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## TRUSTEE'S CHARTER

### The Trustee will:

- ▶ Act in accordance with the Unit Trust Funds' Trust Deed and Securities Act, plus other governing laws.
- ▶ Act in the best interests of the Unit Holders at all times, taking into account the position of each class of member.
- ▶ Act prudently, honestly, with integrity and in good faith having taken appropriate professional advice.
- ▶ Seek to safeguard members' benefits by managing Unit Trust funds effectively.
- ▶ Communicate to all members regularly and in a clear and concise way.
- ▶ Deliver a high level of service to all members





## TRUSTEE'S VISION, PHILOSOPHY AND STRATEGIES

### TRUSTEE'S VISION, PHILOSOPHY AND STRATEGIES

#### VISION

Our vision is to be Papua New Guinea's and Melanesia's finest home - grown trustee and fund management company, supervising, protecting and building the wealth and assets of its people, local businesses and government institutions in short to medium and long term.

#### PHILOSOPHY

Our corporate philosophy is providing best shelter for your hard earned savings and to build your financial strength, increase your net worth, and raise your status within the community. As a private trustee, fund manager, and investment and trade advisor, we are in the best position here in the country and Pacific to fulfil our corporate philosophy in every sense of the word. We are able to safe guard your estates, savings and investment, and multiply your net worth through the best investment vehicles available and provide you with the best investment advice.

#### CODE OF ETHICS

MTSL pride itself in the values of integrity, credibility and business ethics whilst striving to maintain the highest standards of trust and confidence for our clients.

#### OUR STRATEGIES

The business objectives based on the range of services we offer, comes in four categories;

##### Growth Strategy

Establish the appropriate investment and wealth management trusts which can provide income and capital growth over the medium to long term period.

##### Trustee Strategy

Strive towards offering the best shelter for hard-

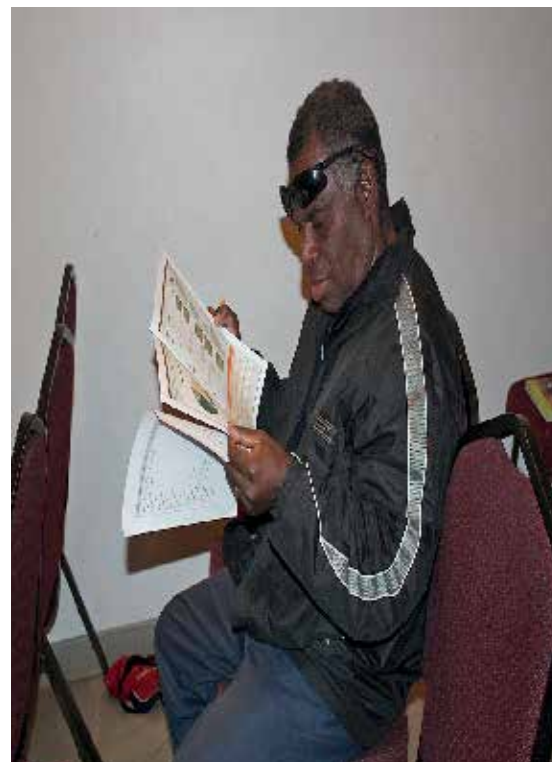
earned savings from contributors for income and future financial security.

##### Fund Management Strategies

The approach will be to actively manage the fund and seek to meet its objective of producing income while pursuing medium to long-term capital growth.

##### Investment and Trade Advisory Services

MTSL will strive towards providing the best investment and trade advisory services for its clients based on local investment knowledge supported by offshore investment advisory services.





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Dear Unit Holder,

It is with the greatest pleasure that I share with you the results and performance of your fund for the 2015 financial year.

In a nutshell, the Fund has again delivered strong growth returns this financial year and continues the trend of growing your hard earned savings and adding to your net worth.

2015 was another year of challenges in both the local and global economy with the ongoing commodity prices downturn and a slowing domestic economy. That we have been able to once again attain good solid growth for the Fund, has been a particularly pleasing outcome for me personally.

In my mind, one of the most pleasing outcome to note is that the Fund accounts audits are up to date. This one thing gives me the greatest comfort in that we have been able to put the operations of the Fund up to the highest level of scrutiny and we should all be pleased that there were no major adverse findings. Equal to this is the continued strong annual performance which I have spoken about in the preceding paragraphs and to which the CEO and management will dive into more detail for you.

The end result you see this year, not only increases shareholder's value, but will go down in the history books that Pacific Balanced Fund is one of the top performing fund amongst its peers locally and internationally.

PBF is well placed to take on the challenges that lay ahead. The foundations laid by MTSL as fund manager

## CHAIRMAN'S REVIEW

and trustee have built a solid foundation and grounded on our corporate philosophy of integrity, credibility and business ethics as a truly Melanesian company.

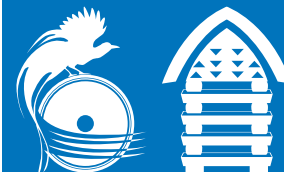
Looking forward into the financial year 2016, we are looking at a reorientation of the Fund and we want to explore investments in the export sector. We would like the Fund to be invested in local companies that are pursuing export led growth strategies. This is to continue to build further diversification into the asset classes of the Fund and also strengthen the national economy by bringing in more foreign currency. To that end we have been working hard at repositioning and restarting our bullion refinery at MRO. We envisage this to be in a position to recommence operations in 2016.

We also continue to engage robustly with existing investee companies and work at ways in which to build their businesses as well as obtain a better overall return for the Fund. This approach has seen the continuing growth in value of the Fund even under testing years.

The next couple of years will be testing as global and local economic conditions continue to prove increasingly challenging. Outlook is for challenged oil and copper prices and the ongoing threat of the climate change phenomenon which will test our management capabilities. We welcome the challenge always looking at ways and means in which we can mitigate such pressures but also use that to bring in a better result for the Fund.

In closing, I would like to thank you, the Unit Holders for your continued support and patience. May I also take this opportunity to thank my management team and staff for their diligence hard work to continue to build the good story of PBF. This experience together has made us strong and prepares us well to take on bigger challenges in the years ahead. Let's all move together to face the challenges and grow the Fund to extra-ordinary levels that our legacy and story will live on in the eyes of our children and the future generations of Papua New Guinea.

