

KINA SECURITIES LIMITED

# ANNUAL REPORT 2000



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

**KINA SECURITIES LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2000**

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## Corporate Profile

Kina Securities Limited (KSL) is the longest establishment stockbroker in Papua New Guinea; Since 1985, KSL has expanded to become one of the country's largest fund managers and superannuation administrators.

KSL is a Papua New Guinea registered public company, located in the capital, Port Moresby. It was formed in late 1985 as a financial institution with the specific aim of providing a much wider and more comprehensive range of services than available elsewhere in Papua New Guinea.

KSL's primary objectives are to enhance and develop the capital markets structure in Papua New Guinea and provide a professional outlet for Investment Management, Superannuation Fund Management and Fund Administration.

KSL is licensed by the Bank of Papua New Guinea as a financial institution under the Banks and Financial Institutions Act.

Kina Finance Limited is licensed by the Bank Of Papua New Guinea, under the Banks and Financial Institutions Act and is a wholly owned subsidiary of Kina Securities Limited (KSL).

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Following the introduction of the new Superannuation Act, it is a requirement that Trustee work, Fund Administration and Investment Management be licensed by the Bank of Papua New Guinea. KSL established its own Fund Administration structure in 1987 through its fully owned subsidiary Kina Investment and Superannuation Services Limited.

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**Our Services & Clients**

KSL offers a wide range of services dedicated to providing its clients with quality advice. These services are provided by a team of professional staff who are proactive to their clients needs, in order to deliver an efficient and effective service and benefit with emphasis on professional integrity. The KSL services can broadly be broken into the following main categories.

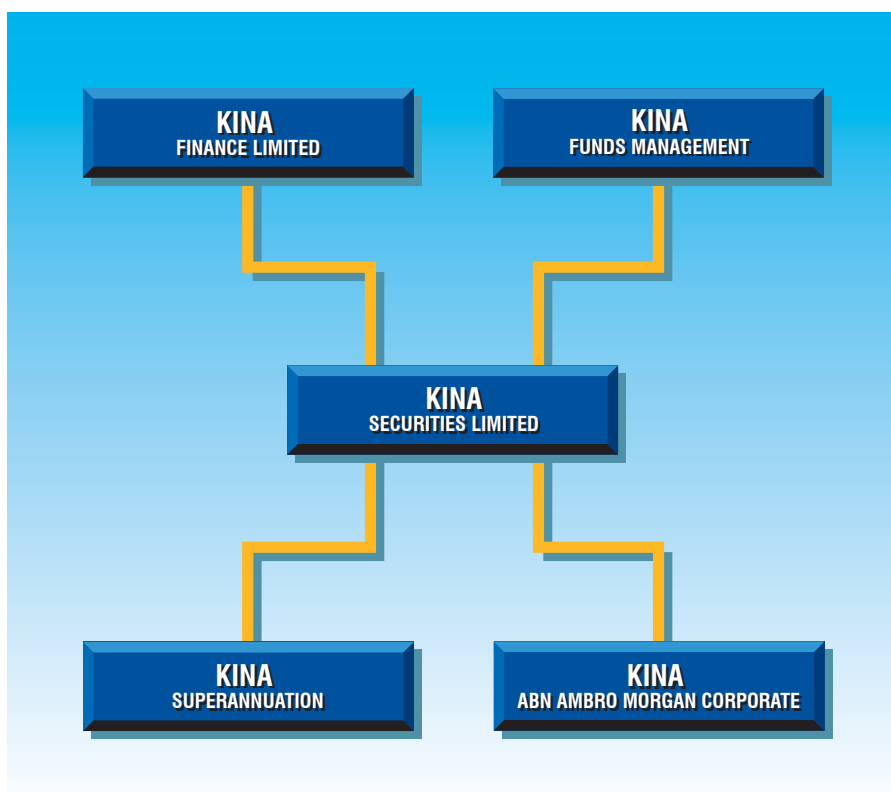
**(a) Stockbroking**

KSL has played a major role in educating and encouraging predominantly Papua New Guinean clients to buy and sell shares of Mining and Petroleum stocks in recent years. In the past we assisted with share floats for companies such as Credit Corporation Ltd, NGIP, Universal Trading Ltd, Oil Search Ltd, Highlands Pacific Ltd, Placer Pacific Ltd, Lihir Gold Ltd and Orogen Minerals. KSL is a foundation member of the Port Moresby Stock Exchange (POMSOX).

**The Kina Group's Milestones.**

**TAKING UP THE OPPORTUNITIES OF HISTORY.**

<b>1 9 8 5</b>
The Kina Story begins....
<b>1 9 8 6</b>
A staff of 5 are employed.
<b>1 9 8 8</b>
The business name of 'Kina Securities' was registered, chosen because it reflected the security of investing Kina with the company.
<b>1 9 9 0</b>
Kina Securities were one of the Brokers for the Oil Search Limited share float.
<b>1 9 9 2</b>
A move to a larger premises in Konedobu to cater for our expanding business.
<b>1 9 9 5</b>
Kina Securities were one of the Brokers for the Lihir Gold Limited share float.
<b>1 9 9 6</b>
Kina Securities were one of the Brokers for the Orogen Minerals share float.
<b>1 9 9 7</b>
Installation of a new computer system incorporating the latest in technology and software. Kina established PNG's first financial services Internet Web Site
<b>1 9 9 8</b>
Launching of Kina Finance Limited
<b>1 9 9 9</b>
Kina becomes a foundation member of the Port Moresby Stock Exchange (POMSoX). Kina Securities were one of the Brokers to the float of New Britain Palm Oil Limited
<b>2 0 0 0</b>
Integration of all operations at Deloitte's Tower. Launching of Kina Funds Management Limited. Kina Finance Limited launches Esi Loan Product.
<b>2 0 0 1</b>
Kina Nominees Limited becomes a licenced trustee.



