PACIFIC
BALANCED
FUND

MTSL
Trustee for PBF

2021 ANNUAL REPORT
PACIFIC BALANCED FUND

HISTORY

The Pacific Balanced Fund (PBF) was created as a commercial unit trust from the Investment Corporation Fund of PNG (ICPNG) in 2001.

ICPNG was established by the National Government in 1971 as a vehicle to enable Papua New Guinean wage earners to earn an income from investments in various business activities. For many decades the ICPNG was involved in businesses and other investments around the country; in 1995 these were valued at K65 million. The profits from these investments benefitted the more than 20,000 unit holders of the Fund.

In 1998 serious queries were raised about the management of the Corporation and the Fund, whose value unfortunately dropped. These issues were not addressed until 1999 when the National Government under Sir Mekere Morauta initiated privatisation of state owned enterprises, which involved the corporatisation of ICPNG.

Corporatisation required the conversion of the Fund into a fully commercial unit trust under the Securities Act 1997. It was considered that it was in the best interests of the Unit Holders to separate the Fund and the Corporation and for the Corporation to retire as a statutory Trustee and Manager of the Fund. Subsequently in 2001, Melanesian Trustee Services Limited (MTSL) was incorporated and registered by the Securities Commission as a Trustee Company.

In January 2002, the link between the Fund and the Corporation was severed and the two entities were formally separated. The Fund became a fully commercial Unit Trust renamed as the Pacific Balanced Fund whilst the Corporation remained as a statutory corporation and continued to act as Fund Manager until it retired in May 2002.

After various events, matters surrounding ICPNG were eventually considered by a 2007 Commission of Inquiry into the management of ICPNG and its conversion to the Pacific Balanced Fund.

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After various events, matters surrounding ICPNG were eventually considered by a 2007 Commission of Inquiry into the management of ICPNG and its conversion to the Pacific Balanced Fund.

Since its appointment as Fund Manager MTSL has continued to review, regularise, and modernise its management practices and communication with its unit holders and re-commenced regular dividend payments to them, which now total over K52 million.

OVERVIEW

Melanesian Trustee Services Limited (MTSL) is a company registered with the Investment Promotion Authority. The company has a board of directors and was the first trustee company granted a licence to operate under the *Securities Act (1997)* in October 2000.

The activities of MTSL as a trustee are governed by the Pacific Balanced Fund Trust Deed, the compliance provisions of the *Capital Market Act (2015)* and *Securities Commission Act (2015)*, which replaced the *Securities Act (1997)*, and other relevant company, taxation, and employment legislation.

ROLE

As Trustee of the Pacific Balanced Fund, MTSL is very aware that its prime responsibility is to the unit holders.

MTSL is mandated to prudently manage the investments that unit holders' funds have contributed to acquiring. This involves oversight and management of existing investments and, where appropriate, pursuing new opportunities with advice from independent experts and consultants. The company must ensure that the Fund retains its value, continues to grow and that its investments generate sufficient income, whatever the prevailing national or international economic environment is, to provide regular distributions to unit holders.

To perform this role over the twenty years since its establishment MTSL has been constrained by a variety of legacy issues and other factors. These include inadequate unit holder records from the early days of ICPNG operations, poorly managed asset transfers, management irregularities, hostile and illegal management bids by other parties as well as certain difficulties in dealing with the regulatory authorities.

MTSL works closely with Government, the Securities Commission, its larger unit holders and partners in certain asset investments, in an effort to overcome these complicating factors. Management and financial systems have been upgraded to ensure that the organisation operates efficiently and is able to effectively liaise with its unit holders.

The MTSL logo represents the underlying ethos of MTSL, the concept of accumulating, storing, and managing assets of any sort. The yam house symbolises the importance that MTSL places on being a safe shelter for the financial assets that it is responsible for managing, on behalf of the unit holders.

The yam house, usually identified with the Trobriand Islands of Milne Bay Province, is a structure used by families to store yams and demonstrate their wealth to others. Yams are planted and harvested seasonally and can be stored for many months until required. Storage of yams is a form of food security.

VISION

To be a successful Papua New Guinean trustee and funds management company; managing, protecting and building the wealth and assets of its members.

VALUES AND ETHICS

MTSL takes pride in its values and ethics whilst striving to maintain the highest standard of client trust and confidence.