**John Sanday | Executive Chairman**  
Melanesian Trustee Services Limited



## TRUSTEE'S BOARD and COMMITTEE MEMBERS



Philip Kende



Joshua Bakirie



Arthur Vera

### TRUSTEE BOARD

The following persons held office as directors of Melanesian Trustee Services Limited Trustee) during the year or since the end of the year and up to the date of this report:

- i. John Sanday  
Executive Chairman  
(appointed 19 April 2000)
- ii. Arthur Vera
- iii. Joshua Bakirie
- iv. Philip Kende

### UNIT TRUST FUND MANAGERS

#### FUND MANAGER

Melanesian Trustee Services Limited  
PO Box 847 Port Moresby 121  
National Capital District  
Phone : +675 321 0560  
Fax : +675 321 0563

### FINANCIAL SERVICES

PricewaterHouseCoppers Ltd  
PO Box 484, Port Moresby 121  
National Capital District  
Phone : +675 321 1500  
Fax : +675 321 1428

### LEGAL SERVICES

Fairfax Legal  
PO Box 1265, Waigani  
National Capital District  
Phone : +675 325 6521  
Fax : +675 325 3869



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## FINANCIAL PERFORMANCES and MEMBERS ANALYSIS

### FINANCIAL PERFORMANCES and MEMBERS ANALYSIS

FUND PERFORMANCE (K Million)	2015	2014
Fund Size	616.3	554.8
Capital Growth	50.8	60.5
Income	13.0	3.6
Total Growth	63.9	64.1
Growth (%)	10%	11%
Investment Value	572.6	519.7
Return on Investment	11%	12%

The Fund continues to grow 'year over year' due to its operational stability, strong corporate regime and risk management framework embedded in its system.

Net Fund Value increased by 10% to K616.3 million from K554.8 million in Financial Year 2014, and net cash income of K13 million was recorded, which implied sufficient liquidity to meet its unitholders obligation such as payment of dividends. There was 9% valuation gain noted on both listed and unlisted securities held by the Fund during the year.

MOVEMENTS IN UNITS HOLDERS CONTRIBUTIONS (K MILLION )		
MOVEMENTS IN UNITS	2015	2014
OPENING BALANCE	13,237,175	13,237,175
UNITS IDENTIFIED	-	-
APPLICATION	-	-
REDEMPTIONS	-	-
INCREASE IN NET ASSETS	-	-
CLOSING BALANCE	13,237,175	13,237,175





The directors of Melanesian Trustee Services Limited (MTSL), the Trustee of Pacific Balanced Fund, present their report together with the financial report of Pacific Balanced Fund ("the Fund") for the year ended 31 December 2015.

The trustees are responsible for preparing the Annual Report for the year ended 31 December 2015 and the financial statements in accordance with applicable laws and regulations.

Securities Act 1997 requires the trustees to prepare financial statements for each financial year. They are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

The trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Fund and its financial performance for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going

## REPORT OF THE TRUSTEE

concern basis unless it is inappropriate to presume that Pacific Balanced Fund will continue its activities.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Funds transactions and disclose with reasonable accuracy at any time the financial position of the Pacific Balanced Fund and enable them to ensure that the financial statements comply with the Securities Act 1997.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Pacific Balanced Fund and to prevent and detect fraud and other irregularities. In the opinion of the Trustees:

The financial statement and notes set out on pages 16 to 49 are in accordance with the above, including:

- i) Complying with International Accounting Standards and other mandatory professional reporting requirements, and
- ii) Giving a true and fair view of the entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date.

### Principal Activities

The Fund invests in equities, unlisted property unit trusts and fixed interest securities in accordance with the provisions of the Trust Deed.

The Fund did not have any employees during the year. There were no significant changes in the nature of the Fund's activities during the year.

### Directors

The following persons held office as directors during the year or since the end of the year and up to the date of this report:

#### *Melanesian Trustee Services Limited (Trustee):*

- Robert Igara (resigned 4th Jan 2016)
- John Sanday - Chairman
- Joshua Bakirie



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## REPORT OF THE TRUSTEE (continued)

- Arthur Vera
- Philip Kende

Mr Igara was appointed as Chairman on 7 April 2015 when Mr Sanday resigned as Chairman. Mr Igara subsequently resigned as Chairman on 4 January 2016 when Mr Sanday was reappointed as Chairman.

### Review of results of operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Trust Deed.

### Results

The performance of the Fund as represented by the results of its operations was as follows:

	2015 K	2014 K
Operating profit before finance costs attributable to unit-holders	63,850,898	64,039,562

No income distribution was made to the unit-holders during the year ended 31 December 2015. A capital distribution of K2,528,182 for the year ended 31 December 2014 was declared to be paid to the unit

holders in December 2015. The capital distribution is an event occurring after the balance sheet date and has been recognised as a distribution declared in the financial statements for the year ended 31 December 2015.

### Unit redemption

No units were redeemed during the year.

### Significant changes in state of affairs

During the year there was no significant change in the state of affairs of the Fund other than that referred to in the financial statements or notes thereto.

### Matters subsequent to the end of the financial year

There has not been any matter or circumstance that has arisen since 31 December 2015 that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Trust Deed.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the responsible entity believes it would be likely to result in unreasonable prejudice to the Fund.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided





## REPORT OF THE TRUSTEE (continued)

to either the officers of the investment manager, the Trustee or the auditors of the Fund. So long as the officers of the investment manager and the Trustee act in accordance with the Trust Deed and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### Donations

Donations of K114,272 were made during the year ended 31 December 2015 (2014: K56,990).

### Independent Audit Report

The financial statements have been audited and should be read in conjunction with the independent audit report on pages 40 - 41. The amounts paid to the auditors for the audit or other services during the year are shown in Note 4.

### Fees paid to and interest held in the Fund by fund manager, the Trustee or their associates

Fees paid to the fund manager, the Trustee and their associates out of Fund property during the year are disclosed in Note 15 of the financial statements.

No fees were paid out of Fund property to the directors of the investment manager or the directors of the Trustee during the year.

The number of interests in the Fund held by the investment manager, the Trustee or its associates as at the end of the financial year are disclosed in Note 15 of the financial statements.

### Interests in the Fund

There was movement in units on issue in the Fund during the year as disclosed in Note 6 of the financial statements.

The value of the Funds assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

For and on behalf of the Board of Directors of the Trustee

Kennedy Wemin | CEO  
Pacific Balanced Fund





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## INVESTMENT REPORT

### Fund Objective

The fund seeks to achieve income and capital growth over the medium to long term period and will invest in equities, fixed income and cash management primarily in the Papua New Guinea, and the balance in the Pacific Region.

### Investment Policy

To create a prudent mix of equities and fixed income securities in line with the Funds' objective.

### Investor Profile

Investors seeking to invest in Pacific Balanced Fund should have the following investor profile features;

- < Conservative to moderate risk-reward temperament;
- < Medium to long-term investor – 5 Years or more; and
- < Preference for receiving some income and a respectable measure of capital growth.