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**(b) Fund Administration and Investment Management.**

KSL manages investment funds for a number of expatriate and national citizens, superannuation funds and private investment clients. KSL has an in-depth understanding of the investment climate both within PNG as well as in the Asia Pacific region generally.

Through its various associations with international stockbrokers it is able to call upon a vast database of knowledge on various stock investments, and managers with expertise ranging from corporate advisory, government consultancy, sharebroking and project development through to investment management and advisor services.

Amongst other clients, KSL provides Investment Management and Fund Administration services to clients such as the Public Employees Association Superannuation Fund, the Communication Employees Superannuation Fund and the Correctional Employees Superannuation Fund. The total funds under management is approximately K 120 million representing about 10,000 members. One of our major clients is the Papua New Guinea Defence Force Retirement Benefit Fund - delivering a secure future for nearly 6,000 members.



**SYD YATES MBE  
GROUP GENERAL MANAGER**



On the fund management side Kina Funds Management will be shortly offering new investment products which will enable both domestic and international investors to invest in diversified products at their chosen level of risk. This will be the first for Papua New Guinea.

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**(d) Insurance**

KSL has been approved by the insurance Commission of Papua New Guinea to offer Life Assurance Products. Evaluation is currently underway to launch this component of our business in the near future.

**(e) Corporate Advice**

Through its joint venture with ABN-AMRO Morgans in Australia, KSL is able to enhance its service of providing corporate advice to companies on listing, capital raising, valuations etc. It is in a position which will significantly benefit from Privatisation in Papua New Guinea.

**(f) Kina Nominees Limited**

Provides nominee service and is licenced by the Securities Commission of Papua New Guinea to provide Trustee Services under section of the Securities act



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**Future Prospects**

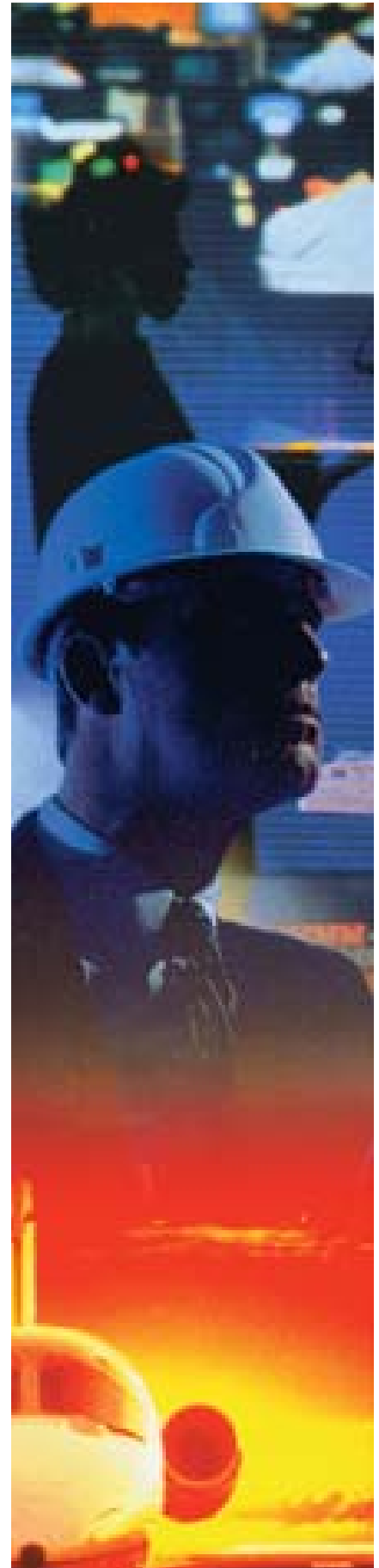
The Kina Group is in a unique position to become one of the largest financial services groups in Papua New Guinea. We can offer Stockbroking, Corporate Advice, Life Assurance, Fund Management, Superannuation Administration Advice, Financing Contracts and Money Market facilities.

**Internet Web Site**

In 1997 KSL established PNG's first financial services Internet web site. Through this site our clients are able to gain up to the minute financial information from around the world. Daily share prices are displayed together with specific company news releases.

**A PNG company for the people of PNG**

KSL has been operating within Papua New Guinea for over 15 years and the company offers an unparalleled commitment to serving the requirements of all its PNG clients no matter how large or small. The organization and management is firmly based in the country and the company has developed a growing team of dedicated professionals to serve the requirements of our clients. Kina Securities has a strong commitment to educating, training & providing hands-on exposure to their Papua New Guinea staff.



**KINA SECURITIES LIMITED  
ANNUAL REPORT AND DIRECTORS STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2000**

The Directors have pleasure in submitting the annual report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2000.

**Principal Activities**

The principal continuing activities of the Group during the year was the provision of share brokerage, fund administration, investment management services, leasing products, personal loans and money market operations.

**Financial Statements**

The financial statements attached to this report form part of and should be read in conjunction with this report. The Directors consider there are no unusual matters or other matters that warrant their comments (other than those disclosed in this report) and the Company's and the Groups financial position and results from operations are properly reflected in these statements.

**Auditor's Report**

The financial statements have been audited and should be read in conjunction with the auditor's report on page 4.