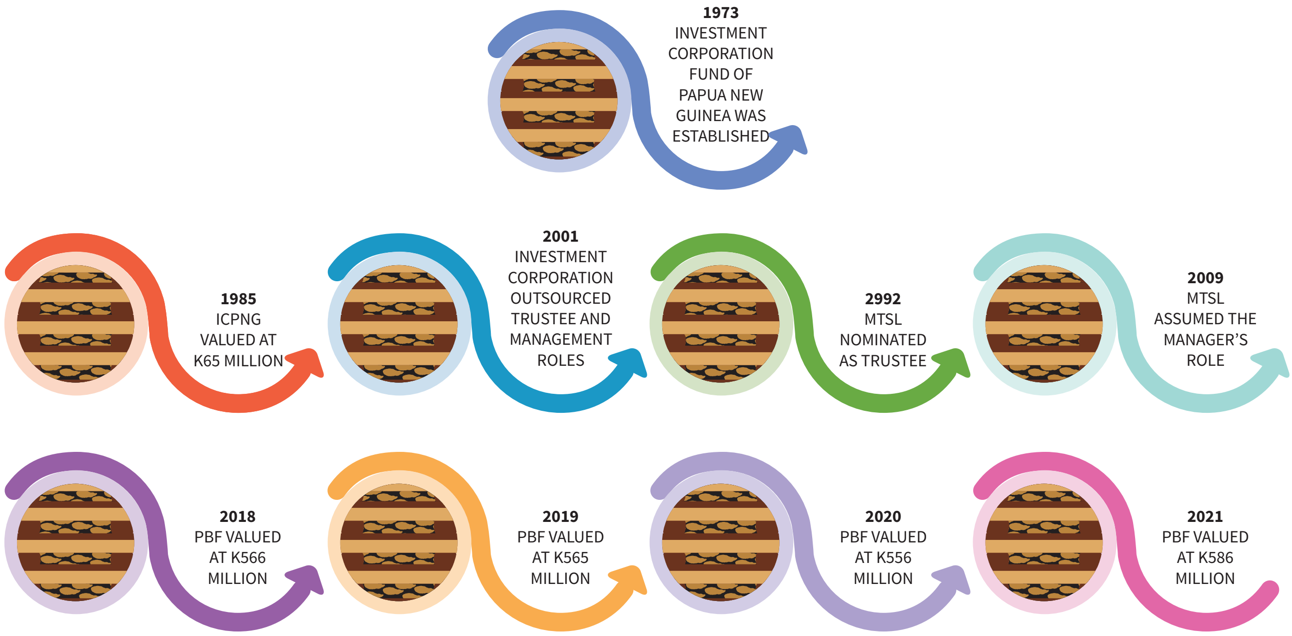
- *Integrity* - to act honestly, in good faith in accordance with its Trust Deed and all applicable Papua New Guinea legislation.
- *Credibility* - to safeguard members' benefits through prudent management of Pacific Balanced Fund's assets and investments.
- *Business Ethics Practice* - to maintain high standards of fiduciary duty and compliance with regulatory requirements.
- *Communication* - to regularly, concisely, and transparently communicate with unit holders.
- *Service* - delivery of a high level of service to all PBF unit holders.

MILESTONES

1973 – Establishment of the Investment Corporation Fund
2000 – MTSL granted licence as a trustee company by the PNG Securities Commission
2001 – ICPNG corporatised, PBF created and MTSL appointed as Trustee
2002 – Fund value K75 million
2010 – PBF administration office opened. Start of unitholder verification exercise
2012 – 50% of unit holders verified
2014 – Fund value K500 million
2015 – Distributions of K38.4 million to members from profits since 2002
2016 – MTSL opens customer service centre; 80% of unit holders verified & receiving dividends
2020 – Fund value K556 million and total distributions to members, declared 2003 - 2020 K43.2 million
2021 – Return to growth after covid/pandemic

TIMELINE

Investment Corporation Fund of Papua New Guinea had a vision to invest in various business and projects in the country to provide local equity. This has now become a reality with Pacific Balanced Fund, who represent nearly 20,000 Papua New Guinean shareholders.



John Sanday
Executive Chairman

I am pleased to present the Pacific Balanced Fund (PBF) Audited Financial Statements for 2021, a year during which the country started to recover from the impacts of the Covid-19 pandemic.

We have all had to adapt to revised working conditions due to necessary lockdowns and staff working from home, in fact even Parliament was adjourned for four months during the year. Despite the difficulties, our organisation was able to continue to function, completing a myriad of tasks which had been delayed. One of these tasks was the completion of audits of the Pacific Balanced Fund and reporting to the Fund's members. With 2021 completed and presented herewith I now look forward to providing the results for 2022 by June 2023.

Thankfully, the domestic economy continued to recover during 2021 on the back of increases in the international prices of many of the commodities that Papua New Guinea exports. The county's GDP dropped 3.5% in 2020 due to the Covid-19 pandemic and the World Bank predicted that the PNG economy would return to a positive growth of one percent in 2021.

The country's abundant resource potential provides a strong platform for greater economic engagement with Asia and beyond. The economy remains dominated by two broad sectors - the agricultural, forestry, and fishing sector that engages most of PNG's mainly informal labour force: and the minerals and energy extraction sector that accounts for most export earnings and GDP.

Economic growth in the medium term will be supported by investment in new resource projects, including the Papua LNG project, the Wafi-Golpu gold/copper mine, the P'nyang gas field, and the offshore Pasca gas condensate field. Reopening of the Porgera mine and extension of the Ramu NiCo mine will also contribute to the impending resource investment boom.

Once again PBF stands to benefit in these developments, through its investee companies, and we expect to see the value of the Fund continue to increase in coming years.

Whilst most export earnings of the country are generated from petroleum, minerals and agricultural products, the Government's SOE Reform programme supported by the ADB and the Australian Government should strengthen performance in service industries such as power, telecommunications and air travel. These industries will in turn support the growth of the non-resource sector in the country. The Government may need to resume the Connect PNG program once the pandemic is over, while keeping the economy under control. This all comes with challenges for the country but, thanks to the PBF investments, also brings opportunities for improved returns for the Fund.

2021 is historic in that it is the twentieth anniversary of MTSL being appointed as Trustee of the Fund. The Fund itself will celebrate its 50th anniversary in 2023, having become an important part of pre and post-Independence investment funding, followed by the period in which the late Sir Mekere Morauta described as systematic and systemic as he set about the privatisation of corruption plagued State run enterprises and trusts, including the Trustee of the then depleted Investment Corporation Fund of PNG, allowing MTSL to compete for and win appointment as the Fund's Trustee.

This appointment saw MTSL over the next two decades leading the recovery and growth of the Fund (from K73 million to its current value of nearly K600 million) and restoring accurate record keeping of the individual accounts of its 20,000 members, compliance with regulatory and legislative requirements and protecting it from the predatory behaviour which had led to its near destruction during the 1990's.

It is with considerable pleasure that, in presenting these audited Financial Statements, I note that, over the past 10 years, the Fund has recorded an average annual growth of 11.75%. Based on these results the MTSL Board has been able to declare yet another distribution to Unit Holders. We look forward to being able to report on continuing growth in 2022 and beyond.