## FUND INVESTMENT

FUND INVESTMENT (%)	2015
UNLISTED SECURITIES	99.92%
LISTED SECURITIES	0.08%

TOP HOLDINGS AS AT DECEMBER 2015		
UNLISTED SECURITIES	% HOLDING	% ASSETS IN PBF
SECURITIES	2015	2015
Amalpack Ltd	30%	2.6%
Associated Mills Ltd	26%	21.0%
BOC PNG Ltd	26%	3.9%
South Pacific Brewery	0.1%	0.3%
Kumul Hotels Ltd	27%	6.2%
Marsh Ltd	31%	1.1%
Origin Energy Ltd	33%	5.3%
Toyota Tsusho PNG Ltd	24%	31.5%
Trukai Industries Ltd	34%	18.3%
JKJL Properties Ltd	20%	0.8%
Markham Culverts Ltd	25%	1.4%
Metals Refining Operations	100%	2.3%
PBF Properties Limited	100%	5.1%
Nationwide Micro Bank Ltd	13.6%	0.3%
LISTED EQUITY		
BSP		0.9%

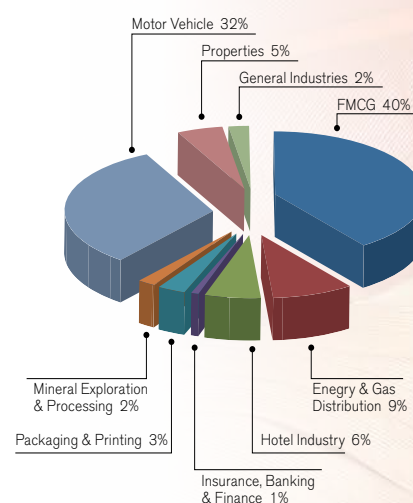




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## EQUITY SECTOR DISTRIBUTION 2015

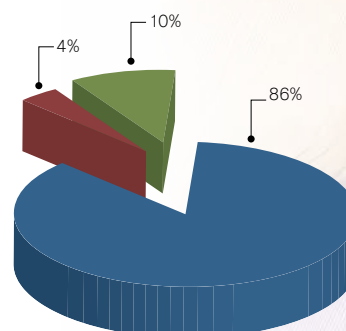
	VALUE	(%) Distribution
FMCG	226,527,989	39.6%
Energy & Gas Distribution	52,309,191	9.1%
Hotel Industry	35,418,082	6.2%
Insurance, Banking & Finance	7,853,869	1.4%
Packaging & Printing	14,637,070	2.6%
Mineral Exploration & Processing	13,050,002	2.3%
Motor Vehicle	180,220,700	31.5%
Properties	29,978,676	5.1%
General Industries	12,978,676	2.3%
	<b>572,095,578</b>	<b>100.0%</b>



## PBF ASSET ALLOCATION

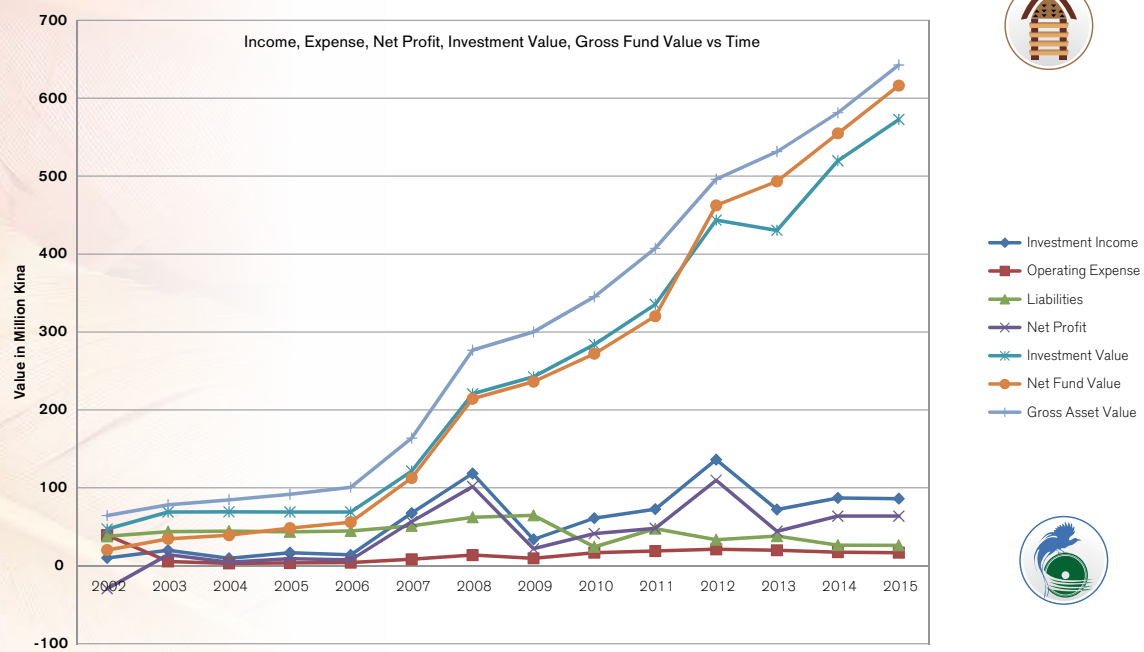
### Asset Distribution: 2015

	PGK VALUE (M)	(%) Allocated
Equity Investments	543	85.7%
Property	29	4.6%
Cash	61	9.7%
	<b>633</b>	<b>100%</b>





## PBF PERFORMANCE



"PNG and Melanesia's finest home - grown trustee and fund management company"





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## Independent Auditor's Report to the Unit Holders of Pacific Balanced Fund

We have audited the accompanying financial statements of Pacific Balanced Fund, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

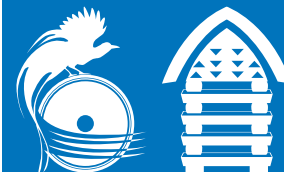
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pacific Balanced Fund as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Emphasis of matter

The Fund lost the unit holder register in 2002. This resulted in the unit holder register not being appropriately maintained. The trust undertook procedures with respect to reconstructing and confirming the register. Since then the process of reconstructing and confirming unit holders has been substantially completed with approximately 82% of unit holders verified as at 31 December 2015. We have been able to satisfy ourselves that the remaining unverified unit holders would have no significant impact on the distribution payable to unit holders as at 31 December 2015.

*Deloitte Touche Tohmatsu*  
**DELOITTE TOUCHE TOHMATSU**

*Suzaan Theron*

**Suzaan Theron**  
Registered under the Accountants Act 1996  
Partner

Port Moresby, 6 May 2016



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PACIFIC BALANCED FUND  
For the year ended 31 December 2015

## Statement of Profit or Loss and Other Comprehensive Income

	Note	2015 K	2014 K
<b>Investment income</b>			
Interest income		34,590	65,835
Dividend income		31,941,351	26,304,533
Net gain on financials instruments held at fair value		50,849,805	60,538,295
Directors fees		140,207	65,212
Other operating income		3,100,577	2,228
<b>Total</b>		<b>86,066,530</b>	<b>86,976,103</b>
<b>Expenses</b>			
Accounting fees		84,007	230,972
Audit fees	4	91,725	110,000
Depreciation		230,851	248,442
Directors fees		594,654	560,344
General and administrative		2,558,420	3,876,254
Legal fees		249,339	616,535
Management fees	15	6,382,961	5,831,940
Performance fees	15	2,884,331	2,210,554
Repairs and maintenance		-	96,824
Travel and entertainment		509,437	624,224
Trustee fees	15	3,191,481	2,915,971
<b>Total operating expenses</b>		<b>16,777,206</b>	<b>17,322,060</b>
<b>Operating profit before income tax</b>		<b>69,289,324</b>	<b>69,654,042</b>
Income tax expense	5	5,438,426	5,614,480
<b>Operating profit after income tax</b>		<b>63,850,898</b>	<b>64,039,562</b>
<b>Finance costs attributable to unit-holders</b>			
Increase in net assets attributable to unit-holders	6	(61,322,716)	(61,654,770)
Distributions to unit-holders	6	(2,528,182)	(2,384,792)
<b>Profit for the year</b>		<b>-</b>	<b>-</b>
Other Comprehensive Income		-	-
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



