

Employers: Have you organised your HIV & AIDS workplace Policies for employees?

Is HIV & AIDS training for your employees on the agenda for 2016?



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MEMBER

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2015

ANNUAL REPORT



**NASFUND CONTRIBUTORS
SAVINGS & LOAN SOCIETY LIMITED**

Financially empowering NASFUND members



The image above of two ants working together to cross a water bridge depicts NASFUND Contributors Savings & Loan Society value of Teamwork.

As a Society with a vision to become PNG's one-stop-shop financial service provider by 2020, team work is one of the fundamental value that will drive the Society to achieve it's Vision 2020.

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Society Information

NASFUND Contributors Savings and Loan Society Limited (the “Society”) is a co-operative financial organisation domiciled in Papua New Guinea under the Saving and Loan Societies (Amendment) Act 1995 and is incorporated, and domiciled, in Papua New Guinea.

Principal place of business	Section 4, Allotment 3 Douglas Street, Downtown Port Moresby N.C.D. Papua New Guinea
Directors of the Society	Mr. William Lamur, OBE Mr. Murray Woo Ms. Ellenor Iutiko (resigned December 2015) Mr. Hulala Tokome Mr. Vera Raga
Chairman	Mr. Ian Tarutia, MBE
Secretary	Ms. Romata Geno
Auditors	KPMG Chartered Accountants Level 3 Credit House Cuthbertson Street Port Moresby, N.C.D. Papua New Guinea
Bankers	Australia & New Zealand Banking Group (PNG) Limited Bank South Pacific Limited Westpac Bank (PNG) Limited
Lawyers	O'Briens Lawyers



Vision Statement:

To become PNG's one-stop-shop Financial Institution by 2020

Mission Statement:

"To safe guard the savings of NCSL members and to provide a reliable, efficient and value added service that not only improves the well being of members and their families but also educates members on the value of savings for a better quality of life. Compliance to its values, operational, lending and investment guidelines are paramount to achieving this outcome."

Value Statement:

- Customer service is our first priority.
- We rely on teamwork to achieve our goal.
- We treat each other with trust, respect, consideration and courtesy.
- We operate with honesty and integrity.
- We never turn a blind eye to corruption of any kind.
- We encourage efficient use of time.
- We encourage and reward skill level, progress and contribution.
- We are responsible for our actions.
- We provide necessary training and equipment.
- We include the necessary people in decision making.
- We empower people to make and carry out decisions.
- We are a learning organisation.
- We communicate NCSL activities and results.
- We support community activities without impacting on members' funds.
- We protect the reputation of NCSL by behaving ethically.

Board of Directors



Ian Tarutia, MBE
Board Chairman



William Lamur, OBE
Board Director



Hulala Tokome
Board Director



Ellenor Iutiko
Board Director



Vera Raga
Board Director



Murray Woo
Board Director

Management Team



Vari Lahui
General Manager



Grayson Ohue
Accountant



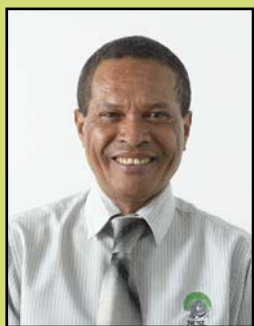
Darusilla Musi
Manageress
Human Resource



Richard Leka
Manager
Member Service



Romata Geno
Manageress
Legal & Compliance



Bernard Geita
Manager Lending



Evelove Farapo
Team Leader
Marketing & Client
Relations



Lister Paia
Team Leader
Information Technology



Dorish Leba
Team Leader
Data Processing

Dear Members,

I am pleased to report on another year of successful business operation in 2015 which saw unprecedented growth in our core business of lending, increased volumes of transactions and continued focus on timely delivery of service and improved convenience for our members. The audited accounts highlighted the following key indicators;

- Gross Assets of K129.6 million representing a growth of 4.9%.
- Net Assets of K15.9 million representing a growth of 2.3%.
- Net Income of K5.6 million.
- Sound Reserves of K11.4M representing a 30% increase.
- Members Savings grew by 5% to K112.6 million
- Loan portfolio increased by 52.2% to K46.2 million with a total of 28,308 loans totalling K57.6 million advanced to members during the year
- Active membership grew by more than 5% to 76,344 members.



Ian Tarutia, MBE
Chairman

On the back of this result, your Board was pleased to announce an interest crediting rate of 5.2% which equated to K5.6M in total paid to members' savings accounts.