John Sanday
Executive Chairman

Lawrence Stephens
Co-Chief Executive Officer

After several years of disruption, 2021 was a year of recovery and one which saw the value of the Pacific Balanced Fund increase by a modest K29 million. It also permitted renewed efforts to contact those investors with whom the Fund has lost contact.

Many PBF unit holders commenced investing nearly 50 years ago, demonstrating their faith in PNG and their desire be part of its future. During the difficult years, many of them lost contact and an important part of our mission has been the reestablishment of contact with them and, once verifying their identity, payment of their accumulated share of the distributions declared over the years since 2003.

It is very satisfying when people renew contact and we are able to include them in the electronic payments system which has dramatically improved the speed with which we make payments to Unit Holders.

We continued, during 2021, to make improvements to our record keeping of the almost 20,000 individual Unit Holders and the efforts to ensure that these are accurate and that each Unit Holder can access information on the administration of their investment. In 2015, laws relevant to the management and protection of Trust Funds were changed and we have been awaiting the presentation of draft enabling regulations as we continue to ensure that funds with which we have been entrusted are protected and productive on behalf of Unit Holders.

With nearly 50 years behind us we note that our membership is ageing and we are encouraging more members to nominate next of kin who can continue to benefit from their units into the future. We also look forward to making opportunities available for more workers on salaries and wages to continue to invest via the payroll deduction scheme, a scheme which once saw fortnightly deductions from the salaries and wages of personnel in major mining companies, trading companies, public enterprises, disciplined forces, health and education workers and the public service to buy shares in the future of PNG for many people who would not otherwise have been invited.

Lawrence Stephens
Co-CEO (Administration, Compliance and Legal Affairs since March 2022)

Norbert Kneifel
Co-Chief Executive Officer

One of the benefits of being a Pacific Balanced Fund unit holder is the reality that Unit Holders, through their units, are participating in the largest unit trust in PNG, with around 20,000 members, and net assets of more than K550 million, and with investments in companies which stand to benefit from major projects we are expecting to boost the economy of PNG in the near future.

The strong pipeline of key resource projects is expected to enhance the economy over the medium term, with the World Bank estimating that GDP will recover to 5% in 2023. Most of the PBF investee companies stand to benefit from such growth.

Through their units our members have interests in companies such as Toyota (Ela Motors), Amalpack, BOC Gasses (PNG), Niu Marsh, Origin Energy, Trukai, SP and Kumul Hotels; all of which can benefit from the unlocking of PNG's potential through major projects, such as: Papua LNG; Wafi Golpu; Pasca gas; Woodlark goldmine; P'nyang Gas; Frieda River copper; and, the Kikori project with its international sea port, airport, petroleum park, industrial zone and technology park. The Fund is destined to continue to grow dramatically, as it has successfully done over the past 20 years.

Fund snapshot (FY21)

20,000 Unitholders	K585m Net asset value	K50m Distribution Payments	K34m EBITDA

PBF is a long-established unit trust which last received members' contributions when payments deducted from government employees' fortnightly salaries were finally transferred to the trustee in 2017. It has faced challenges but focuses on meeting them as they arise, protecting Unit Holder's interests and retaining its long-held position as a leading investment vehicle and manager, outside the superannuation regime.

Norbert Kneifel
Co-CEO (Investment, Finance, Mergers & Acquisitions since March 2022)

Our Leadership team works with high standards determined to provide confidence to unit holders.

BOARD MEMBERS

John Sanday
Chairman

Mark Sakai
Director

Jerry Singirok
Director

Peter Mase
Director/Company Secretary

MANAGEMENT TEAM

Norbert Kneifel
Co-Chief Executive Officer

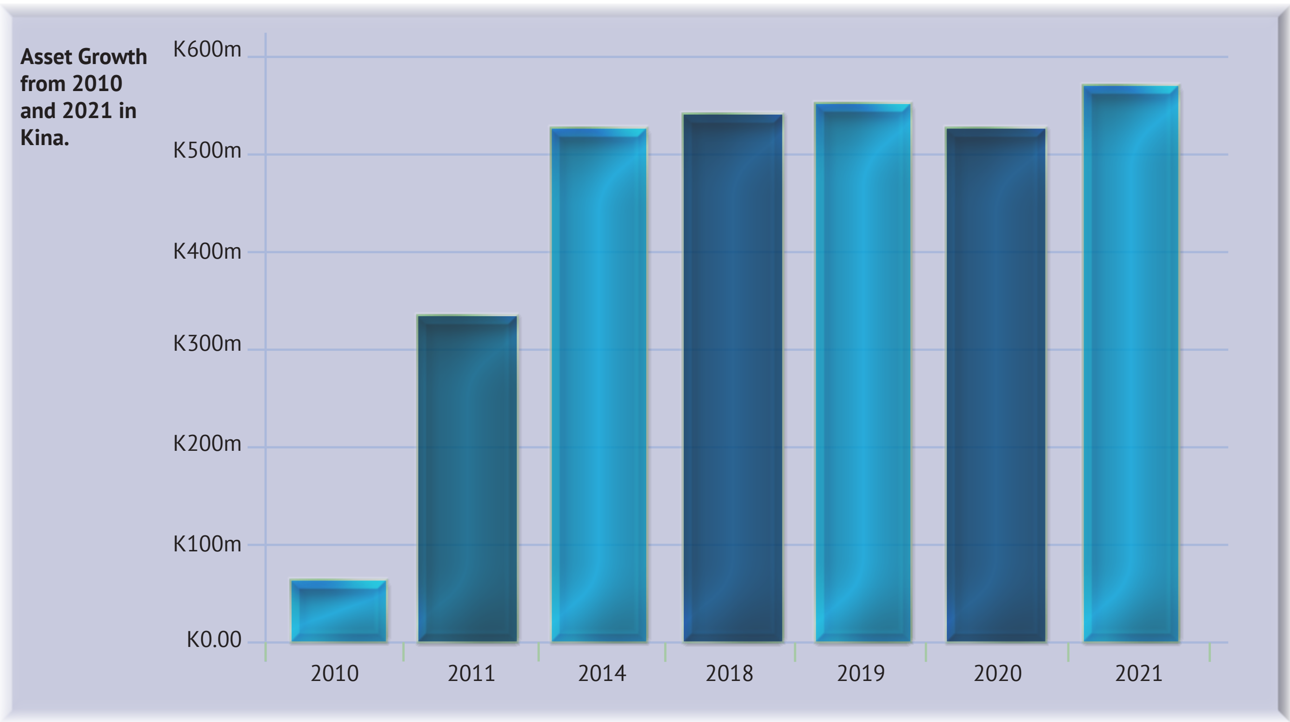
Lawrence Stephens
Co-Chief Executive Officer