PACIFIC BALANCED FUND  
For the year ended 31 December 2015

## Statement of Financial Position

	Note	2015 K	2014 K
<b>Assets</b>			
Cash and cash equivalents	9	61,236,337	55,721,554
Receivables	10	7,812,655	4,862,829
Financial assets at fair value through profit and loss	11	572,578,719	519,684,468
Property, plant and equipment	12	960,713	1,068,187
Total Assets		642,588,424	581,337,038
<b>Liabilities</b>			
Trade and other payables	13	4,523,600	5,768,047
Distribution payable	14	21,298,280	20,624,159
Income tax payable		505,870	6,874
Total Liabilities		26,327,750	26,399,080
Net Assets attributable to unit-holders	6	616,260,674	554,937,958
Liability attributable to unit-holders		(616,260,674)	(554,937,958)
Net Assets		-	-

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



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PACIFIC BALANCED FUND  
For the year ended 31 December 2015

## Statement of Changes in Equity

	Equity Attributable to Unitholders	Total
	K	K
<b>PBF</b>		
Balance as at 1 January 2014	-	-
Profit for the period	-	-
Movement in unit holders	-	-
Balance as at 31 December 2014	-	-
Balance as at 1 January 2015	-	-
Profit for the period	-	-
Movement in unit holders	-	-
Balance as at 31 December 2015	-	-

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



PACIFIC BALANCED FUND  
For the year ended 31 December 2015

## Statement of Cash Flow

	Note	2015 K	2014 K
<b>Cash flow from operating activities</b>			
Expenses Paid		(22,611,209)	(20,707,660)
Interest Received		34,590	65,835
Dividends Received		28,991,525	26,304,533
Other income		3,135,167	67,440
Net cash/provided by operating activities		9,550,073	5,730,148
<b>Cash flow from investing activities</b>			
Proceeds from listed securities		-	-
Proceeds from unlisted securities		-	-
Purchase of unlisted investments		(2,044,446)	(28,805,770)
Payments for plant and equipment	12	(169,215)	(98,348)
Proceeds from plant and equipment	12	32,062	-
Net cash (used)/provided by investing activities		(2,181,599)	(28,904,118)
<b>Cash flow from financing activities</b>			
Distribution to unit holders	14	(1,853,691)	(7,569,444)
Redemption of units	6	-	-
Net cash used in financing activities		(1,853,691)	(7,569,444)
Net increase (decrease) in cash and cash equivalents held		5,514,783	(30,743,414)
Cash and cash equivalents at the beginning of the year		55,721,554	86,464,968
Cash and cash equivalents at the end of the year	9	61,236,337	55,721,554

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



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PACIFIC BALANCED FUND  
For the year ended 31 December 2015

## Notes to and forming part of the Financial Statements

### 1. GENERAL INFORMATION

The Pacific Balanced Fund (PBF) is a commercial Unit Trust Fund established under the Securities Act 1997 and is administered in accordance with the terms of a registered Trust Deed dated 22 October 2001.

This registered Trust Deed succeeded the Management Declaration made on the 1st July 1973, the terms under which the Trust was administered by the Investment Corporation of Papua New Guinea (ICPNG) as Trustee and Fund Manager up until its expiration on 31st December 2001.

By virtue of the ICPNG's approval of the new Trust Deed and its registration with the Securities Commission of Papua New Guinea, MTSL became the Trustee succeeding ICPNG.

The Trustee, MTSL, in accordance with its powers under the Trust Deed appointed Pacific Equities & Investments Limited (PEIL) as the fund manager replacing ICPNG. PEIL were removed as fund manager on the 11 November 2008 and MTSL were appointed as interim fund manager.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements are presented in accordance with the requirements of the Securities Act and the Trust Deed and comply with generally accepted accounting practice, including applicable financial reporting standards approved for use in Papua New Guinea (PNG) by the Accounting Standards Board (ASB). The ASB has approved all current IFRS as the applicable financial reporting standards.

All amounts are expressed in PNG Kina (K) and rounded to the nearest Kina.

For the purpose of preparing the financial statements, the Fund is a for-profit entity.

#### (a) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### (b) Revenue recognition

##### Dividend and interest income

Dividend income from investments is recognised when the Fund's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Trust distributions are recognised on an entitlement basis.



## Notes to and forming part of the Financial Statements

### (c) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



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## Notes to and forming part of the Financial Statements

### (d) Expenses

All expenses, including responsible entity's fees, are recognised in the statement of comprehensive income on an accrual basis.

### (e) Net assets attributable to unit-holders

Units are redeemable at the unit-holders' option and are therefore classified as financial liabilities. The units can be redeemed by the Fund at any time for cash based on redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unit-holders exercised their right to redeem their units.

### (f) Financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### (g) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.



## Notes to and forming part of the Financial Statements

### Financial assets (cont'd)

#### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividends or interest earned on the financial assets, gains or losses on sale of the financial assets, and fair value gains or losses on remeasurement of the financial assets are disclosed separately in the profit and loss statement. Fair value is determined in the manner described in note 11.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

#### Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.



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## Notes to and forming part of the Financial Statements

### Financial assets (cont'd)

#### Available-for-sale financial assets (AFS financial assets) (cont'd)

Fair value is determined in the manner described in note 3(f). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Fund's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payments in accordance with the policy set out above. Amounts are generally received within 30 days of being recorded as receivables.

#### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.



## Notes to and forming part of the Financial Statements

### Financial assets (cont'd)

#### Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.



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## Notes to and forming part of the Financial Statements

### Financial assets (cont'd)

#### Derecognition of financial assets (cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the Fund retains an option to repurchase part of a transferred asset), the Fund allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### (h) Financial Liabilities

#### Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Funds documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3(f).



## Notes to and forming part of the Financial Statements

### Financial Liabilities (cont'd)

#### Other Financial Liabilities (cont'd)

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Derecognition of Financial Liabilities

The Fund derecognises liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### (i) **Plant and equipment**

All plant and equipment is stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance cost are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation on other assets is calculated using the reducing balance method over the estimated useful life, as follows:

Furniture & fittings	at rates varying from 11.25% to 30.00%
Office equipment	at rates varying from 11.25% to 30.00%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

#### (j) **Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, any other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

#### (k) **Provisions**

A provision is recognised when there is a present obligation to transfer economic benefits as a result of past events. The amount provided is the best estimate of the expenditure that would be required to settle the obligation that existed at the balance sheet date.