**Directors and Secretary**

The names of the directors of the company in office during the accounting period are:

- W. K Golding
- S. K. Tiong
- J. Lau
- T. K Lee (alternate director to I. K Tiong)
- Y. A Hii
- R. Kaul
- J. Lee (alternate director to H. T Boon)
- S. G Yates (also Company Secretary)

**Directors' Remuneration and Other Benefits**

During the year the following remuneration and other benefits were provided to directors:

	K
W. K Golding	
S. K. Tiong	NIL
J. Lau	NIL
T. K Lee (alternate director)	NIL
Y. A Hii	NIL
R. Kaul	6,000
J. Lee (alternate director)	NIL
S. G Yates (also Company Secretary)	190,000
	196,000

**Remuneration of Employees**

During the year, the number of employees or former employees (not being directors of the company), who received remuneration in excess of K100,000 per annum from the company stated in bands of K10,000 are as follows:

	2000	1999
K100,000 - 109,000	1	1

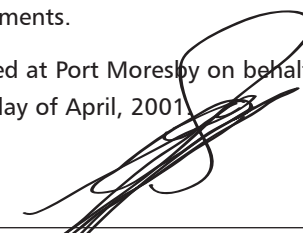
**Donation**

During the year the company made donations totaling K5025. (1999: K320)

**Auditor's Fees**

Fees paid to the auditor for professional services rendered during the year are disclosed in note 2 to the financial statements.

Signed at Port Moresby on behalf of the board on the 7th day of April, 2001

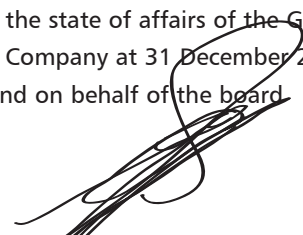
\_\_\_\_\_  
Director 

\_\_\_\_\_  
Director 

In accordance with a resolution of the directors of Kina Securities Limited, in the opinion of directors, the financial statement of the Group and of the Company are drawn up so as to give a true and fair view of: -

- (a) the results, changes in equity and cash flows of the Group and of the Company for the year ended 31 December 2000; and
- (b) the state of affairs of the Group and of the Company at 31 December 2000.

For and on behalf of the board

\_\_\_\_\_  
Director 

\_\_\_\_\_  
Director 

Port Moresby 7th April, 2001

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF KINA SECURITIES LIMITED AND  
ITS SUBSIDIARIES**

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**Deloitte  
Touche  
Tohmatsu**

### Scope

We have audited the consolidated financial statements of Kina Securities Limited and its subsidiaries for the financial year ended 31 December 2000, as set out on pages 7 to 21. The financial report includes the financial statements of Kina Securities Limited, and the group financial statements of the economic entity comprising Kina Securities Limited and the entities it controlled at year's end or from time to time during the financial year. The Company's directors are responsible for the financial statements. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with generally accepted accounting practice (which requires, amongst other things, compliance with International Accounting Standards and Statements of Accounting Standards of the PNG Institute of Accountants), and other statutory requirements, so as to present a view which is consistent with our understanding of the financial position, changes in equity, results of its operations and cash-flows. We believe that our audit provides a reasonable basis for our opinion.

During the course of our audit we have obtained all information and explanations that were required.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

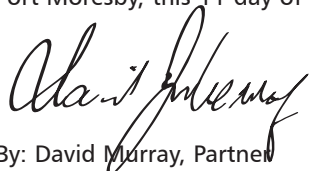
In our opinion:

- (a) the financial statements and the group financial statements of Kina Securities Limited and its subsidiaries are drawn up as required by the Companies Act 1997 so as to give a true and fair view of the Company's affairs as at 31 December 2000, and of the results of its operations, changes in equity and cash-flows for the year then ended in accordance with generally accepted accounting practice; and
- (b) proper accounting records have been kept by the Company.

### Other Information

In addition to providing auditing services, we also provide Kina Securities Limited and the economic entity other financial advice.

Port Moresby, this 11 day of April 2001



By: David Murray, Partner  
Registered under the Accountants Act 1996



DELOITTE TOUCHE TOHMATSU

**KINA SECURITIES LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	CONSOLIDATED		HOLDING COMPANY	
		2000 K	1999 K	2000 K	1999 K
Operating Income		6,888,288	8,505,320	228,642	438,567
Depreciation & amortisation		(180,606)	(135,860)	(82,574)	(60,869)
Staff cost		(950,797)	(753,704)	(693,579)	(580,904)
Other operating expenses		(1,256,895)	(1,563,191)	(668,654)	(855,831)
<b>Profit / (Loss) from operating activities</b>		<b>4,499,990</b>	<b>6,052,565</b>	<b>(1,216,165)</b>	<b>(1,059,037)</b>
Finance cost		(3,932,910)	(5,615,921)	(526)	(174)
Income from subsidiaries		-	-	1,173,245	1,152,014
<b>Profit / (Loss) before taxation</b>	3(a)	<b>567,080</b>	<b>436,644</b>	<b>(43,446)</b>	<b>92,803</b>
Tax expense	3(a)	(166,723)	(136,214)	(9,439)	(29,672)
<b>Profit / (Loss) after tax</b>		<b>400,357</b>	<b>300,430</b>	<b>(52,885)</b>	<b>63,131</b>