Peter Davani
Treasury Manager

Helen Teine
Taxation Manager

	2021 K'000	2020 K'000
Unlisted securities1	572,954	536,157
Listed securities	789	773
	573,743	**536,930**

Unlisted securities[1]	**Equity %**	**2020 K'000**	**2019 K'000**
Amalpack Limited	30.0	8,047	8,231
BOC Gases PNG Limited	26.0	40,947	30,714
Kumul Hotels Limited	26.9	25,382	21,536
Markham Culverts Limited	25.0	10,503	9,171
Marsh Limited	30.8	13,459	10,924
Origin Energy Limited	33.0	12,630	13,807
SP Holdings Limited	0.1	1,007	1,264
Toyota Tsusho (PNG) Limited	24.1	241,052	208,728
Trukai Industries Limited	33.8	54,458	68,614
Nationwide Microbank Limited	13.6	-	-
Metals Refining Operations Limited	100	11,385	11,641
PBF Agro-Business Limited	100	48,691	49,503
PBF Power Limited	100	-	-
PBF Properties Limited	100	105,397	102,024
Total financial assets at fair value through profit and loss		**572,954**	**536,157**



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 2021.

The Trustees are responsible for preparing the Annual Report for the year ended 31 December 2021 and the financial statements in accordance with applicable laws and regulations.

The *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 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 Fund's 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 statements and notes set out on pages 6 to 32 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 2021 and of its performance for the financial year endedon that date.

Principal Activities

The Fund invests in equities 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 of the Trustee Company

The following persons held office as directors during the 2020 year and or since the end of the 2021 year and up to the date of the signing of this report:

Melanesian Trustee Services Limited (Trustee):

- Mark Sakai (Chairman until 30 Sep 2021)
- John Sanday (Chairman from 1 Oct 2021)
- Jerry Singirok
- Peter Mase

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:

	2021 K'm	2020 K'm
Operating profit/(loss) before finance costs attributable to unit-holders	33.6	(7.3)
Net Assets	**584.4**	**555.5**

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

Matter or circumstance that has arisen since 31 December 2021 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 are disclosed in Note 22.

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.

IInvestment 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 regard to insurance cover provided 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

No donations were made during the year ended 31 December 2021 (2020: K0).

Independent Auditor's Report

The financial statements have been audited and should be read in conjunction with the independent audit report on pages 33-35. 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 17 of the financial statements.

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 17 of the financial statements. The financial statements are prepared in accordance with the PNG *Securities Act 1997*.

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

Name: Jerry Singirok

Position: Director

Signature: ____________

Date: 22nd November 2022

Name: Peter Mase

Position: Director/Secretary

Signature: ____________

Date: 22nd November 2022

DECLARATION BY THE 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 2021, and its performance for the year then ended. The Financial Statements are prepared in accordance with the International Financial Reporting Standards and the requirements of the Securities Commission Act 2015, including complying with the requirements of the Trust Deed and the PNG Companies Act 1997.

- there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

Name: Jerry Singirok

Position: Director

Signature:

Date: 22nd November 2022

Name: Peter Mase

Position: Director/Secretary

Signature:

Date: 22nd November 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 K'000	2020 K'000
Investment income			
Net gains/(losses) on financials instruments held at fair value through profit or loss through profit or loss	16	36,813	9,358)
Dividend income		9,561	16,259
Interest income		389	552
Other operating income		-	-
Total income		**46,763**	**7,453**
Expenses			
Management fees	17	5,624	5,771
Trustee fees	17	3,093	3,174
Performance fees	17	416	-
Loan write-off	17	567	1,775
Director's fees	21	1,231	1,187
Remuneration of auditors	4	228	228
Other operating expenses	5	1,901	2,643
Total operating expenses		**13,060**	**14,778**
Operating profit before income tax		**33,703**	**(7,325)**
Income tax expense/(benefit)	6(a)	(148)	34
Operating profit after income tax		**33,555**	**(7,291)**
Other Comprehensive Income		-	-
Total Other Comprehensive Income		**33,555**	**(7,291)**

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 K'000	2020 K'000
Assets			
Cash and cash equivalents	7	3,402	10,552
Interest bearing deposits	8	5,996	6,377
Other receivables	9	13,400	12,824
Financial assets at fair value through profit and loss	11	573,743	536,930
Property, plant and equipment	12	448	553
Intangible assets	13	1,257	1,159
Right of use asset	19	122	245
Deferred tax	6(b)	-	148
Income tax receivable	6(c)	413	218
Total Assets		**598,781**	**569,006**
Liabilities			
Trade and other payables	14	5,119	4,982
Distribution Payable	15	9,177	8,317
Lease liability	20	131	255
Total Liabilities		**14,427**	**13,554**
Equity		**584,354**	**555,452**

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

Name: Jerry Singirok

Position: Director

Signature:

Date: 22nd November 2022

Name: Peter Mase

Position: Director/Secretary

Signature:

