,746,010	**20,895,228**
Book value 31 December 2014	235,348	422,202	828,205	3,377,096	**2,129,010**	6,991,861

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For the financial year ended 31 December 2015

21. Property, plant and equipment (continued)

PARENT	Furniture & Fittings K	Building improvements K	Motor Vehicles K	Office Equipment K	Land & Building K	Total K
Cost						
Balance 31 December 2013	482,403	696,220	1,910,797	7,043,321	2,129,010	12,261,751
Additions	28,675	173,900	739,145	1,816,941	–	2,758,661
Disposal	–	–	(112,718)	–	–	(112,718)
Balance 31 December 2014	511,078	870,120	2,537,224	8,860,262	2,129,010	14,907,694
Additions	23,982	7,382	204,518	170,981	–	406,863
Disposal	–	–	(438,174)	(2,582)	–	(440,756)
Balance 31 December 2015	**535,060**	**877,502**	**2,303,568**	**9,028,661**	**2,129,010**	**14,873,801**
Accumulated depreciation						
Balance 31 December 2013	(204,909)	(368,166)	(1,326,556)	(4,423,395)	–	(6,323,026)
Charges during the year	(70,821)	(79,752)	(490,818)	(1,059,771)	–	(1,701,162)
Disposal	–	–	108,355	–	–	108,355
Balance 31 December 2014	(275,730)	(447,918)	(1,709,019)	(5,483,166)	–	(7,915,833)
Charges during the year	(62,760)	(89,443)	(412,512)	(1,269,322)	–	(1,834,037)
Disposal	–	–	436,949	289	–	437,238
Balance 31 December 2015	**(338,490)**	**(537,361)**	**(1,684,582)**	**(6,752,199)**	**–**	**(9,312,632)**
Book value 31 December 2015	**196,570**	**340,141**	**618,986**	**2,276,462**	**2,129,010**	**5,561,169**
Book value 31 December 2014	235,348	422,202	828,205	3,377,096	2,129,010	6,991,861

22. Intangible asset

CONSOLIDATED	Software K	Customer deposits relationship K	Total K
Cost			
Balance 31 December 2014	–	–	–
Additions	3,432,366	3,780,000	7,212,366
Disposal	–	–	–
Balance 31 December 2015	**3,432,366**	**3,780,000**	**7,212,366**
Accumulated depreciation			
Balance 31 December 2014	–	–	–
Charges during the year	(159,117)	(189,000)	(348,117)
Disposal	–	–	–
Balance 31 December 2015	**(159,117)**	**(189,000)**	**(348,117)**
Book value 31 December 2015	**3,273,249**	**3,591,000**	**6,864,249**
Book value 31 December 2014	**–**	**–**	**–**

PARENT	Software K	Customer deposits relationship K	Total K
Cost			
Balance 31 December 2014	–	–	–
Additions	600,428	–	600,428
Disposal	–	–	–
Balance 31 December 2015	**600,428**	**–**	**600,428**
Accumulated depreciation			
Balance 31 December 2014	–	–	–
Charge during the year	(67,699)	–	(67,699)
Disposal	–	–	–
Balance 31 December 2015	**(67,699)**	**–**	**(67,699)**
Book value 31 December 2015	**532,729**	**–**	**532,729**
Book value 31 December 2014	**–**	**–**	**–**

Customer deposits relationship was recognized when Maybank (PNG) Limited was acquired on 30 September 2015. The value of the customer deposit relationship was derived on the present value of expected benefit from existing funds coming from depositors. A pre-tax discount rate of 11.2% was used in the valuation consistent with the impairment testing performed for goodwill. The intangible asset was estimated to have a useful life of five years based on the expected length of the customer deposit relationship.