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

**KINA SECURITIES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2000**

	Notes	CONSOLIDATED		HOLDING COMPANY	
		2000 K	1999 K	2000 K	1999 K
<b>NON CURRENT ASSETS</b>					
Fixed assets	4	739,953	402,686	371,610	175,539
Formation Expenses	5	91,347	110,687	56,250	81,250
Investments	9	498,758	280,502	1,998,766	1,280,510
Future income tax benefit	3(b)	73,242	49,219	9,613	-
Receivables	6	1,618,354	1,350,985	-	-
		3,021,654	2,194,079	2,436,239	1,537,299
<b>CURRENT ASSETS</b>					
Cash at bank and on hand	18	414,594	118,373	46,303	50,731
Receivables	6	6,374,233	5,031,413	825	9,553
Deposits receivable	7	9,265,596	25,196,264	31,484	591,060
Investments	9	8,661,848	6,703,623	-	-
Due from related parties	10	-	43,956	34,681	130,663
Other debtors and prepayments		138,928	61,940	58,510	43,589
		24,855,199	37,155,569	171,803	825,596
<b>CURRENT LIABILITIES</b>					
Creditors and accruals		14,483,190	14,030,578	500,573	246,459
Lease Creditor		-	2,766	-	2,766
Security deposits		367,863	138,007	-	-
Deposits payable	8	10,053,660	22,625,658	-	-
Due to related parties	10	-	-	74,208	-
Deferred tax liability	3(c)	17,201	5,056	-	5,056
Employee provisions		41,767	16,404	33,548	10,306
Provision for income tax	3(d)	156,974	204,057	2,970	48,681
		25,120,655	37,022,526	611,299	313,268
<b>NET CURRENT ASSETS</b>		(265,456)	133,043	(439,496)	512,328
<b>NON CURRENT LIABILITIES</b>					
Security deposits		82,578	53,859	-	-
Shareholders loan		-	1,500,000	-	1,500,000
		82,578	1,553,859	-	1,500,000
<b>NET ASSETS</b>		2,673,620	773,263	1,996,743	549,628
<b>CAPITAL AND RESERVES</b>					
Share capital	11	2,000,000	500,000	2,000,000	500,000
Capital reserves		49,050	49,050	49,050	49,050
Retained profits/(accumulated losses)		624,570	224,213	(52,307)	578
		2,673,620	773,263	1,996,743	549,628

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

**KINA SECURITIES LIMITED**  
**STATEMENT OF CHANGE IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

	<b>CONSOLIDATED</b>			
	Share Capital	Capital Reserve	Retained Profits /(Accumulated Losses)	Total
Balance as at 31 December 1998	500,000	49,050	(76,217)	472,833
Changes in accounting policy	-	-	-	-
Restated Balance	500,000	49,050	(76,217)	472,833
Surplus on revaluation of properties	-	-	-	-
Deficit on revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-
Net profit for the period	-	-	300,430	300,430
Dividends	-	-	-	-
Issue of share capital	-	-	-	-
Balance at 31 December 1999	500,000	49,050	224,213	773,263
Deficit on revaluation of properties	-	-	-	-
Surplus on revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-
Net profit for the period	-	-	400,357	400,357
Dividends	-	-	-	-
Issue of Share Capital	1,500,000	-	-	1,500,000
Balance at 31 December 2000	2,000,000	49,050	624,570	2,673,620

	<b>HOLDING COMPANY</b>			
	Share Capital	Capital Reserve	Retained Profits /(Accumulated Losses)	Total
Balance as at 31 December 1998	500,000	49,050	(62,553)	486,497
Changes in accounting policy	-	-	-	-
Restated Balance	500,000	49,050	(62,553)	486,497
Surplus on revaluation of properties	-	-	-	-
Deficit on revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-
Net profit for the period	-	-	63,131	63,131
Dividends	-	-	-	-
Issue of share capital	-	-	-	-
Balance at 31 December 1999	500,000	49,050	578	549,628
Deficit on revaluation of properties	-	-	-	-
Surplus on revaluation of investments	-	-	-	-
Currency translation differences	-	-	-	-
Net gains and losses not recognised in the income statement	-	-	-	-
Net profit for the period	-	-	(52,885)	(52,885)
Dividends	-	-	-	-
Issue of Share Capital	1,500,000	-	-	1,500,000
Balance at 31 December 2000	2,000,000	49,050	(52,307)	1,996,743

The accompanying notes on page 11 to 21 are an integral part of the financial statement

**KINA SECURITIES LIMITED  
STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	CONSOLIDATED		HOLDING COMPANY	
		2000 K	1999 K	2000 K	1999 K
<b>Cash flow from operating activities</b>					
Operating profit after income tax		400,357	300,430	(52,885)	63,131
Depreciation		140,388	101,892	57,574	42,119
Amortisation		40,218	33,968	25,000	18,750
Unrealised losses on share		41,450	26,110	41,450	26,110
Changes in working capital					
Receivable		14,435,650	(13,334,373)	524,752	(405,516)
Payables		(14,099,249)	13,043,470	305,852	5,666
<b>Net cash flow from operating activities</b>		<b>958,814</b>	<b>171,497</b>	<b>901,743</b>	<b>(249,740)</b>
<b>Cashflows from investing activities:</b>					
Payment for fixed assets		(483,969)	(136,607)	(254,383)	(72,485)
Payment for formation expenses		-	(100,000)	-	(100,000)
Proceeds from the sale of fixed assets		10,654	-	3,193	-
Deposit in POMSOX pending allotment shares		(70,000)	-	(70,000)	-
Investment in POMSOX		(35,000)	(50,000)	(35,000)	(50,000)
Fidelity Fund		(5,000)	-	(5,000)	-
Purchase of shares		(42,211)	-	(42,211)	-
Investing in subsidiaries		-	(7,510)	(500,004)	(7,510)
Fund received from third parties		13,544,750	12,820,791	-	-
Fund invested on behalf of third parties		(13,579,050)	(12,892,322)	-	-
<b>Net cash (outflow from)/ provided by investing activities</b>		<b>(659,827)</b>	<b>(365,648)</b>	<b>(903,405)</b>	<b>(229,995)</b>
<b>Cashflow from financing activities:</b>					
Lease payment		(2,766)	(10,722)	(2,766)	(10,722)
Repayment of security deposit		-	-	-	-
Share capital issue proceeds		-	-	-	-
Shareholders' loan receipts		-	530,000	-	530,000
<b>Net cash (outflow from)/ provided by financing activities</b>		<b>(2,766)</b>	<b>519,278</b>	<b>(2,766)</b>	<b>519,278</b>
Net increase/(decrease) in cash held		296,217	325,127	(4,432)	39,543
Cash at beginning of year	18	118,373	(206,754)	50,731	11,188
<b>Cash at end of year</b>	<b>18</b>	<b>414,594</b>	<b>118,373</b>	<b>46,303</b>	<b>50,731</b>