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## Notes to and forming part of the Financial Statements

### (l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid at balance date.

The distribution amount payable to unit-holders as at the reporting date is recognised separately on the balance sheet when unit-holders are presently entitled to the distributable income under the Fund's Trust Deed.

### (m) Foreign currency translation

#### i) *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("functional currency"). This is the Papua New Guinea Kina, which reflects the currency of the economy in which the Fund competes for Funds and is regulated. The Papua New Guinea Kina is also the Fund's presentation currency.

#### ii) *Transactions and balances*

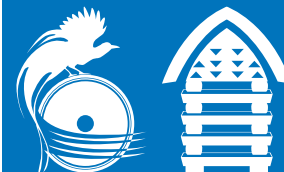
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets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

### (n) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments.

### (o) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.



## Notes to and forming part of the Financial Statements

### (p) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 2(q) below), that the directors have made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Property, plant and equipment

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

#### Provision for doubtful debts

Management's judgement is applied in determining the provision for doubtful debts. If the estimated recoverable amount of the debtor is less than the carrying amount recognised, the difference is recognised in the provision for doubtful debts.

### (q) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Valuation of financial instruments

As described in note 3(f) and note 11, the Fund uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 3(f) provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

### (r) Distribution to unit holders

In accordance with the Trust Deed, the Fund distributes income adjusted by the amount determined by the Trustee, to unit holders by cash or reinvestment. The distributions are recognised in profit and loss as finance costs attributable to unit holders.



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## Notes to and forming part of the Financial Statements

### **(s) Adoption of new and revised Accounting 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:

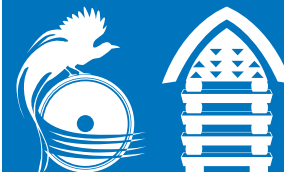
- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective 1 January 2015) provides an exemption to investment entities from consolidating controlled investees. Instead, they will measure them at fair value through profit and loss. This amendment did not have an impact on the Fund.
- Narrow scope amendments to IAS 36 "Impairment of assets" (effective 1 January 2015) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The entity has no such impaired assets.
- Amendments to IAS 32, "Financial instrument: Presentation" (effective 1 January 2015). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This amendment did not have an impact on the Fund.
- Narrow scope amendments to IAS 39, "Financial instruments: Recognition and measurement" in relation to novation of derivatives (effective 1 January 2015). These amendments provide relief from discontinued hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. This amendment did not have an impact on the Fund.
- IFRIC 21 "Levies" (effective 1 January 2015). This is an interpretation to IAS 37, "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment did not have an impact on the Fund.

### **(t) Adoption of new and revised Accounting Standards**

#### **Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2015**

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:

- 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.
- Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", on depreciation and amortisation (effective 1 January 2016). These amendments clarify that the use of revenue-based methods to calculated depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- 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.



## Notes to and forming part of the Financial Statements

### t) Adoption of new and revised Accounting Standards (continued)

#### **Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2015**

- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (effective 1 January 2016) 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 recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual improvements 2015 (effective 1 January 2016) makes minor changes to IFRS 5, IFRS 7, IAS 19, and IAS 34.
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2017) 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.

The fund does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the Fund.



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## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund uses different methods to measure different types of risk to which it is exposed.

The Fund's financial instruments comprise cash, receivables, and financial assets at fair value through profit and loss, other financial assets, payables and borrowings.

	2015 K	2014 K
<b>Financial assets</b>		
Cash and cash equivalents	61,236,337	55,721,554
Receivables	7,812,655	4,862,829
Financial assets at fair value through profit and loss	572,578,719	519,684,468
	<u>641,627,711</u>	<u>580,268,851</u>
<b>Financial liabilities</b>		
Trade and other payables	4,523,600	5,768,047
Distribution payable	21,298,280	20,624,159
Income tax payable	505,870	6,874
	<u>26,327,750</u>	<u>26,399,080</u>

#### (a) Market risk

##### (i) Price Risk

The Fund's listed entities are exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. All securities investments present a risk of loss of capital.

The price risk is mitigated through diversification and a careful selection of securities and other financial instruments.

The table below is a summary of the sector concentrations within the equity portfolio.

	31 December 2015		31 December 2014	
	Total Assets K	Percentage of total assets %	Total Assets K	Percentage of total assets %
Consumer goods	483,552,239	85%	421,918,336	80%
Industrial	44,893,337	8%	56,060,362	11%
Property	29,100,000	5%	23,400,000	5%
Other	15,033,143	2%	18,305,770	4%
<b>Total</b>	<b>572,578,719</b>	<b>100%</b>	<b>519,684,468</b>	<b>100%</b>



## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### (b) Market risk

##### (i) Price Risk

The table summarises the sensitivity of the Fund's net assets attributable to unit holders to listed equity price movements as at 31 December 2015. The analysis is based on the assumptions that the listed equity investment increased by 5% (2014: 5%) and decreased by 5% (2014: 5%). The impact below arises from reasonable possible change in the fair value of the listed equity investment.

	2015 K	2014 K
Effect on net assets of an increase in equity prices	24,157	22,998
Effect on net assets of an decrease in equity prices	(24,157)	(22,998)

##### (ii) Foreign exchange rate risk

The Fund does not have any material exposure to volatility in foreign currency exchange rates.

#### (c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions. None of these assets are impaired nor past due but not impaired. The Fund does not have any significant exposure to any individual counterparty or industry.

None of the financial assets and financial liabilities is offset in the statement of financial position. The Fund does not have financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instrument.

#### (d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Fund's short-, medium- and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Fund is exposed to daily cash redemptions of redeemable units. The liquidity policy ensures that the Fund will be able to pay out the redemptions as necessary.



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## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### (e) Interest rate risk management

##### *Interest rate risk*

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

The Fund's exposures to interest rates on financial assets and financial liabilities are detailed in the fair value measurement section of this note below.

##### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A 10 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Fund's profit for the year ended 31 December 2015 would decrease/increase by K9,998 (2014: decrease/increase by K49,046). This is mainly attributable to the Fund's exposure to interest rates on its cash deposits.

#### (f) Fair value measurement

The carrying amount of the Fund's assets and liabilities at the balance sheet date approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss is expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss is measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

The fair values of financial assets and financial liabilities are determined as follows:

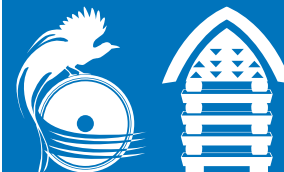
##### (i) *Fair value in a quoted market*

Fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

##### (ii) *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, capitalisation of maintainable earnings or any other valuation technique that provides a reliable estimate of prices. This exercise is undertaken by an expert independent external party and the fair values are determined in accordance with generally accepted pricing models.

(iii) The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. During the year ended 31 December 2015, there were no transfers between levels of the fair value hierarchy.



## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### Fair value measurement (cont'd)

##### Unlisted shares

The financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using valuation methods such as capitalisation of maintainable earnings ("CME") approach applying an EBITDA multiple, discounted cash flow ("DCF") valuations and share of net assets. The CME and DCF methods include assumptions that are not supported by observable market prices or rates. Investment valuation methods and analysis of key unobservable inputs is disclosed below.

##### Amalpack Limited

The net asset based approach has been used to value the investment. There are no significant unobservable inputs in the net asset based approach.

##### Associated Mills Limited

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 4.50 (31 December 2014: 4.50). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K120,117,470 carrying amount of the shares would increase/decrease by K16,662,637.

##### BOC Gases (PNG) Limited

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 4.50 (31 December 2014: 4.50). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K22,070,191 carrying amount of the shares would increase/decrease by K12,544,389.

##### Kumul Hotels Limited

Discounted Cash Flows method was used to value the investment and the key unobservable input in the valuation are the Future Estimated Cash Flows and the discount factor using the Weighted Average Cost of Capital ("WACC").

If the Future Estimated Cash Flows in the valuation model was 5% higher/lower while all the other variables were held constant, the K35,418,082 carrying amount of the shares would increase/ decrease by K9,122,839.

##### Markham Culverts Limited

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 5.00 (31 December 2014: 5.00). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K8,186,076 carrying amount of the shares would increase/decrease by K13,334.

##### Metal Refining Holdings Limited

The net asset based approach has been used to value the investment. There are no significant unobservable inputs in the net asset based approach.

##### Niu Marsh

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 5.00 (31 December 2014: 5.00). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K6,353,869 carrying amount of the shares would increase/decrease by K273,511.



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## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### Fair value measurement (cont'd)

##### Origin Energy (PNG) Limited

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 4.00 (31 December 2014: 4.00). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K30,239,000 carrying amount of the shares would increase/decrease by K3,432,000

##### SP Holdings Limited

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 5.50 (31 December 2014: 5.50). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K1,924,233 carrying amount of the shares would increase/decrease by K388,964.

##### Toyota Tsusho (PNG) Ltd

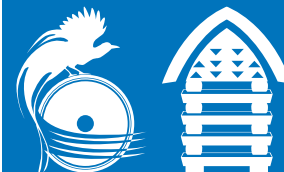
Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 4.50 (31 December 2014: 4.50). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K180,220,700 carrying amount of the shares would increase/decrease by K22,419,800.

##### Trukai Industries Ltd

Capitalisation of maintainable earnings approach has been used to value the investment and the key unobservable input in the valuation is the capitalisation multiple. Management used a capitalisation multiple of 5.00 (31 December 2014: 5.00). If this input into the valuation model was 5% higher/lower while all the other variables were held constant, the K104,486,284 carrying amount of the shares would increase/decrease by K8,265,978

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### Fair value measurement (cont'd)

##### 31 December 2015

	Level 1 K	Level 2 K	Level 3 K	Total K
<b>Financial assets at FVTPL</b>				
Listed equities	483,143	-	-	483,143
Unlisted equities	-	-	572,095,576	572,095,576
Unlisted unit trust	-	-	-	-
<b>Total</b>	<b>483,143</b>	<b>-</b>	<b>572,095,576</b>	<b>572,578,719</b>
<b>Financial liabilities at FVTPL</b>				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers between Level 1 and 2 in the period.

##### 31 December 2014

	Level 1 K	Level 2 K	Level 3 K	Total K
<b>Financial assets at FVTPL</b>				
Listed equities	459,952	-	-	459,952
Unlisted equities	-	-	519,224,516	519,224,516
<b>Total</b>	<b>459,952</b>	<b>-</b>	<b>519,224,516</b>	<b>519,684,468</b>
<b>Financial liabilities at FVTPL</b>				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers between Level 1 and 2 in the period.

#### Reconciliation of Level 3 fair value measurements of financial assets

##### 31 December 2015

	FVTPL Unlisted equities K	FVTPL Unlisted unit trust units K	Total K
Opening balance	519,224,516	-	519,224,516
Total gains or losses:			
- in profit or loss	50,849,805	-	50,849,805
- in other comprehensive income	-	-	-
Purchases	2,044,446	-	2,044,446
Disposals	-	-	-
Transfers out of level	-	-	-
<b>Closing balance</b>	<b>572,118,767</b>	<b>-</b>	<b>572,118,767</b>



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## Notes to and forming part of the Financial Statements

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### Reconciliation of Level 3 fair value measurements of financial assets (cont'd)

31 December 2014

	FVTPL Unlisted shares K	FVTPL Unlisted unit trust units K	Total K
Opening balance	429,826,339	-	429,826,339
Total gains or losses:			
- in profit or loss	60,592,407	-	60,592,407
- in other comprehensive income	-	-	-
Purchases	28,805,770	-	28,805,770
Disposals	-	-	-
Transfers out of level	-	-	-
<b>Closing balance</b>	<b>519,224,516</b>	<b>-</b>	<b>519,224,516</b>

### 4. AUDITORS REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	2015 K	2014 K
(a) Audit Services		
Audit and review of financial reports	91,725	80,000
(b) Other non-audit services	-	30,000
Total remuneration to auditors	91,725	110,000

Audit fees of K91,725 accrued to be paid to Deloitte Touche Tohmatsu in relation to the audit of the financial reports for the year ended 31 December 2015.

### 5. INCOME TAX EXPENSE

The income tax charged on total revenues less expense is determined as follows:

	2015 K	2014 K
(a) INCOME TAX EXPENSE		
Current tax	5,438,425	5,614,480
	5,438,425	5,614,480
<b>Profit before income tax</b>	<b>69,289,324</b>	<b>69,654,042</b>
Prima facie tax payable at 30% (2014: 30%) on profit before income tax	20,786,797	20,896,213



## Notes to and forming part of the Financial Statements

### INCOME TAX EXPENSE (cont'd)

	2015 K	2014 K
<b>Tax effect of:</b>		
Income not subject to tax	(15,254,942)	(18,161,488)
Deferred tax asset not recognized	(510,075)	(180,216)
Exempt income (gross of DWT)	(4,511,747)	(2,544,179)
Dividend withholding tax as final tax expense	4,928,393	5,580,580
Adjustments for current tax of prior periods	-	23,571
	<u>5,438,426</u>	<u>5,614,480</u>

The deferred tax asset will not be recognized in the accounts as it is not probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

### 6. NET ASSETS ATTRIBUTABLE TO UNIT-HOLDERS

Movements in number of units and net assets attributable to unit-holders during the year were as follows:

	2015 Units	2014 Units
Units on issue at the beginning of the year	13,237,175	13,237,175
Applications	-	-
Redemptions (a)	-	-
Closing balance	<u>13,237,175</u>	<u>13,237,175</u>

(a) Units redeemed are PEIL units which were redeemed as part of the settlement between the Fund and PEIL.