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For the financial year ended 31 December 2015

23. Other assets

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Prepayments	**1,217,648**	6,598,966	**342,049**	5,881,835
Security deposits and bonds	**566,828**	442,991	**287,899**	209,226
Other debtors	**12,300,823**	2,946,855	**2,383,408**	2,673,937
Other assets	**764,948**	2,349,517	**530,888**	1,455,765
	14,850,247	12,338,329	**3,544,244**	10,220,763
Less: allowance for losses on other assets	**(116,245)**	(93,566)	**(102,900)**	(80,221)
	14,734,002	12,244,763	**3,441,344**	10,140,542

Movement of allowance for losses on other assets is as follows:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balances at beginning of year	**93,566**	89,211	**80,221**	75,866
Impairment losses during the year	**22,679**	2,998	**22,679**	2,998
Adjustment/(reversal)	**–**	1,357	**–**	1,357
Balance at end of year	**116,245**	93,566	**102,900**	80,221

24. Due to customers

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Corporate customers	**682,227,143**	183,106,098	**–**	–
Retail customers	**3,302,321**	45,653,454	–	–
	685,529,464	228,759,552	–	–

25. Current income tax liabilities

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at beginning of year	**521,298**	1,061,203	**670,592**	172,995
Income tax acquired on subsidiary acquisition	**2,823,626**	–	**–**	–
Paid during the year	**(8,603,253)**	(7,239,266)	**(547,437)**	(17,079)
Current provision	**6,825,185**	6,699,361	**437,151**	514,676
Prior year adjustment	**404**	–	**–**	–
Balance at end of year	**1,567,260**	521,298	**560,306**	670,592

26. Employee provisions

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Balance at beginning of year	**2,172,882**	2,476,702	**1,084,436**	1,235,983
Charged to profit and loss	**3,880,183**	383,939	**1,256,262**	25,131
Utilized during the year	**(644,659)**	(687,759)	**(140,202)**	(176,678)
Balance at end of year	**5,408,405**	2,172,882	**2,200,496**	1,084,436
Represented by:				
Short term provisions	**3,300,794**	1,066,494	**1,407,298**	544,920
Long term provisions	**2,107,611**	1,106,388	**793,198**	539,516
	5,408,405	2,172,882	**2,200,496**	1,084,436

27. Other liabilities

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Bank cheques	**21,560,630**	–	**–**	–
Unearned commission income	**3,916,057**	–	**2,800,000**	–
Deposits against guarantee	**3,127,005**	–	**–**	–
Creditors	**2,851,620**	880,597	**1,692,082**	502,189
Accruals and other liabilities	**18,753,201**	8,786,055	**3,761,575**	2,350,516
Balance at end of year	**50,208,513**	9,666,652	**8,253,657**	2,852,705

28. Issued and paid ordinary shares

a) Movement

The Company does not have authorized capital and all ordinary shares have no par value. The table below provides movement in share capital.

	2015		
	Number of shares	**K**	**Share capital**
Original shares	2,000,000		2,000,000
Share split	86,121,935		–
Shares after split and before IPO	**88,121,935**		**2,000,000**
Proceeds from IPO (at K2.08/share)	75,580,415		157,207,263
Free shares issued to the employees	90,902		–
Total IPO costs		21,531,884	
Less: secondary costs (note 11)		(4,122,085)	
Total primary costs			(17,409,799)
Balance at end of year	**163,793,252**		**141,797,464**

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28. Issued and paid ordinary shares (continued)

b) Earnings per share

Basic earnings per ordinary share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The group has no significant dilutive potential ordinary shares. Consequently, basic earnings per ordinary share equals diluted earnings per share.

	CONSOLIDATED	
	2015	2014
Net profit attributable to shareholders	**4,955,731**	14,027,354
Weighted average number of ordinary shares basic earnings	**119,651,650**	88,121,935
Weighted average number of ordinary shares diluted earnings	**119,872,986**	88,121,935
Basic and diluted earnings /per share (in toea)	**4.14**	15.92

c) Share-based payment reserve

In July 2015, after the Company was listed on the Australian Securities Exchange and Port Moresby Stock Exchange, Kina established various incentive arrangements to assist in the attraction, motivation and retention of management and its employees. Performance Rights were granted to the Chief Executive Officer (CEO) and other senior executive employees.