You will note that all of the Net Income was paid to the members in interest as NCSL was fully compliant with Section 47 of the Savings & Loan Societies Act and was not required to undertake any statutory reserving.

Operations

Our primary focus remains on facilitating efficient, timely and quality delivery of service to our members supported by innovative products.

We continued to promote our electronic channels of service delivery during the year which saw a 69% increase in member registrations for our Biometric Identification Service and high number of internet banking transactions performed via our website.

We are in the process of installing a BIS touchscreen in Manus which will complete the full coverage of this service at all our branches.

We encourage our members to use these electronic channels which provide convenience to our members and also ensures quicker turn-around of member applications.

The risk management framework has been embedded into the business with monthly risk management meetings held to update the risk register which is now an integral part of ensuring ongoing management of new and emerging risks within the business.

Staff Development

Training continues to be an integral part of the Society's staff development plans with staff attending job related courses at various training institutions to build their skillsets and broaden their knowledge. A more comprehensive training program has been drawn up to ensure that our staff receive the necessary training to better discharge their responsibilities and better serve our members.

During the year, the General Manager attended the annual conference of the Asian Confederation of Credit Unions in Thailand which is part of developing our global network that we can call on to assist with various aspects of our Society as and when required.

Also during the year, the Finance Manager attended the Oceania Confederation of Credit Unions which comprises credit unions and savings and loan societies in the Pacific which is also part of developing knowledge and building our network within our region.

We are in the process of approving a policy on succession planning which will ensure that we identify talent within the organisation and develop them to take on management roles in the future.

Investments

Your Board approved an investment strategy for the organisation which is now in place.

This will guide your Board in achieving maximum returns within NCSL's approved risk policy which includes maintaining a level of investment diversification that adequately spreads risk and minimises over exposure to any one asset class or financial institution.

This is part of making sure that your board continues to ensure prudent management of your hard earned savings.

Your Board has decided to sell off the investments properties and free the management to concentrate on the core business of gathering deposits and lending.

We will continue the efforts to sell non-core assets while growing funds under management and our lending book.

We will continue the efforts to sell non-core assets while growing funds under management and our lending book.

Industry

During the year, National Parliament finally passed the revised Savings & Loan Societies Act which is yet to be certified into law and we expect this to happen in the new year.

The revised Act provides a more competitive environment where multiple membership between the societies will be allowed and provides us with a great opportunity to grow our membership while ensuring credit risk is well-managed.

We continue to maintain our membership of the Federation of Savings & Loans Societies (FESALOS) and maintain a close dialogue on all industry matters.

Future

We believe NCSL provides short to medium term financial solutions to all NASFUND contributors and would like to see all those NASFUND contributors that are yet to become members, to join and enjoy the additional benefits offered by NCSL.

For our part, we will continue to make sure that we deliver timely service to you, our valued members.

We will continue to look at developing products and services that will provide more convenience to you as well as provide consistent returns on your savings. We are looking to pay monthly interest on our members' savings in the new year which will become a permanent feature of our offering to our members.

Service to our members continues to be our top priority and we remind ourselves once more that our business is more than just making money. Our guiding principles are the fellowship of members and the quality of service they receive that decides our success.

In concluding, I want to sincerely thank my fellow board members for their counsel and leadership over the year, the management and our hardworking staff for their contribution during the year and look forward to a bigger and better year in 2016.



Ian Tarutia, MBE
Chairman

Management Statement

Dear Members,

During 2015, we continued the journey of becoming the preferred one-stop-shop financial services provider, rolling out another savings product, Kids Savings Account, which is aimed at our members' children to inculcate a savings culture in young minds.

The year also saw growth in revenue from our core business and increase in business expenses to ensure that NCSL is stand-alone and is ready to meet the challenges of a growing business.

We continued work in the key areas of Financial, Members, Processes/Risk and People.

Financial

Despite another subdued year due to the falling price of commodities on the global market which adversely impacted on the domestic market, we managed to maintain growth and recorded another sound year of financial performance with the key highlights as mentioned in the Chairman's report.

Revenue for the year was derived from the various sources as detailed below;

Loan Interest	K4.25M (increased by 36%)
Interest from investments	K7.06M (increased by 16%)
Fees	K1.01M (increased by 25%)
Other income	K0.19M (decreased by 90.5%)

We managed to increase revenue from our core business and it was pleasing to see an increased contribution from this area which takes us closer to our objective of generating majority of our revenue from our core business.