Date: 22nd November 2022

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

	Notes	2021 K'000	2020 K'000
Total equity at the beginning of the financial year			
Net assets attributable to unitholders		3555,452	565,520
Comprehensive income for the year			
Profit/(loss) for the year		33,555	(7,291)
Other comprehensive income		-	-
Adjustments made in the current year		-	-
Total comprehensive income for the year		**33,555**	**(7,291)**
Transactions with unitholders			
Redemptions	18	(2,025)	(2,777)
Distribution declared	15	(2,628)	-
Transactions with unitholders		**(4,653)**	**(2,777)**
Total equity at the end of the financial year		**584,354**	**555,452**

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

STATEMENT OF CASH FLOWS

	Notes	2021 K'000	2020 K'000
Cash flow from operating activities			
Dividends Received		9,821	18,275
Interest Received		389	551
Operating expenses paid		(11,420)	(17,247)
Payment of taxes		(195)	(214)
Other Income		(10)	114
Net cash inflow/(outflow) from operating activities		**(1,415)**	**1,479**
Cash flow from investing activities			
Net investment in money market securities		381	(321)
Net movement in related party balances		(1,999)	(2,615)
Proceeds from repayments		-	5,091
Payments for plant and equipment		(324)	(352)
Net cash outflow from investing activities		**(1,942)**	**1,803**
Cash flow from financing activities			
Distribution to unit holders	15	(1,768)	(2,186)
Redemption of units		(2,025)	(2,777)
Net cash used in financing activities		**(3,793)**	**(4,963)**
Net decrease in cash and cash equivalents held		(7,150)	(1,681)
Cash and cash equivalents at the beginning of the year		10,552	12,233
Cash and cash equivalents at the end of the year	**7**	**3,402**	**10,552**

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

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 fund manager.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New or amended Accounting Standards and Interpretations adopted

New and amended standards that have been adopted in the financial statements for the year ended 31 December 2020, but have not had a significant effect on the Fund are:

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – IBOR 'phase 2';
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

2.2 New standards, interpretations and amendments not yet effective

IASB Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Fund for the annual reporting period ending 31 December 2021. The directors do not anticipate that the adoption of these standards will have a material impact of the Fund's financial statements in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements are presented in accordance with the Securities Act 1997, the Trust Deed and the International Financial Reporting Standards.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period as, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach, the cost approach or the income approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date. The above approach to fair value measurement does not apply to leasing transactions within the scope of IFRS 16 Leases or measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out below.

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.

All amounts are expressed in PNG Kina (K) which is the reporting and functional currencies. All amounts are rounded to the nearest Kina.

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

(c) Critical judgements in applying accounting policies

In the process of applying the Fund's accounting policies, management has made a number of judgements and applied estimates of future events.

<u>Valuation of financial instruments – Unquoted shares</u>

As described in 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 16 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.

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.

Impairment of loans and receivables

When measuring ECL the Fund uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(d) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand Kina, unless otherwise indicated.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate (EIR) 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.

Dividend 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).

(f) Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

4. AUDITORS REMUNERATION

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

	2021 K'000	2020 K'000
Audit and review of financial reports	228	295
Total remuneration to auditors	**228**	**228**

The auditor of the Fund in relation to the audit of the financial reports for the year ended 31 December 2021 is Deloitte Touche Tohmatsu (2020: Deloitte Touche Tohmatsu).

5. OTHER OPERATING EXPENSES

Office and administrative	1,069	1,860
Depreciation	467	476
Legal fees	364	295
Travel and entertainment	-	12
Total other operating expenses	**1,900**	**2,643**

6. INCOME TAX EXPENSE/(BENEFIT)

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

(a)	**INCOME TAX EXPENSE**		
	Current tax	-	40
	Deferred tax	148	(74)
	Income tax expense (benefit}	**148**	**(34)**
	(Loss)/Profit before Income tax	**33,705**	**(7,325)**
	Prima facie tax payable at 30% on profit before income tax	10,111	(2,197)
	Tax effect of:		
	Net (Expenditure)/lncome not subject to tax	10,131	2,231
	Deferred tax not recognised	168	-
		148	**(34)**
(b)	**DEFERRED TAX**		
		2021 K'000	**2020 K'000**
	Deferred tax assets	-	213
	Deferred tax liabilities	-	(65)
	Net deferred tax	**-**	**148**
(c)	**CURRENT TAX LIABILITIES**		
	Current tax (assets)/ liabilities	**218**	**(43)**

Accounting policy

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.

7. CASH AND CASH EQUIVALENTS

	2021 K'000	2020 K'000
Cash at bank	3,402	10,552
Total	**3,402**	**10,552**

Accounting policy

Cash and cash equivalents include balances held with banks and highly liquid financial assets with maturities of that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of its short-term commitments.

8. INTEREST BEARING DEPOSITS

	2021 K'000	2020 K'000
Other financial institutions	5,996	6,377
Total	**5,996**	**6,377**

The instruments have maturity dates of December 2022 and attract interest at a coupon rate of 5.1%.

Accounting policy

Bills of exchange with fixed or determinable payments and fixed maturity dates that the Fund holds within a business model whose objective is to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method less any impairment, with income recognised on an effective yield basis.