Short term incentive plan (STI Plan)

The CEO and other senior executive employees received an incentive payment calculated as a percentage of their annual salary during the year. Under the plan 65% of the award was paid as a cash bonus, with the 35% balance awarded as a grant of performance rights. The granted performance rights will be restricted from exercise until the second anniversary after the grant date and subject to the Company's clawback policy and will otherwise be subject to terms consistent with performance rights issued under the LTI Plan. Total performance rights granted under this plan was determined to be at K699,177 (K217,980 for the Chief Executive Officer and K481,197 for other senior executive employees). Performance rights recognised in 2015 amounted to K145,662.

Long term incentive plan (LTI Plan)

The CEO was granted K415,200 of performance rights while other senior executive employees were granted K916,565 performance rights. The exercise price of the granted right is equal to the price of the shares on the date of grant. Performance Rights are conditional on the employees' continued employment and are exercisable on the third anniversary of their grant. Performance Rights recognised in 2015 amounted to K184,967.

One-off retention incentive

Under the Retention Grant, the CEO will receive a one off grant amounting to K415,200. 50% of the performance rights will vest on the first anniversary of the grant date subject to him remaining employed by the Kina Group. The remaining 50% of the Performance Rights will vest on the second anniversary of the grant date subject to him remaining employed by the Kina Group. Performance rights recognised in 2015 amounted to K129,750.

29. Statement of cash flows

a) For the purposes of the statement of cash flow, cash and cash equivalents comprises the following:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Cash and due from banks (note 14)	**131,251,147**	52,792,011	**35,002,007**	2,349,349
Central bank bills (note 15)	**104,000,000**	4,975,380	**–**	–
	235,251,147	57,767,391	**35,002,007**	2,349,349

The consolidated financial statements for the year ended 31 December 2014 included central bank bills amounting to K34,388,725 with more than 3 months maturity as part of the cash and cash equivalents. As the Group policy is to classify only investments with less than three maturities as part of the cash and cash equivalent these investments have been excluded from cash and cash equivalents for the purpose of cash flow statements.

b) Reconciliation of net profit after tax for the year to net cash flows from operating activities is presented below.

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Net profit after tax	**4,955,731**	14,027,354	**114,731,935**	21,468,419
Profit from disposal of property and equipment	**(45,482)**	(42,836)	**(45,482)**	(42,836)
Profit on sale of shares in subsidiary (note 7)	**–**	–	**(125,500,000)**	–
Depreciation and amortization (note 20 and 21)	**2,480,595**	1,701,162	**1,901,736**	1,701,162
Impairment losses:				
Loan and advances to customers (note 18)	**2,939,306**	2,498,471	**–**	1,220
Intercompany receivable (note 30)	**–**	–	**7,487,273**	–
Other assets (note 23)	**22,679**	2,998	**22,679**	2,998
Premium amortization (note 18)	**136,502**	154,520	**–**	–
Net losses/(gains) from changes in fair values of financial assets (note 17)	**499,355**	470,323	**(703)**	2,850
Gain on sale of financial assets (note 17)	**(7,710)**	(343,654)	**–**	–
Increase/(decrease) in income tax payable	**(1,778,069)**	(958,905)	**(110,283)**	497,597
Increase/(decrease) in deferred income tax	**103,118**	(213,663)	**(145,718)**	71,595
Changes in net assets and liabilities:				
Decrease/(increase) in assets:	**(571,338,925)**	(8,745,416)	**7,164,324**	(702,184)
Increase/(decrease) in liabilities:	**483,376,891**	(24,064,115)	**6,517,012**	(1,289,642)
Net cash inflow/(outflow) from operating activities	**(78,656,009)**	**(15,513,761)**	**12,022,773**	**21,711,179**

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30. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is controlled by KSL (incorporated in Papua New Guinea), which owns 100% of the ordinary shares of its subsidiaries, unless otherwise stated.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on normal commercial terms and at normal market rates. The volumes of related party transactions, outstanding balances at 31 December 2015, and related expenses and income for the year ended are as follows:

a) Directors and management transactions

As at 31 December 2015, Directors and management transactions were as follows:

Niule No 1 Ltd. Trading as Raintree Consultancy provided consultancy services to KSL during the year. The fee paid for these services during the year is K345,000 (2014: K270,000). Jim Yap who is the director of KSL is also director and shareholder of Niule No 1.