It was pleasing to see over 52% growth in the lending portfolio which saw loan interest income increase by 36%.

Other income in 2014 included K0.9M from unallocated deposits and the absence of any such income in 2015 resulted in the large reduction.

We saw a 27% increase in operating expenses as 2015 was the full year of large expenses we incurred in the previous year which included recruitment of 2 managers, renting of NCSL Haus from NASFUND and having an independent IT network.

Comparative figures for the last 5 years are as follows;

Statistical Information	2011	2012	2013	2014	2015
Assets & Liabilities					
Gross Assets	79,672,072	94,853,167	108,635,014	123,606,310	129,618,081
Member Savings	69,104,668	82,706,929	94,129,966	107,201,046	112,628,736
Net Assets	10,315,273	11,700,229	13,995,689	15,574,108	15,933,798
Loans to Members	20,624,480	27,035,370	26,179,831	30,264,292	46,052,923
Growth in Gross Assets	17.6%	19.1%	14.5%	13.8%	4.9%
Profitability					
Total Income	7,468,148	8,284,597	10,551,856	11,983,332	12,510,381
Loan Interest Income	2,200,451	2,678,118	3,029,375	3,115,995	4,252,834
Net Profit	4,219,994	4,812,886	6,128,308	6,527,546	5,598,976
Interesting Crediting Rate	6.0%	5.5%	6.0%	5.5%	5.2%
Expense to Income ratio	43%	42%	42%	45%	55%
Membership					
No. of active members	56,539	61,690	67,330	72,355	76,344
New members registered (gross)	13,609	9,449	9,385	8,844	9,007
No. of Staff	33	38	45	53	64



Vari Lahui
General Manager

Customer

Maintaining services to our members remains our number one priority. We continued to review our processes with a view to shortening them and reducing the turn-around times on the applications lodged by members.

We managed to automate the approval of 1:1 loans, achieving greater consistency in processing of these loans. We also refined the process on 1:2 loans, further reducing the turn-around time and also achieving greater consistency in the delivery of these loans.

We continued to promote our electronic channels for service delivery which resulted in a significant growth in the number of transactions performed via these channels. We will continue to promote these channels which are convenient to our members as access can be made from the comfort of their homes and offices.

Also, the turn-around times are lot quicker and more consistent in the absence of manual handling.

Process / Risk

Last year, we reported 3 cases of identity fraud and I am pleased to advise that we managed to recover half of these funds through the diligent work of our legal and compliance team.

We strengthened our processes to minimise such instances of fraud and work is ongoing in terms of capturing the ID photos and signatures of our members to ensure that members are positively identified before we accept any application from members.

We have embedded the risk management framework and now hold monthly risk management meetings as part of promoting the message that 'risk is everyone's responsibility. These monthly meetings include updating the risk register and considering new and emerging risks within the business for mitigation.

We managed to finalise our own IT infrastructure and network during the year which now sees NCSL managing its own system needs.

We are looking to have a new operating system in 2016 which we believe will further enhance our competitive edge through the development of new and exciting products as well as further automating our processes for quicker processing of member applications.

The Savings & Loans Act has been under review for the past few years and the revised Act was finally passed by National Parliament towards the end of the year. This is yet to be certified into law and we are confident of complying with all aspects of this revised Act.

People

This year saw the successful relocation of the head office to downtown Port Moresby and we also recruited a new HR Manager, Ms Darusilla Musi, whose first task was to review the organisational structure and the role descriptions for each of the positions with a view of ensuring that all our staff are adequately employed in their roles.

As a result of this review, we created additional roles within the key areas of the business which will provide a stronger focus on growth and minimise any risk of loss while ensuring that we maintain consistency in the delivery of services to our members.

We are in the process of rolling out a learning and development plan for our staff, which will be more focussed on improving their competency in executing their day to day responsibilities whilst preparing them to take on higher duty roles.

As part of succession planning, we have also identified officers that have the potential to become leaders of the organisation in the years to come and we have commenced the process of putting them on an accelerated growth path in preparation for ascension into more senior roles within the organisation which may include training stints overseas.

Future

We continue the work on our approved Strategy which will see more transformation in the business towards the vision of becoming the preferred 'one stop shop' financial service provider by 2020.