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

9. OTHER RECEIVABLES

	2021 K'000	2020 K'000
Dividend receivable	-	867
Prepayments	12	12
Acrued interest income	10	-
Other debtors	-	-
Related party receivables (Note 16)	13,378	11,945
Total	**13,400**	**12,824**

10. LOANS AND ADVANCES

TPBF did not provide any third-party loans during the period.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

		2021 K'000	2020 K'000
Unlisted securities[1]		572,954	536,157
Listed securities		789	773
	573,743	**536,930**	

Unlisted securities[1]	**Equity % K'000**	**2021 K'000**	**2020**
Amalpack Limited	30.0	8,047	8,231
BOC Gases (PNG) Limited	26.0	40,947	30,714
Kumul Hotels Limited	26.9	25,382	21,536
Markham Culverts Limited	25.0	10,503	9,171
Niu Marsh Limited	30.8	13,459	10,924
Origin Energy (PNG) Limited	33.3	12,630	13,807
SP Holdings Limited	0.1	1,007	1,264
Toyota Tsusho (PNG) Limited	24.1	241,052	208,728
Trukai Industries Limited	33.8	54,458	68,614
Nationwide Microbank Limited	13.6	-	-
Metals Refining Operations Limited	100.0	11,385	11,641
PBF Agro-Business Limited	100.0	48,691	49,503
PBF Power Limited	100.0	-	-
PBF Properties Limited	100.0	105,397	102,024
Total financial assets at fair value through profit and loss		**572,954**	**536,157**

Fair value estimation

Management engaged an independent party, KPMG to perform a valuation of the investment portfolio. The methodology used in the analysis was a combination of maintainable earnings, discounted cash flows of net dividend yields and net assets as appropriate. The independent valuation provided a range of values for the investments. Management reviewed and adopted values as they deemed appropriate.

Accounting policy

Debt instruments that meet the required conditions are measured subsequently at amortised costs or FVTOCI. By default, all other financial assets are measured subsequently at FVTPL.

The Fund has not made the irrevocable election at initial recognition of a financial asset to present subsequent changes in fair value of an equity investment in other comprehensive income.

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 16.

12. PLANT AND EQUIPMENT

2021	Plant & equipment	Furniture & Fittings	Motor Vehicles	Improvements at cost	Total
Cost					
At 1 January 2021	2,965	81	106	58	3,210
Additions	9	-	-	-	9
Disposal	-	-	-	-	-
At 31 December 2021	**2,974**	**81**	**106**	**58**	**3,219**
Accumulated depreciation					
At 1 January 2021	2,460	67	91	39	2,658
Depreciation	102	3	4	4	113
Disposal	-	-	-	-	-
At 31 December 2021	2,562	70	96	39	2,771
Net book value at 31 Dec. 2021	**412**	**11**	**10**	**15**	**448**

2020	Plant & equipment	Furniture & Fittings	Motor Vehicles	Improvements at cost	Total
Cost					
At 1 January 2020	2,928	81	106	58	3,173
Additions	37	-	-	-	37
Disposal	-	-	-	-	-
At 31 December 2020	**2,965**	**81**	**106**	**58**	**3,210**
Accumulated depreciation					
At 1 January 2020	2,334	64	85	34	2,517
Depreciation	126	3	6	5	141
Disposal	-	-	-	-	-
At 31 December 2020	**2,460**	**67**	**91**	**39**	**2,658**
Net book value at 31 Dec. 2020	**505**	**14**	**15**	**19**	**553**

Accounting policy

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs 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 is calculated using the reducing balance method over the estimated useful life, as follows:

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

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in the income statement in the year the asset is derecognised.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end.

Impairment

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in income or loss.

13. OTHER FINANCIAL LIABILITIES

	2021 K'000	2020 K'000
Cost		
Balance as at 1 January	2,047	1,732
Additions	330	315
Balance as at 31 December	**2,377**	**2,047**
Accumulated depreciation		
Balance as at 1 January	888	676
Charge for the year	232	212
Balance as at 31 December	**1,120**	**888**
Carrying amount		
Balance as at 1 January	**1,159**	**1,056**
Balance as at 1 January	**1,257**	**1,159**

Accounting policy

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated
amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives which varies from 5 to 10 years.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

14. OTHER FINANCIAL LIABILITIES

	2021 K'000	2020 K'000
Sundry creditors	145	98
Accrued accounting fees	1,036	630
Amounts due to Trustee (MTSL)a	531	240
Dividend received in advance	3,407	4,014
	5,119	**4,982**
[a]Due to MTSL summarized as:		
Management fees	74	85
Trustee fees	41	155
Performance fees (MTSL)	416	-
	531	**240**

Accounting policy

Other financial liabilities are initially measured at fair value. Other financial liabilities 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.

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.

Details of how the amounts due to MTSL are determined are disclosed in Note 16.

15. FINANCIAL INSTRUMENTS

	2021 K'000	2020 K'000
Opening balance	8,317	10,503
Payments made	(1,768)	(2,186)
Distribution declared	2,628	-
Closing balance	**9,177**	**8,317**

PBF declared K0.2 per unit distribution in November 2021 for the year ended 31 December 2018. The distribution of profits for the year ended 31 December 2019 to 2021 per unit was not yet declared by the directors.

16. 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.

	2021 K'000	2020 K'000
Financial assets		
Cash and cash equivalents	3,402	10,552
Interest bearing deposits	5,996	6,377
Receivables	13,400	12,824
Financial assets at fair value through profit and loss	573,743	536,930
Income tax receivable	413	218
	596,954	**566,901**
Financial liabilities		
Trade and other payables	5,119	4,982
Distribution payable	9,177	8,317
	14,296	**13,299**

Accounting policy

Financial assets and financial liabilities are recognised in the Fund's statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

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.

Financial assets

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.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Amortised cost and 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. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the " interest income" line item.

(iii) Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost (see (i) above) are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL, unless the Fund designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3(b).

(iv) Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(v) 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities

(i) 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.

(ii) 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.

(iii) 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 Risks

The Fund's activities expose it to a variety of financial risks: market risk (including price 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

Market risk

Price Risk

The Fund's listed and unlisted equities 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 in the industries and type of entities and a careful selection of securities and other financial instruments.