Hilary Wong maintained interest-bearing deposits at normal market rates of interest with KFL. The balance due as at 31 December 2015 and related income and expenses for the year ended are as follows:

	2015 **K**	2014 K
Deposit:		
Balance at the beginning of year	**7,626**	7,376
Received during the year	**339**	250
Balance at end of year	**7,965**	7,626
Interest expense on deposit	**–**	294
Average interest rate per annum	**4.00%**	5.25%

Wayne Golding is a Director and Shareholder of KSL and also a Director and Shareholder of The Manufacturers Council of PNG (MCP). MCP maintained interest-bearing deposits at normal market rates of interest. The balances due as at 31 December 2015 and related income and expenses for the year ended are as follows:

	2015 **K**	2014 K
Deposit:		
Balance at beginning of year	**58,090**	57,091
Received during the year	**918**	999
Balance at end of year	**59,008**	58,090
Interest expense on deposits	**918**	999
Average interest rate per annum	**1.5%**	1.75%

Syd Yates, Managing Director and Chief Executive Officer of KSL is also a Director of Port Moresby Stock Exchange (POMSoX) and shareholder of Columbus Investment Limited. During the year, POMSoX, Columbus Investment Limited and Syd Yates maintained interest-bearing deposits at normal market rates of interest. The balances due as at 31 December 2015 and related expense for the year are as follows:

	POMSoX **K**	**Columbus Investments**	**S. Yates** **K**	**Total 2015** **K**	Total 2014 K
Balance at beginning of year	520,667	–	68,925	**589,592**	566,215
Received during the year	76	2,000,000	205	**2,000,281**	23,377
Repaid during the year	(520,743)	(221,738)	–	**(742,481)**	–
Balance at end of year	–	1,778,261	69,130	**1,847,391**	589,592
Interest expense on deposits	89	45,013	242	**45,344**	9,428
Average interest rate per annum	0.25%	2.34%	0.35%	**0.30%**	0.70%

30. Related party transactions (continued)

a) Directors and management transactions (continued)

From time to time during the year, Directors and Senior Management of the Parent and subsidiaries had deposits in the Company on normal terms and conditions. Brokerage rates for buying and selling shares for the Senior Management and staff are discounted.

A listing of the members of the Board of Directors is shown on page 12 to 13 of the Annual Report. In 2015, the total remuneration of the Directors was K2,296,514 (2014: K1,550,444).

The Group specified executives during the year were Syd Yates , Michael Van Dorssen, Adam Fenech, Victor Shubin and Kong Wong. The table below shows the Group specified executive remuneration in aggregate.

	Salary	Bonus	Super	Equity Options	Other benefits	Total
2015	4,392,632	1,298,471	101,303	460,379	1,853,489	8,106,274
2014	2,996,999	–	115,997	–	1,713,815	4,826,811

b) Subsidiary transactions and balances

The Company maintains an intercompany account with subsidiary undertakings, which are interest bearing at the rate of KFL cost of funds plus 12.50 (2014:12.50) basis points, unsecured and with no fixed term of repayment. Details as follows:

	TRANSACTIONS		BALANCE OUTSTANDING			
	INCOME	EXPENSES	DUE FROM		DUE TO	
	2015	2015	2015	2014	2015	2014
	K	K	K	K	K	K
KFL	8,355,120	1,323,240	–	–	(74,689,686)	(4,082,715)
PNGHF	–	–	–	–	–	(350)
KFM	2,639,713	169,301	–	–	(7,981,047)	(1,118,038)
KISS	2,133,976	46,581	–	–	(3,410,540)	–
KWM	–	–	–	11,858	(292)	–
KBL	–	–	–	–	(26,459,813)	–
KVL	–	–	352,791,165*	–	–	–
KNL	–	–	450	450	–	(213,302)
	13,128,809	1,539,122	352,791,615	12,308	(112,541,378)	(5,414,405)

* Net of allowance for impairment losses of K7,487,273. This intercompany loan is interest free and payable on demand.