The accompanying notes on pages 11 to 21 are an integral part of the financial statements.

**KINA SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are a general purpose financial statements that has been prepared in accordance with the Papua New Guinea Companies Act, 1997 and applicable International Accounting Standards

The accounting policies have been consistently applied, unless otherwise stated.

The following is the summary of the material accounting policies adopted by the group in preparation of the financial statements.

**(a) Basis of Accounting**

The financial statements are prepared in accordance with the historical cost convention and except where indicated, do not take into account changing money values or current valuation of non- current assets.

**(b) Income recognition**

Revenue is brought to account on the basis of the rule of 78 on lease rental receivable and on the straight-line basis for interest earned on lease residual amounts. Interest income on loans, deposits, insurance premium funding and all other income are brought to account as when it is earned by the Group.

**(c) Fixed assets and depreciation**

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is applied on the basis of diminishing values to write-off the cost of these assets over their estimated useful lives. The principal annual rates in use are:-

Motor Vehicles	30.00%
Office equipment	15.00%
Fixture and fittings	11.25%
Computer consumable goods	30.00%
Renovation	10.00%
Websites internet	30.00%
Realtime software	30.00%

**(d) Formation costs**

Expenses incurred during the establishment of the Company and its subsidiaries up to the date of commencement of commercial operations have been capitalised in each company. These costs are amortised over a period of four years from the date of commencement of commercial operations.

**(e) Employee entitlement**

Provision is made for long service leave and annual leave, estimated to be payable to employees on the basis of statutory and contractual requirements. Vested entitlements are classified as current liabilities.

**KINA SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(f) Income Tax**

Tax effect accounting procedures are followed, whereby the income tax expense in the income statement is matched with the accounting profit and loss after allowing for permanent differences. Any resultant future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as virtually certain of realisation. Income tax on net cumulative timing differences is set aside to deferred income tax or future tax benefit accounts at current rates.

**(g) Foreign currency**

Transactions in foreign currency are converted into Papua New Guinea currency at rates ruling on the dates of the relevant transactions. At balance date, amounts payable to and by the Group in foreign currencies are translated into Papua New Guinea currency at the rates of exchange ruling at that date. Exchange differences are included in the income statement in the year in which they arise.

**(h) Provisions**

Provision has been made for all debts considered doubtful at the year end. The amount of the provision for doubtful debts is what the directors consider is required in respect to both specific and general provisions.

**(i) Investments**

Investments in other entities are carried at the lower of cost or net recoverable amount, except where stated.

**(j) Principles of consolidation**

The Group financial statement include as subsidiaries all those companies which the holding company controls at year-end or has controlled from time to time during the financial year. All intercompany balances and unrealised profits resulting from intra Group transactions have been eliminated.

The Group's interest in companies in which the company holds less than 20% of the shareholding are reported in the Group accounts as investments, and dividend income where applicable is recognised in the income statement when received.

The Group's interest in companies in which the shareholding is more than 20% and less than 51% is reported in the Group financial statements as investments in Associated companies under the equity method of accounting.

**KINA SECURITIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

**2. OPERATING PROFIT/ (LOSS) BEFORE INCOME TAX**

The operating profit/ (loss) before income tax is arrived at after the following items:-

	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
<b>Credits:</b>				
Fees	98,357	73,602	-	-
Interest received	26,528	99,776	6,353	46,704
Lease Interest	315,550	366,409	-	-
Equipment rental from subsidiary company	-	-	100,000	50,000
Management fee from subsidiary company	-	-	-	35,000
Other	40,336	26,177	-	-
Recharges to subsidiary (refer note 10)	-	-	1,073,245	1,067,014

**Charges:**

Amortisation	40,218	33,968	25,000	18,750
Auditors' remuneration for audit fees				
Current year	27,000	36,038	19,000	15,672
Prior Year	18,488	-	-	-
Other Services	19,526	-	8,746	-
Depreciation of fixed assets	140,388	101,892	57,574	42,119
Professional fees for other services	58,694	72,580	48,020	35,575
Provision for doubtful debts	159,176	208,796	3,875	59,529

**3. INCOME TAX**

(a) The prima facie income tax charge on the operating profit is reconciled to the income tax expenses as follows:

Operating profit	567,080	436,644	(43,443)	92,803
Prima facie income tax charge at 25% on the operating profit	141,770	109,161	(10,861)	23,201
Tax effect adjustments of:-				
Permanent differences	15,405	9,852	10,753	6,471
Prior year under provision	9,547	17,201	9,547	-
	166,722	136,214	9,439	29,672