	2015 K	2014 K
Net assets attributable to unit-holders at beginning of the year	554,937,958	493,283,186
Applications	-	-
Redemptions	-	-
Distributions	(2,528,182)	(2,384,792)
Increase in value per unit	<u>63,850,898</u>	<u>64,039,564</u>
Net assets attributable to unit-holders at end of the year	<u>616,260,674</u>	<u>554,937,958</u>

The Fund unit purchase and sale price is set by the Fund manager periodically and is in accordance with formula specific in the Trust Deed however trading has been suspended since 2002.



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### 6. NET ASSETS ATTRIBUTABLE TO UNIT-HOLDERS (cont'd)

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

### 7. DISTRIBUTION TO UNIT-HOLDERS

A distribution of K2,528,182 was declared for the year ended 31 December 2014. The capital distribution has been recognised as a distribution declared in the financial statements for the year ended 31 December 2015.

### 8. CAPITAL RISK MANAGEMENT

The Fund manages its net assets attributable to unit-holders as capital, notwithstanding net assets attributable to unit-holders are classified as a liability.

#### Liquidity Table - Liabilities

#### 31 December 2015

	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Carrying amount
Non-interest bearing	-	-	-	-	4,523,600	-	4,523,600
Distributions payable	-	-	-	-	21,298,280	-	21,298,280
Total	-	-	-	-	25,821,880	-	25,821,880

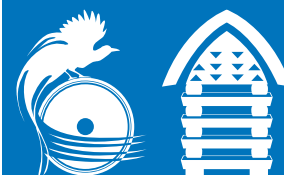
#### 31 December 2014

	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Carrying amount
Non-interest bearing	-	-	-	-	5,768,047	-	5,768,047
Distributions payable	-	-	-	-	20,624,159	-	20,624,159
Total	-	-	-	-	26,392,206	-	26,392,206

Assets – Cash is available on demand and receivables are due according to terms of the receivable. All other assets are unlisted equity investments which are not liquid and are not held for sale.

### 9. CASH AND CASH EQUIVALENTS

	2015 K	2014 K
Cash at bank	61,236,337	45,666,910
Term deposit	-	10,054,644
Total	61,236,337	55,721,554



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## Notes to and forming part of the Financial Statements

### 10. TRADE AND OTHER RECEIVABLES

	2015 K	2014 K
Other debtor	-	975
Dividend receivable	7,812,655	4,861,854
Loan – Pacific Property Trust	-	-
Total	7,812,655	4,862,829

#### Age of receivables past due not impaired

	2015 K	2014 K
60-90 days	7,812,655	4,831,637
91-120 days	-	31,192
Total	7,812,655	4,862,829



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## Notes to and forming part of the Financial Statements

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2015 K	2014 K
Unlisted securities	572,095,576	519,224,516
Listed securities	483,143	459,952
Unlisted unit trust	-	-
	572,578,719	519,684,468
<b>Total financial assets at fair value through profit and loss</b>	<b>572,578,719</b>	<b>519,684,468</b>

#### Comprising: Unlisted securities

	Equity %	2015 K	2014 K
Amalpack Limited	30.0	14,637,070	11,340,054
Associated Mills Limited	26.0	120,117,470	103,454,834
BOC Gases (PNG) Limited	26.0	22,070,191	34,614,580
Kumul Hotels Limited	26.9	35,418,081	26,295,243
Markham Culverts Limited	25.0	8,186,076	8,172,741
Metal Refining Holdings Limited	100.0	13,050,002	16,805,770
Niu Marsh	30.8	6,353,869	6,080,358
Origin Energy (PNG) Limited	33.0	30,239,000	26,807,000
SP Holdings Limited	0.1	1,924,233	1,535,270
JKL Properties Limited	20.0	4,792,600	5,197,460
Toyota Tsusho (PNG) Limited	24.1	180,220,700	157,800,900
Trukai Industries Limited	33.8	104,486,284	96,220,306
Nationwide Microbank	13.6	1,500,000	1,500,000
PBF Properties	100.00	29,100,000	23,400,000
<b>Total financial assets at fair value through profit and loss</b>		<b>572,095,576</b>	<b>519,224,516</b>



## Notes to and forming part of the Financial Statements

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (cont'd)

#### Listed securities

	2015 K	2014 K
Bank of South Pacific	483,143	459,952
<b>Total listed securities</b>	<b>483,143</b>	<b>459,952</b>

#### Total financial assets at fair value through profit and loss

572,578,719	519,684,468
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#### (a) Fair value estimation

As disclosed in note 3(f), investments in the above financial assets are carried at their fair values. Independent party, KPMG assisted management with fair value calculations. The methodology used in the analysis was a combination of maintainable earnings, discounted cash flows of net dividend yields and net assets as appropriate.

#### (b) Financial Assets at FVTPL

	2015 K	2014 K
Balance at the beginning of the year	519,684,468	430,340,403
Change in fair value of FVTPL	50,849,805	60,538,295
Adjustment from prior year	-	-
Purchase of listed securities	-	-
Investment	-	4,905,770
Purchase of unlisted securities	2,044,446	1,500,000
Purchase of unlisted property trust	-	22,400,000
Sale of listed securities	-	-
Sale of unlisted property trust	-	-
<b>Balance at the end of the year</b>	<b>572,578,719</b>	<b>519,684,468</b>



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## Notes to and forming part of the Financial Statements

### 12. PLANT AND EQUIPMENT

2015	Plant and equipment	Furniture and Fittings	Motor Vehicles	Total
<b>Cost</b>				
At 1 January 2015	2,428,077	65,309	90,546	2,583,932
Additions	75,751	-	93,464	169,215
Disposal	-	-	(77,900)	(77,900)
At 31 December 2015	2,503,828	65,309	106,110	2,675,247
<b>Accumulated depreciation</b>				
At 1 January 2015	1,456,326	32,640	26,779	1,515,745
Depreciation	201,944	6,533	22,373	230,851
Disposal	-	-	(28,062)	(28,062)
At 31 December 2015	1,658,270	39,173	17,091	1,714,535
<b>Net book value at 31 December 2015</b>	<b>845,558</b>	<b>26,136</b>	<b>89,020</b>	<b>960,713</b>
<b>2014</b>	<b>Plant and equipment</b>	<b>Furniture and Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2014	2,348,080	46,957	90,546	2,485,583
Additions	79,997	18,352	-	98,349
Disposals	-	-	-	-
At 31 December 2014	2,428,077	65,309	90,546	2,583,932
<b>Accumulated depreciation</b>				
At 1 January 2014	1,223,841	25,701	17,761	1,267,303
Depreciation	232,485	6,939	9,018	248,442
Disposal	-	-	-	-
At 31 December 2014	1,456,326	32,640	26,779	1,515,745
<b>Net book value at 31 December 2014</b>	<b>971,751</b>	<b>32,669</b>	<b>63,767</b>	<b>1,068,187</b>



## Notes to and forming part of the Financial Statements

### 13. TRADE AND OTHER PAYABLES

	2015 K	2014 K
Trade creditors	374,174	304,162
Other creditors	35,900	441,945
Accrued audit fees	91,725	138,400
Accrued accounting fees	112,282	188,544
Accrued management fees	551,022	1,183,012
Accrued trustee fees	275,511	(485,056)
Accrued performance fees (MTSL)	2,884,331	1,821,060
Payroll deduction scheme (PDS) contributions	198,655	198,655
Group tax payable	-	1,977,325
	<u>4,523,600</u>	<u>5,768,047</u>

### 14. DISTRIBUTION PAYABLE

	2015 K	2014 K
Opening balance	20,624,159	25,808,811
Payments	(1,854,061)	(7,569,444)
Distributions during the year	<u>2,528,182</u>	<u>2,384,792</u>
Ending balance	<u>21,298,280</u>	<u>20,624,159</u>

The opening distribution payable is monies that will be paid to unit holders as distribution for the financial year 2003 to 2011 except 2010. The distribution during the year is the distribution of capital for the year ended 31 December 2014 that was declared by the directors in December 2015. The distribution has been recorded in the current year.