31. Investment under trust

The Group acts as trustee holding or placing of assets on behalf of superannuation funds and individuals. As the relationship is legally supported, these assets are not assets of the Group and, therefore, are not included in its balance sheet. The Group is also engaged in investing client monies. A corresponding liability in respect of these monies is also excluded from the balance sheet. Investments under trust at balance sheet are:

	CONSOLIDATED		PARENT	
	2015	2014	**2015**	2014
	K	K	**K**	K
Shares clients funds	**3,288,828**	3,076,681	**3,288,828**	3,076,681
	3,288,828	3,076,681	**3,288,828**	3,076,681

32. Business combination

On 30 September 2015, Kina Group, through Kina Ventures Limited (a 100% owned subsidiary of Kina Securities) acquired all of the shares in Maybank (PNG) Limited and Mayban Property (PNG) Limited. Details are as follows:

(i) Purchase consideration

The purchase consideration amounts to K348,666,768. There was no contingent consideration involved. Certain adjustments to the purchase consideration are currently being discussed between the buyer and the seller. These adjustments will be finalized in 2016. The impact of these adjustments, if any, is unlikely to be significant.

(ii) Fair value of assets acquired and liabilities assumed

Assets	K
Cash and due from other banks	297,050,685
Regulatory deposits	44,459,800
Investment securities – three months or less	89,822,687
Investment securities – more than three months	217,592,819
Loans and advances to customers (net)	142,697,234
Deferred tax assets – net	3,089,451
Property, plant and equipment	14,301,769
Intangible assets	3,780,000
Other assets	138,995,341
Total assets acquired	**951,789,786**
Liabilities	
Deposits from customers	652,784,239
Due to other banks	2,248,596
Current tax payable	2,823,626
Other liabilities	35,619,962
Total liabilities assumed	**693,476,423**
Total net assets acquired	**258,313,363**

There was no non-controlling interest

(iii) Goodwill

Purchase consideration	348,666,768
Fair value of net assets acquired	258,313,363
Goodwill	**90,353,405**

The goodwill is attributable to Maybank (PNG) Limited's strong position and synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

32. Business combination (continued)

(iv) Acquisition related costs

Acquisition-related costs of K7,489,850 is included in other expenses in profit or loss in the reporting period ended 31 December 2015.

(v) Acquired receivables

The fair value of acquired loans and advances to customers is K142,697,234. This included an allowance for impairment of K3,658,895.

(vi) Revenue and profit contribution

The acquired business contributed revenues of K15,105,517 and net profit of K6,745,321 to the Group for the period from 1 October to 31 December 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and net profit for the year ended 31 December 2015 would have been K119,900,998 and K22,676,489, respectively.

33. Segment reporting

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 31 December 2015 is as follows:

	Banking & Finance K '000	Wealth Management K '000	Corporate K '000	Total K '000
Interest income	45,738	734	5,826	52,298
Foreign exchange income	7,754	–	–	7,754
Fee and commission income	–	16,238	1,314	17,552
Other revenue	–	903	17,978	18,881
Inter-segment revenue	–	–	(17,277)	(17,277)
Total revenue	**53,492**	**17,875**	**7,841**	**79,208**
Interest expense	(9,438)	–	–	(9,438)
Other operating expenses	(27,634)	(15,464)	(26,631)	(69,729)
Provision for impairment	(2,950)	(12)	–	(2,962)
Depreciation and amortisation	(570)	–	(1,902)	(2,472)
Inter-segment costs	–		17,277	17,277
Total expenses	**(40,592)**	**(15,476)**	**(11,256)**	**(67,324)**
Profit before tax	**12,900**	**2,399**	**(3,415)**	**11,884**
Income tax expense	(5,905)	(1,024)	0	(6,929)
Profit after tax	**6,995**	**1,375**	**(3,415)**	**4,955**
Total assets	819,950	27,303	141,795	989,048
Total assets include:				
Additions to non-current assets	4,152	–	1,009	5,161
Total liabilities	732,473	2,776	9,334	744,583