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

	2021		2020	
	Total Assets K'000	**Percentage of total assets %**	**Total Assets K'000**	**Percentage of total assets %**
Consumer and Industrial	418,867	73.0%	384,631	71.7%
Property	154,087	26.9%	151,526	28.2%
Financial services	789	0.1%	773	0.1%
Total	**573,743**	**100.0%**	**536,930**	**100.0%**

The table summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 31 December 2021. The analysis is based on the assumptions that the equity investment increased by 1% (2020: 1%) and decreased by 1% (2020: 1%). The impact below arises from reasonable possible change in the fair value of the listed equity investment.

	2021 K'000	**2020 K'000**
Effect on net assets of an increase in equity prices	5,737	5,369
Effect on net assets of a decrease in equity prices	**(5,737)**	**(5,369)**

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.

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.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the 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.

Financial liabilities maturity profile

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

31 December 2021

	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	-	-		5,119	-	-	5,119
Distributions payable	-	-	-	-	-	9,177	9,177
Total	**-**	**-**		**5,119**	**-**	**9,177**	**14,296**

31 December 2020

	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	-	-	4,982	-	-	-	4,982
Distributions payable	-	-	-	-	-	8,317	8,317
Total	**-**	**-**	**4,982**	**-**	**-**	**8,317**	**13,299**

Financial assets

The Fund is using a combination of the cashflows from the financial assets and the available bank facilities to manage the liquidity. The table below presents the cash inflows from financial assets:

31 December 2021	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	carrying amount
Cash and cash receivables	-	3,402	-	-	-	-	3,402
Interest bearing deposits	5.1%	-	-	5,996	-	-	5,996
Receivables	-	-	-	22	-	13,378	13,400
Investments in equity instruments	-	-	-	-	-	573,743	573,743
Income tax receivable	-	-	-	413	-	-	413
Total	**-**	**3,402**	**-**	**6,431**	**-**	**587,121**	**596,954**

31 December 2020	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	carrying amount
Cash and cash receivables	-	10,552	-	-	-	-	10,552
Interest bearing deposits	6%	-	-	6,377	-	-	6,377
Receivables	-	-	-	879	-	11,945	12,824
Investments in equity instruments	-	-	-	-	-	536,930	536,930
Loans	-	-	-	218	-	-	218
Income tax receivals							
Total	**-**	**10,552**	**-**	**7,473**		**548,876**	**566,901**

<u>*Interest rate risk management*</u>

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.

(b) Fair value measurement

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

	2020 K'000		2019 K'000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	3,402	3,402	10,552	10,552
Interest bearing deposits	5,996	5,996	6,377	6,377
Receivables	13,400	13,390	12,824	12,824
Financial assets at fair value through profit and loss	573,743	573,743	536,930	536,930
Financial assets - Loans	-	-	-	-
Income tax receivable	413	413	218	218
	596,954	**596,954**	**566,683**	**566,683**
Financial liabilities				
Trade and other payables	5,119	5,119	4,982	4,982
Distribution payable	9,177	9,177	8,317	8,317
	14,296	**14,296**	**13,299**	**13,299**

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.

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 2021, there were no transfers between levels of the fair value hierarchy.

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.

Fair value hierarchy

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).

31 December 2021

	Level 1 K	Level 2 K	Level 3 K	Level 4 K
Financial assets at FVTPL				
Listed equities	789	-		789
Unlisted equities	-	-	572,954	572,954
Total	**789**	**-**	**572,954**	**573,743**
Financial assets at FVTPL				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

MTSL
Trustee for PBF

31 December 2020

	Level 1 K	Level 2 K	Level 3 K	Level 4 K
Financial assets at FVTPL				
Listed equities	773	-	-	773
Unlisted equities	-	-	536,157	536,157
Total	**773**	**-**	**536,157**	**536,930**
Financial assets at FVTPL				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

Fair value hierarchy - Reconciliation of Level 3 fair value measurements of financial assets

31 December 2021

	Listed equities K'000	FVTPL Unlisted equities K'000	Total K'000
Opening balance	773	536,157	536,930
Total gains or losses:			
- in profit or loss	16	36,797	36,813
Purchases /increase in investment	-		
Disposals	-	-	-
Closing balance	**789**	**572,954**	**573,743**

31 December 2020

	Listed equities K'000	FVTPL Unliste equities K'000	Total K'000
Opening balance	759	545,529	546,288
Total gains or losses:			
- in profit or loss	14	(11,147)	11,132
Purchases /increase in investment	-	1,775	1,775
Disposals	-	-	-
Closing balance	**773**	**536,157**	**536,930**

17. RELATED PARTY TRANSACTIONS

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 2021 to 31 December 2021 was MTSL.

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% (2020: 1.00%) per annum of the aggregate of the Value of the Assets plus the commitments to purchase or acquire Assets;

(ii) (a) 7.50% (2020: 7.50%) 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.

Trustee's fees and other transactions

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

(i) 0.50% (2020: 0.50%) 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 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:

	2021 K'000	2020 K'000
Management fees	5,624	5,771
Trustee fees	3,093	3,174
Performance fees	416	-
Total expense for the year	**9,133**	**8,945**

The transactions during the year and amounts (receivable)/payable at year end between the Fund and the Trustee and Fund Manager were as follows:

	2021 K'000	2020 K'000
Management fees	74	85
Trustee fees	41	155
Performance fees	416	-
Total expense for the year	**531**	**240**

Loans due from related parties

	2021 K'000	2020 K'000
Pacific Balance Fund Properties Limited	2,089	1,792
Pacific Balance Fund Agro-Business Limited	6,096	4,965
MTSL	5,192	5,168
Total from related parties	**13,377**	**11,925**

The receivables due from the 100% owned subsidiaries were advanced at arm's length. The loans are interest free.