### 15. RELATED PARTY TRANSACTIONS

#### Intercompany transactions

Intercompany transaction balances are attributed to the following:

#### (a) Share buyback for Metals Refining Operations (MRO) by PBF

In 2010 PBF advanced to MRO an amount of K2,289,000 to buy back shares held by AGR Matthey so that MRO became 100% owned by MMC. The total receivable at 31 December 2012 was K4, 604,527. The amount was fully provided and written off in prior years.



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## Notes to and forming part of the Financial Statements

### 15. RELATED PARTY TRANSACTIONS (cont'd)

#### (b) *Melanesian Metals Corporation (MMC)*

In 2010 PBF advanced an amount to MMC in order for MMC to settle its liabilities that had been incurred. The total receivable at 31 December 2012 was K2, 289,065. The amount is fully provided and written off in prior years. This year PBF gave an additional K2,044,445 as a capital contribution to MRO to refurbish the refinery and buy new equipment in preparation to open up for trading in 2016.

#### **Fund Manager**

The fund manager of PBF for the period 1 January 2008 to 11 November 2008 was PEIL. PEIL ceased to be fund manager from 11 November 2008 and MTSL was appointed as interim fund manager.

#### **Trustee**

The Trustee of PBF for the period 1 January 2014 to 31 December 2015 was MTSL.

#### **Key management personnel**

##### (a) **Directors**

Key management personnel include persons who were directors at any time during the financial year as follows:

##### Melanesian Trustee Services Limited (Trustee)

Robert Igara  
John Sanday  
Joshua Bakirie  
Arthur Vera  
Philip Kende

##### (b) **Other key management personnel**

There were no other persons responsible for the planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

The Chief Executive Officer of MTSL for year ended 31 December 2015 was Kennedy Wemin, the Secretary was Peter Mase and the Chairman was John Sanday.

#### **Key management personnel compensation**

Key management personnel are paid by MTSL. Payments made from the Fund to MTSL do not include any amounts attributable to the compensation of key management personnel.

#### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

#### **Other transactions within the Fund**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

#### **Fund manager's fees and other transactions**

Under the terms of the Trust Deed, the fund manager is entitled to receive management fees, calculated as follows:

- (i) 1.00% (2014: 1.00%) per annum of the aggregate of the Value of the Assets plus the commitments to purchase or acquire Assets;
- (ii) (a) 7.5% (2014: 7.5%) of the amount (if any) by which the Annual Return for the Financial Year exceeds the Benchmark Return for the Financial Year; or  
(b) nil if the Annual Return for the Financial Year does not exceed the Benchmark Return for the Financial Year.



## Notes to and forming part of the Financial Statements

### 15. RELATED PARTY TRANSACTIONS (cont'd)

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Trust Deed.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the investment manager were as follows:

	2015 K	2014 K
Management fees for the year	6,382,961	5,831,940
Accrued management fees at the end of the year	551,022	1,183,012

#### Trustee's fees and other transactions

Under the terms of the Trust Deed, the Trustee is entitled to receive fees, calculated as follows:

- (i) 0.5% (2014: 0.5%) per annum of the Value of the Assets plus any commitments to purchase or acquire assets

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed in accordance with the Trust Deed.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the investment manager were as follows:

	2015 K	2014 K
Trustee fees for the year	3,191,481	2,915,971
Accrued trustee fees at the end of the year	275,511	(485,056)

#### Performance fees and other transactions

Under the terms of the Trust Deed, the Trustee is entitled to receive fees, calculated as follows:

- (i) 0.75% (2014: 0.75%) per annum of the amount by which the Annual Return exceeds the Benchmark Return.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are reimbursed on accordance with the Trust Deed.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the investment manager were as follows:

	2015 K	2014 K
Performance fees for the year	2,884,331	2,210,554
Accrued performance fees – MTSL	2,884,331	1,821,060



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## Notes to and forming part of the Financial Statements

### 15. RELATED PARTY TRANSACTIONS (Cont'd)

#### Other related parties;

(i) The following related parties have been identified.

Entity	Note	Country of incorporation	Ownership Interest	
Melanesian Metals Corporation (MMC)		PNG	100%	100%
Mineral Resources Operations (MRO)		PNG	100%	100%
PBF Properties Limited		PNG	100%	100%

### 16. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Several significant events have occurred since balance date which would impact on the financial position of the Fund disclosed in the balance sheet as at 31 December 2015 or on the results and cash flow of the Fund for the year ended on that date.

#### (a) Units Verification exercise

MTSL embarked on rebuilding the shareholder registry with 82% of units of unit holders now verified through the nationwide road show. The last road show to verify unit holders was carried out in 2015.

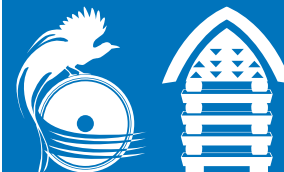
### 17. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

There are no outstanding contingent assets or commitments as at 31 December 2015.

#### Contingent Liabilities

A contingent liability exists as at 31 December 2015 due to the total number of unitholders not being fully verified. The total number of units currently being used is 13,237,175 (refer to note 6) and is based on existing information from the unitholder database. This number is not fully verified and confirmed and there is potential of unverified units that management is not aware of being presented by valid unitholders in the future.

In the event that these valid units are being presented, verified and validated, an obligation would arise to PBF for previously declared and unpaid unitholder distributions. The extent to which outflow of funds that may be required is dependent upon the number of units identified.



## Declaration by Trustee

In our opinion the accompanying statement of comprehensive income, statement of financial position, statement of changes in net assets attributable to unit-holders, statement of cash flows, together with the notes to and forming part of the Financial Statements, have been properly drawn up so as to respectively exhibit a true and fair view of state of affairs of the Fund as at 31 December 2015, and its performance for the year then ended.

For and on behalf of the Board of Directors of the Trustee

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Position: Director

Position: Director

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Date: \_\_\_\_ / \_\_\_\_ / \_\_\_\_



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## NOTES

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## NOTES

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