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**3. INCOME TAX (Cont.)**

	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
<b>(b) Future Income Tax Benefit (FITB) comprises of:</b>				
Accrual	26,586	1,800	21,186	-
Difference in accounting and tax depreciation	541	-	-	-
Prepayment	(1,587)	(1,429)	-	-
Lease interest expenses	27	-	27	-
Lease payment made	(2,766)	-	(2,766)	-
Tax gain on assets disposal	1,651	-	1,651	-
Unrealised loss on shares	15,340	-	15,340	-
Capitalised software	15,506	(25,709)	-	-
Depreciation on capitalised software	6,600	6,379	-	-
Provision for doubtful debts	108,514	136,072	-	-
Provision for employee annual leave	25,362	1,296	23,241	-
Tax losses carried forward	-	(66,320)	-	-
	<b>195,774</b>	<b>52,089</b>	<b>58,679</b>	<b>-</b>
FITB at 25% on current year movements	48,945	13,023	14,670	-
Previous year balance	49,219	36,196	-	-
Adjustment for deferred tax liability	(24,920)	-	(5,056)	-
This year balance	<b>73,242</b>	<b>49,219</b>	<b>9,613</b>	<b>-</b>

The benefits will only be obtained if:

- (I) The Group derives further assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (II) The Group continues to comply with the conditions for deductibility imposed by the law; and
- (III) No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

**(c) Deferred tax liability comprises of:**

Excess of accounting depreciation over tax depreciation	-	-	-	-
Accrual	-	(9,112)	-	(9,112)
Lease interest expense	-	(1,659)	-	(1,659)
Lease payment made	-	12,381	-	12,381
Provision for doubtful debts	148,261	2,102	-	2,102
Provision for employee annual leave	-	(2,156)	-	(2,156)
Unrealised gain on shares @ 31/12/99	-	(26,110)	-	(26,110)
	<b>148,261</b>	<b>(24,554)</b>	<b>-</b>	<b>(24,554)</b>
Deferred tax liability at 25%	37,065	(6,139)	-	(6,139)
Previous year balance	-	11,195	-	11,195
Adjustment for FITB	(19,864)	-	-	-
This year balance	<b>17,201</b>	<b>5,056</b>	<b>-</b>	<b>5,056</b>

**(d) Provision for income tax is derived as follows:**

Opening balance	204,057	66,235	48,681	47,006
Paid during the year	(225,682)	(17,554)	(69,819)	(34,136)
	<b>(21,625)</b>	<b>48,681</b>	<b>(21,138)</b>	<b>12,870</b>
Income tax expense	166,723	136,214	9,439	29,672
Net timing differences	11,878	19,162	14,669	6,139
Current year tax provision	<b>156,974</b>	<b>204,057</b>	<b>2,970</b>	<b>48,681</b>

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**4.(a) FIXED ASSETS - CONSOLIDATED**

	Motor Vehicle K	Furniture & Fitting K	Computer Office Equipment K	Consumable Goods K
<b>Cost</b>				
At 31 December 1999	70,946	71,397	89,676	171,249
Additions	-	70,228	72,077	43,065
Disposals	-	(7,684)	(2,736)	(234)
At 31 December 2000	70,946	133,941	159,017	214,080

**Depreciation**

At 31 December 1999	40,747	20,447	20,707	67,079
Charge for the year	11,669	10,157	16,725	44,944
Disposals	-	(1,925)	(1,244)	(128)
At 31 December 2000	52,416	28,679	36,188	111,895

**Book value**

At 31 December 2000	18,530	105,262	122,829	102,185
At 31 December 1999	30,199	50,950	68,969	104,170

	Renovation K	Websites Internet K	Realtime Software K	TOTAL K
<b>Cost</b>				
At 31 December 1999	75,530	10,622	108,272	597,692
Additions	312,292	-	6,465	504,127
Disposals	-	-	-	(10,654)
At 31 December 2000	387,822	10,622	114,737	1,091,165

**Depreciation**

At 31 December 1999	14,663	5,808	44,695	214,146
Charge for the year	25,701	1,444	29,723	140,363
Disposals	-	-	-	(3,297)
At 31 December 2000	40,364	7,252	74,418	351,212

**Book value**

At 31 December 2000	347,458	3,370	40,319	739,953
At 31 December 1999	80,007	4,814	63,577	402,686

Prior year book value of Renovation includes work in progress amounting to K19,140

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**4.(b) FIXED ASSETS - HOLDING COMPANY**

	Motor Vehicle K	Furniture & Fitting K	Office Equipment K	Computer Consumable Goods K
<b>Cost</b>				
At 31 December 1999	56,446	22,506	39,706	114,229
Additions	-	56,372	46,088	25,478
Disposals	-	(189)	(2,736)	(234)
At 31 December 2000	56,446	78,689	83,057	139,473
<b>Depreciation</b>				
At 31 December 1999	32,047	10,344	10,137	43,754
Charge for the year	7,319	4,372	7,228	24,857
Disposals	-	(36)	(1,244)	(128)
At 31 December 2000	39,366	14,680	16,120	68,483
<b>Book value</b>				
At 31 December 2000	17,080	64,010	66,937	70,990
At 31 December 1999	24,399	12,162	29,569	70,476