33. Segment reporting (continued)

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 31 December 2014 is as follows:

	Banking & Finance K '000	Wealth Management K '000	Corporate K '000	Total K '000
Interest income	45,818	826	–	46,644
Foreign exchange income	–	–	–	–
Fee and commission income	–	17,274	–	17,274
Other revenue	15	–	14,807	14,822
Inter-segment revenue	–	–	(14,263)	(14,263)
Total revenue	**45,833**	**18,100**	**544**	**64,477**
Interest expense	(6,894)	(206)	–	(7,100)
Other operating expenses	(25,686)	(9,171)	(12,241)	(47,098)
Provision for impairment	(2,424)	(74)	–	(2,498)
Depreciation and amortisation	–	–	(1,701)	(1,701)
Inter-segment costs	–		14,263	14,263
Total expenses	**(35,004)**	**(9,451)**	**321**	**(44,134)**
Profit before tax	**10,829**	**8,649**	**865**	**20,343**
Income tax expense	(4,245)	(2,070)	–	(6,315)
Profit after tax	**6,584**	**6,579**	**865**	**14,028**
Total assets	311,493	12,009	17,558	341,060
Total assets include:				
Additions to non-current assets	–	–	2,759	2,759
Total liabilities	235,566	1,919	4,323	241,808

There is only one segment for the Parent entity and the information is the same as the primary statements.

34. Contingent liabilities

Litigations and claims

Contingent liabilities exist in respect of actual and potential claims and proceedings that have not been determined. An assessment of the Group's likely loss has been made on a case by case basis for the purposes of the financial statements and specific provisions are made where appropriate. As at 31 December 2015, the Group is a party to some litigation before the courts, however, management does not believe these will result in any material loss to the Group. There was no litigation matter of a material nature that is not already provided for in the consolidated financial statements.

Other liabilities

The Bank guarantees the performance of customers by issuing stand-by letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements applied to customers applying for loans. As the facilities may expire without being drawn upon, the notional amount does not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount but as it cannot be accurately determined, the credit risk has been taken as the contract notional amount.

	2015 **K**	2014 K
Documentary letters of credit	146,213	–
Performance guarantee	26,011,878	–
Other contingent liabilities	7,907,204	–
	34,065,295	–

There was no contingent liability for the Parent entity.

35. Commitments

Capital commitments

There was no commitment under contracts for capital expenditure at balance date.

Operating lease commitments

Total of future minimum lease payments under operating lease commitments are as follows:

	2015 **K**	2014 K
Within one year	2,412,838	1,442,290
Between one and five years	16,193,520	–
	18,606,358	1,442,290

Notes to the financial statements

For the financial year ended 31 December 2015

36. Fair value estimation

There is no material difference between the fair value and carrying value of the Group and the Company's financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

Assets	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets at fair value through profit or loss				
Investment in shares – Listed	3,993,074	–	–	3,993,074
Investment in shares – Unlisted	–	–	61,587	61,587
Total assets	3,993,074	–	61,587	4,054,661

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014.

Assets	Level 1 K	Level 2 K	Level 3 K	Total K
Financial assets at fair value through profit or loss				
Investment in shares – Listed	4,633,636	–	–	4,633,636
Investment in shares – Unlisted	–	–	61,587	61,587
Total assets	4,633,636	–	61,587	4,695,223

37. Auditors' remuneration

	2015 K	2014 K
Audit	509,000	205,891
Tax compliance	170,132	182,160
Other assurance services	190,020	–

In addition, PricewaterhouseCoopers Securities Limited – Australia provided services to the Company in relation to the acquisition Maybank (PNG) Limited and Mayban Property (PNG) Limited and for the initial public offering. Fees for these services were K4,995,723.