	2021 K'000	2020 K'000
Metals Refining Operations Limited	562	1,687
PBF Power	5	88
Total loans write-off on related party receivables	**567**	**1,775**

Key management personnel

(a) Directors

The following persons held office as directors during the 2021 year and or since the end of the 2021 year and up to the date of the signing of this report:

Representative members of the Trustee's Board during the year and/or to the signing of this report are as follows:

Current directors

John Sanday
Jerry Singirok
Peter Mase
Mark Sakai

(b) Management

The following persons held office as Chief Executive officer of Melanesian Trustee Services Limited during the 2021 year and or since the end of the 2021 year and up to the date of the signing of this report:

Lawrence Stephens
(CEO until February 2022)
(Co-CEO Administration, Compliance and Legal Affairs since March 2022)

Norbert Kneifel
(Co-CEO Investment, Finance, Mergers & Acquisitions since March 2022)

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

Key management 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 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.

18. NET ASSETS ATTRIBUTABLE TO UNIT-HOLDERS

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

Units are classified as equity when they satisfy the following criteria under IAS 32 "Financial instruments: Presentation":

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation

- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical

- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and

- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

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

	2021		2020	
	Units	K'000	Units	K'000
Balance as at 1 January	**13,173,292**	**555,452**	**13,236,825**	**565,520**
Applications	-	-	-	-
Redemptions	(46,935)	2,025	(63,533)	(2,777)
Distributions declared/(canceled) during the year	-	2,628	-	-
Profit/(loss) for the year	-	33,555	-	(7,291)
Adjustments made in current year	-	-	-	-
Closing balance at 31 December	**13,126,357**	**584,354**	**13,173,292**	**555,452**

As stipulated within the Fund's 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.

The distribution cancelled in the current year relates to prior year accumulated distributions declared. The Fund holds units to be redistributed, however, there is no distribution obligation in respect of these units as they are owned by the Fund.

Units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change subject applications and redemptions at the discretion of unitholders. Applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a case by case basis by MTSL. Under the terms of the Fund's Deed, the Fund Manager has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Fund settled all redemption requests during 2021.

19. RIGHT OF USE ASSET

	2020 K'000	2019 K'000
Cost		
Balance as at 1 January	368	-
Additions to right of use asset	-	368
Balance as at 31 December	**368**	**368**
Accumulated depreciation		
Balance as at 1 January	123	-
Charge for the year	123	123
Balance as at 31 December	**246**	**123**
Carrying amount		
Balance as at 1 January	245	-
Balance as at 1 January	**122**	**245**

Accounting policy

The Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Fund as a lessee

The Fund applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Fund recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use asset

The Fund recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any

remeasurement of lease liabilities. The cost of right-of- use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 12 Impairment of plant and equipment.

20. INTANGIBLE ASSETS

Amounts recognised in profit and loss:

Lease liabilities

	2021 K'000	2020 K'000
Interest on lease liabilities	14	23
Classification of lease liability		
Current	131	127
Non-current		
Year 1	-	128
Year 2	-	-
Year 3 and onwards	-	-
Lease liability	**131**	**255**

Accounting policy

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Fund exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Fund uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

21. DIRECTORS FEES

	2021 K'000	2020 K'000
Director's fees paid	1,231	1,207
Director's fees reimbursement	-	(20)
Net director's fees	**1,231**	**1,187**

Accounting policy

Fees are paid in respect of nominee directors on investee company boards and subsequently reimbursed from the respective companies up to the level of Board remuneration paid by the investee companies up to the level of Board remuneration paid by the investee companies.

22. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Events that have occurred since balance date which would impact on the financial position of the Fund disclosed in the balance sheet as at 31 December 2021or on the results and cash flow of the Fund for the year ended on that date.

(a) Legal matters before the courts

During 2020 to 2022, there were legal matters before the courts between MTSL and a third party, Alex Tongayu, about MTSL's appointment as Trustee of Fund. The authority of Mr. Tongayu has been successfully legally challenged by the Investment Promotion Authority and the officially appointed SECOM Chairman. A Court Order was issued on 15 August 2019 restraining Mr. Tongayu and the Securities Commission of PNG from removing the Company as Trustee and interim Fund Manager of the Pacific Balance Fund, pending the hearing and determination of the proceedings.

Largely as a result of legal proceedings mounted by Oil Search, it was established that Mr. Alex Tongayu had acted against MTSL without legitimate authority, taking actions which had been damaging to MTSL and had resulted in prolonged legal proceedings in defence of MTSL. As a result, the court challenges mounted by MTSL in its defence could be discontinued or settled out of court. Consequently, as of the date of signing the financial statements, there are no legal or regulatory restrictions imposed upon the Company that will prevent it from conducting the business as the trustee/interim manager of the Fund.

23. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

There are no contingent assets and liabilities or commitments as at 31 December 2021

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorized for issue by the Board of Directors on 24th October 2022.

Deloitte.

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Independent Auditor's Report to the Unitholders of Pacific Balanced Fund

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the Pacific Balanced Fund (the "Fund") which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report, gives a true and fair view of the Fund's financial position as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the *Securities Act 1997*, including complying with the requirements of the Trust Deed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Papua New Guinea, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

The directors of the Trustee (the "directors") are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Report of the Trustee and the Declaration by the Trustee for the year ended 31 December 2021 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Trustee are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards, the *Securities Act 1997* and the Trust Deed and for such internal control as the directors determine is necessary to enable the preparation of the financial report that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Securities Act 1997 and the requirements of the Trust Deed, in our opinion:

- We obtained all information and explanations that were required; and

- Proper accounting records have been kept by the Fund for the year ended 31 December 2021.

We have no interest in the Fund or any other relationship, other than that of the auditor of the Fund.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Registered under the Accountants Act 1996
Partner

Port Moresby, 22 November 2022

PACIFIC BALANCED FUND

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