	Renovation K	Websites Internet K	Realtime Software K	TOTAL K
<b>Cost</b>				
At 31 December 1999	24,490	10,622	21,699	289,698
Additions	125,402	-	2,055	255,396
Disposals	-	-	-	(3,159)
At 31 December 2000	149,892	10,622	23,754	541,934
<b>Depreciation</b>				
At 31 December 1999	920	5,808	11,149	114,159
Charge for the year	9,137	1,444	3,216	57,574
Disposals	-	-	-	(1,408)
Transfer	-	-	-	-
At 31 December 2000	10,057	7,252	14,365	170,324
<b>Book value</b>				
At 31 December 2000	139,835	3,370	9,389	371,610
At 31 December 1999	23,570	4,814	10,550	175,539

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	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
<b>5. FORMATION EXPENSE</b>				
Cost	157,673	57,673	100,000	-
Additions	20,878	100,000	-	100,000
Accumulated Amortisation	(87,204)	(46,986)	(43,750)	(18,750)
	91,347	110,687	56,250	81,250

**6. RECEIVABLES**

<b>Current</b>				
Debtors	26,079	590,097	26,075	34,803
Lease receivables	1,165,769	2,256,301	-	-
Loan receivables	5,307,472	3,007,725	-	-
Insurance premium funding receivables	288,891	249,520	-	-
Provision for bad and doubtful debts	160,941	(337,684)	(25,250)	(25,250)
Unearned interest	(474,644)	(530,443)	-	-
VAT on lease	(100,275)	(204,103)	-	-
	6,374,233	5,031,413	825	9,553
<b>Non Current</b>				
Loan receivables	1,618,354	1,350,985	-	-

**7. DEPOSITS RECEIVABLE**

Fixed term deposits	-	3,664,130	31,330	322,708
On call	-	1,046,391	-	20,070
Treasury bills	9,221,373	19,943,138	-	238,379
Accrued interest	44,223	542,605	154	9,903
	9,265,596	25,196,264	31,484	591,060

**8. DEPOSITS PAYABLE**

Call money deposits	599,681	1,505,160	-	-
Other deposits payable	9,453,979	21,120,498	-	-
	10,053,660	22,625,658	-	-

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	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
<b>9. INVESTMENTS</b>				
Investments of the company comprise :				
<b>Non Current</b>				
Unquoted shares - at cost	6,367	4	6,367	4
Shares in Associates - at cost	2	2	2	2
Shares in Subsidiaries - at cost	-	-	1,500,008	1,000,008
Quoted shares	108,839	99,096	108,839	99,096
Capital investment in POMSOX	185,000	150,000	185,000	150,000
Deposit at POMSOX pending issuing of shares(refer (e))	120,000	-	120,000	-
Deposit at POMSOX for fidelity fund	120,000	-	120,000	-
Loan to POMSOX	-	50,000	-	50,000
Capital expenditure for Kina Fund Limited	-	4,732	-	4,732
Capital expenditure for Kina Morgan Limited	-	2,778	-	2,778
Diminuation in value of quoted shares	(41,450)	(26,110)	(41,450)	(26,110)
	498,758	280,502	1,998,766	1,280,510
<b>Current</b>				
Unquoted share on trust (refer (f))	4,498,366	4,613,169	-	-
Quoted shares on trust (refer (f))	2,232,986	2,939,238	-	-
Diminuation in value of quoted shares	-	(900,000)	-	-
Term deposits on trust (refer (f))	1,930,496	51,216	-	-
	8,661,848	6,703,623	-	-

(a) The subsidiaries of the company are as follows :

	Share Capital	% ownership	
	K	2000	1999
Kina Nominees Limited	2	100%	100%
Kina Investment and Superannuation Services Limited	2	100%	100%
Kina Finance Limited (refer to (g))	1,500,000	100%	100%
Kina Fund Management Limited	2	100%	0%
Kina Morgan Corporate Limited	2	55%	0%

(b) All subsidiaries of the company are incorporated in Papua New Guinea. The results of operations of Kina Investment and Superannuation Services, Kina Finance Limited, Kina Nominee Limited, Kina Fund Management Limited and Kina Morgan Corporate Limited have been consolidated in holding company financial statements. The other subsidiaries Kwadi No.49 Limited and A.I.M Pacific Life Limited are dormant since incorporation.

(c) Associated companies :

Kina Global Funds Management Limited is an associated company of Kina Securities Limited. The company has been dormant since incorporation.

(d) In accordance with the Board's policy, the quoted shares listed on the Australian Stock Market are to be valued once every three years. Last valuation was performed at 31 December 1997. The market value of the quoted shares as at 31 December 2000 is K67,389.

(e) K50,000 and K70,000 deposit at POMSOX is for the ordinary and preference shares of which at balance date still pending for the issuing of share certificates.

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**9. INVESTMENT (Cont.)**

- (f) These investments represent monies invested during the year by the subsidiary, Kina Nominees Limited held on trust on behalf of superannuation funds, underaged beneficiaries and other third parties.
- (g) K500,000 investment to Kina Finance are still pending for the issuing of shares.
- (h) At balance date, Kina Nominees Limited holds shares and recorded in this account valued at K30,873 (1999 - Nil) on trust for the company.
- (i) At balance date, the Company holds 2100 shares in Post Courier, 3 shares in Plantation Management Services Limited and 1 share in Walmetke Limited valued at a total of K6,367.