38. Events after the balance sheet date

Subsequent to balance date, the directors declared a dividend of 7.47 toea per share (total of K12,235,355). There are no other events after the balance date that require adjustment to or disclosure in the financial statements.

Shareholder information

Kina Securities Limited

ARBN: 606 168 594

The distribution of ordinary shares ranked according to size as at 7 March 2016 was:

Size of holding	Nbr of holders	Nbr of shares	% of issued capital
1-1,000	34	15,888	0.01
1,001-5,000	201	758,555	0.46
5,001-10,000	282	2,534,273	1.55
10,001-100,000	546	16,468,046	10.05
100,001-over	59	144,179,655	87.94

The 20 largest shareholders representing 79.45% of the ordinary shares as at 8 March 2016 were as follows:

Shareholder	Nbr of Shares	% of issued capital
FU SHAN INVESTMENT LIMITED	57,295,900	34.95%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,068,554	15.90%
NATIONAL SUPERANNUATION FUND LIMITED	8,000,000	4.88%
UBS NOMINEES PTY LTD	7,898,506	4.82%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	5,734,122	3.50%
COMRADE TRUSTEE SERVICES LIMITED	5,250,000	3.20%
WAYNE KENNETH GOLDING	4,846,706	2.96%
COLUMBUS INVESTMENTS LIMITED	4,406,097	2.69%
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,242,564	1.37%
BNP PARIBAS NOMINEES PTY LTD	1,295,137	0.79%
NATIONAL NOMINEES LIMITED	1,035,721	0.63%
HITSUMA SDN BHD	1,000,000	0.61%
HIE CHIE GOH	1,000,000	0.61%
NEW IRELAND DEVELOPMENT CORPORATION LIMITED	800,000	0.49%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	670,710	0.41%
TRUEBELL CAPITAL PTY LTD	653,000	0.40%
DR DAVID JOHN RITCHIE & DR GILLIAN JOAN RITCHIE	600,000	0.37%
KINA ASSET MANAGEMENT NO 1 LIMITED	515,000	0.31%
CAPITAL GENERAL INSURANCE LIMITED	500,000	0.30%
TRICO LIMITED	450,000	0.27%
Total	**130,262,017**	**79.45%**
Grand total	**163,793,253**	**100%**

Shareholder information

Issued capital as at 7 March 2016 was:

163,793,213 ordinary fully paid shares

42,102,355 shares are held in escrow. Of these:

- 32,758,650 shares held in escrow until 27 July 2016
- 9,252,803 shares held in escrow until 2 business days after the 30 June 2016 half-year financial results are released
- 58,604 shares held in escrow until 24 July 2016
- 32,298 shares held in escrow until 7 October 2016

The following interests were registered on the Company's register of Substantial Shareholders as at 7 March 2016:

Shareholder	Nbr of Shares	% of Issued Capital
FU SHAN INVESTMENT LIMITED	57,295,900	34.95%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,068,554	15.90%

The Company's ordinary fully paid shares are listed on the Australian Securities Exchange and the Port Moresby Stock Exchange.

At 7 March 2016, 21 holders held unmarketable parcels of ordinary shares in the Company

VOTING RIGHTS ATTACHED TO ORDINARY SHARES

Each ordinary shareholder present at a general meeting (whether in person, by proxy or by representative) is entitled to one vote on a show of hands, or on a poll, for each fully paid ordinary share held.

Corporate directory

Directors

Sir Rabbie Namaliu (Chairman)
Sydney Yates (CEO)
David Foster
Wayne Golding
Don Manoa
Peter Ng Choong Joo
Hilary Wong
Jim Yap

Company secretary

Kong Wong

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Auditor

PricewaterhouseCoopers PNG
PwC Haus
Level 6, Harbour City
Konedobu
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Stock exchange listing

ASX Code: KSL
POMSoX Code: KSL

Website

www.kina.com.pg

kina

www.kina.com.pg