We have commenced work on the review of our existing branch arrangements and we hope to have our own branch set up in Lae and Boroko in early 2016. We will consider such opportunities for the other centres in due course.

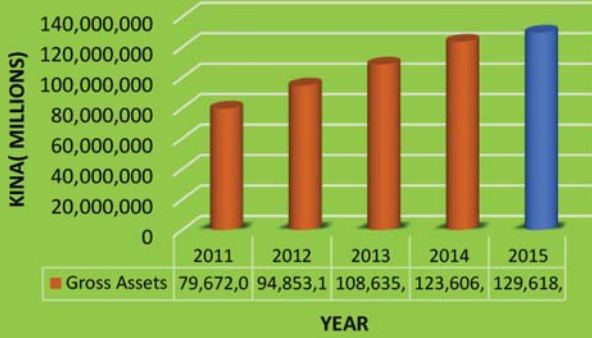
I want to sincerely thank the NCSL board members for their counsel and guidance, my management team and our hardworking staff for their contribution and tireless efforts during the year and we look forward to an even bigger year in 2016.



Vari Lahui
General Manager

Graphical Information

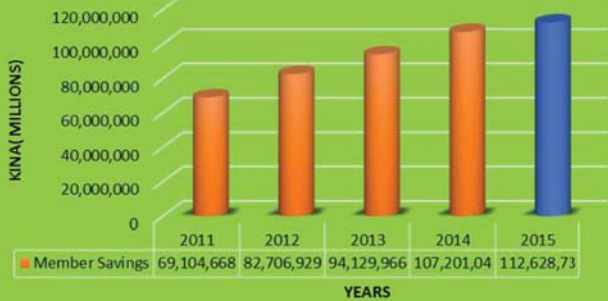
GROSS ASSETS



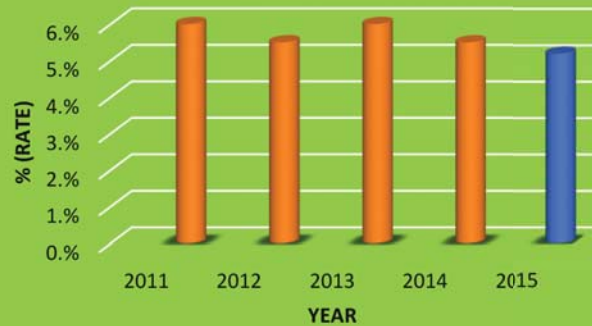
LOANS TO MEMBERS



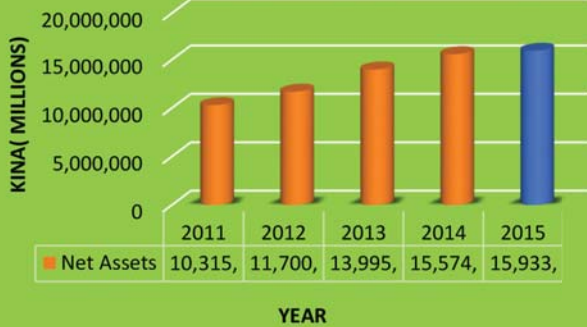
MEMBER SAVINGS



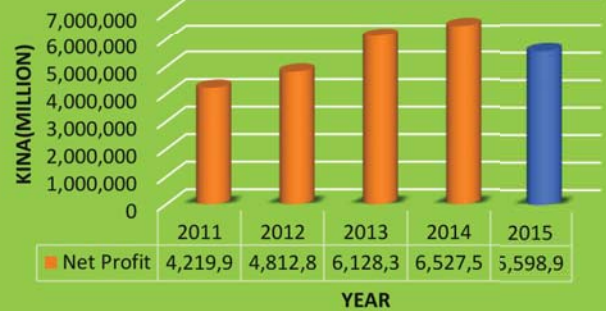
INTEREST CREDITING RATE



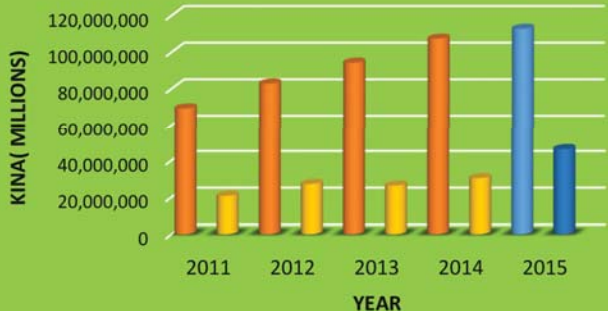
NET ASSETS



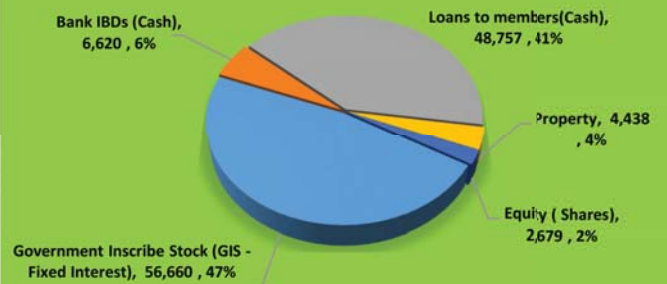
NET PROFIT



SAVINGS vs LOAN COMPARISON



INVESTMENT COMPOSITION



Corporate Governance Statement

“To become PNG’s one-stop-shop financial institution by 2020.”

The NCSL Board is responsible for the corporate governance of the Society and is committed to the highest standards of Corporate Governance and disclosure in Papua New Guinea. The Corporate Governance matrix consists of four distinct governance objectives:

- Implementing the vision and values of NCSL;
- Meeting financial targets;
- Compliance with the Savings & Loan (Amendment) Act 1995 and directives from the Registrar of Savings & Loan Societies;
- Training of staff to best practice standards to meet performance goals.

Role of Board

Under the NCSL Constitution, the management of the Society is vested in the Board. The Board is charged with the following responsibilities:

- Corporate governance;
- Approving and monitoring strategies, policies and plans;
- Monitoring compliance with Bank of Papua New Guinea directives and in particular the Savings & Loan Societies Act;
- Review of human resources, information technology and the resources of the business.

Board - Remuneration & Attendance

The NASFUND Audit & Risk Committee makes up the NCSL Board. The Chairman is the Chief Executive Officer of NASFUND. The Board has five Directors.

Name of Director	Meeting Attendance
Ian Tarutia (Chairman)	5
William Lamur	5
Ellenor Iutiko	2
Hulala Tokome	5
Murray Woo	5
Vera Raga	5

- The Board of Directors receive a sitting fee of K250 per board meeting.
- The Chairman receives K5,500 per annum.
- An annual fee of K5,000 is paid quarterly to each Director.