**10. RELATED PARTY DISCLOSURE**

The following are transactions with related parties during the financial year : -

- (a) The company has intercompany account transactions with the subsidiary companies which is interest free and has no fixed term of repayment. These transactions include recharges to its subsidiary company amounting to K1,073,245. (1999 - 1,067,014)
- (b) The company has provided office equipment, computers and software to its subsidiary company during the year. The total rental charged was K100,000 ( 1999 : K50,000 ). This has increased from 1999 because of the higher cost incurred by holding company in moving to the new premises.
- (c) The company has maintained interest bearing deposits with its subsidiary company during the year. The total value of the deposits amounting to K31,484 at balance date was placed at prevailing market rates of interest.

	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
(d) Due from related parties				
- Advance to managing director	-	43,956	-	43,956
- Kina Investment and Superannuation Services Ltd.	-	-	-	69,806
- Kina Finance Ltd	-	-	13,806	16,902
- Kina Fund Management Ltd	-	-	13,822	-
- Kina Morgan Corporate Ltd	-	-	7,053	-
	-	43,956	34,681	130,664
(c) Due to related parties				
- Kina Investment And Superannuation Services Ltd	-	-	74,208	-
	-	-	74,208	-

**11. SHARE CAPITAL**

Issued capital - 500,000 ordinary shares (no par value)	500,000	500,000	500,000	500,000
pending issue of shares	1,500,000	-	1,500,000	-
	2,000,000	500,000	2,000,000	500,000

**12. CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 December 2000.

**13. COMMITMENTS**

There is no capital commitments in 2000 (1999 - 439,229).

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**14. MATURITY ANALYSIS - CONSOLIDATED**

	Up to one year K	One to two year K	Two to Five year K	Total K
<b>Assets</b>				
Cash on hand and at bank	414,594	-	-	414,594
Deposit receivable	9,265,596	-	-	9,265,596
Receivables	6,374,233	1,003,502	614,852	7,992,587
Investment	8,630,975	-	498,758	9,129,733
Other debtor and prepayment	138,932	-	-	138,932
	24,824,330	1,003,502	1,113,610	26,941,442
<b>Liabilities</b>				
Deposits payable	10,053,660	-	-	10,053,660
Creditor and accrual	14,483,189	-	-	14,483,189
Security deposit	367,863	82,578	-	450,441
Employee provisions	41,767	-	-	41,767
Deferred tax liability	17,201	-	-	17,201
Provision for income tax	156,974	-	-	156,974
	25,120,654	82,578	-	25,203,232

**15. CONCENTRATION OF ASSETS AND LIABILITIES**

As an indication, the following is a list of the distribution of the company's assets and liabilities by industry, based on the official Bank of Papua New Guinea industry classification.

<b>Assets</b>	<b>Cash and Deposits</b>	<b>Receivables</b>	<b>Other Assets</b>	<b>Total</b>
Agriculture	-	311,319	-	311,319
Central Bank	9,265,596	-	1,396,886	10,662,482
Commercial Banks	414,194	-	2,787	416,981
Building Constructions	-	411,663	-	411,663
Finance Companies	400	825	549,010	550,235
Government	-	-	7,819	7,819
Insurance Companies	-	-	11,014	11,014
Manufacturing	-	782,749	-	782,749
Other financial institutions	-	-	383,756	383,756
Personal	-	3,928,101	43,625	3,971,726
Property and Investment Companies	-	285,419	38,184	323,603
Retail & Wholesale Trade	-	516,953	-	516,953
Superannuation Funds	-	445,646	4,252	449,898
Transport Storage and Communication	-	181,481	22,361	203,842
Others	-	1,128,427	6,882,213	8,010,640
	9,680,190	7,992,583	9,341,907	27,014,680

**KINA SECURITIES LIMITED**  
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**16. CONCENTRATION OF ASSETS AND LIABILITIES**

Liabilities	Deposit Payable	Creditors and Accruals	Other Liabilities	Total
Finance Companies	107,310	-	-	107,310
Savings and Loans Societies	634,980	-	-	634,980
Superannuation Funds	2,277,093	13,709,797	-	15,986,890
Government and Public Enterprise	-	212,993	174,175	387,168
Personal	-	296,907	41,767	338,674
Others	7,484,718	72,387	-	7,557,105
Private Non-financial	-	191,105	-	191,105
	10,504,101	14,483,189	215,942	25,203,232

**17. FINANCIAL INSTRUMENTS**

(a) Activities and Management Policies

(i) Currency risk:

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

(ii) Credit risk:

In the normal course of its business the group incurs credit risk from trade debtors. The group performs credit evaluations of its customer and there are no significant concentrations of credit risk.

(iii) Interest rate risk:

The group has short-term deposits at commercial rates of interest with Bank and Financial Institutes having a good credit rating.

(b) Fair values

The estimated fair values of the group's monetary assets and liabilities are equivalent to their carrying values at balance date except as noted below:

Investment in quoted shares:-	Carrying value	K 67,389
	Market value	K 67,389

**18. RECONCILIATION OF CASH**

For the purpose of the statement of cashflows, cash includes cash on hand and in banks. Cash at the end of the year as shown in the statement of cashflow is reconciled to the related items in the balance sheet as follows:-

	CONSOLIDATED		HOLDING COMPANY	
	2000 K	1999 K	2000 K	1999 K
Cash at bank	414,594	118,373	46,303	50,731
Overdraft	-	-	-	-
	414,594	118,373	46,303	50,731

A fixed and floating charge has been created over the assets of the Group and the Company for overdraft facility of K600,000 and K300,000 respectively.

**19. OTHER DETAILS**

The Company is incorporated in Papua New Guinea and has its principle place of business in Papua New Guinea. Its registered office is Level 2 Deloitte Tower. At balance date the Company had 19 employees.



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