- In 2015, the Board met on five occasions. Prior to each meeting, all available information on matters to be discussed at the meeting was provided to each director and senior officers at least 7 days in advance.

Codes of Conduct & Ethical Standards

NCSL recognises the need for directors and employees to observe the highest standards of behaviour and business ethics in conducting their business. All directors and senior management have signed a code of conduct.

Communication to Members

The NCSL Board communicates to members via emails through employers for employer notice boards. An education and awareness program is rolled out annually to all members through on site visitations on the benefits and services associated with the Society. We aim to have direct meetings with employees of the top 100 employers annually.

Contingent Liabilities

As at the 31st December 2015, there were no contingent liabilities.

Crediting Rate Policy

Crediting of interest to members’ accounts for 2015 was done in March 2016. The interest is determined on a time-weighted basis on member balances through out the year. This is in accordance with international standards on return accreditation.

Bad and Doubtful Debts

At the end of 2015, the provision for bad and doubtful debts was K367,752 (2013 - K371,927)

Donations

There were no donations by the Society over 2015.

Independent professional advice

With the approval of the Chairman, a director is entitled to seek independent professional legal and accounting advice at the Society’s expense, concerning any aspect of that directors’ duties and or aspects of concern about the Society’s operation. It is a requirement that any such legal opinion obtained is distributed to fellow directors. No external legal advice was sought in 2015 by the Chairman.

Loans to NCSL staff

All loans to Staff were conducted on the same basis as all members of the Society.

Member Statements

Member Statements are available to members upon request.

Access to Board Minutes

The Board minutes can be personally inspected at the NCSL Head Office in Downtown, Port Moresby on written request and appointment.

Frequently Asked Questions

The NASFUND Contributors Savings & Loan Society Ltd (NCSL) was established in October 2003 as a result of changes made to the Superannuation Act, which disallowed voluntary education contributions to be part of superannuation savings. Through the Savings & Loan vehicle we continue to provide a savings facility for not only education/ school fee expenses but for other immediate financial commitments as well.

Who is eligible to join as a member of NCSL?

Any person who is a contributing member towards superannuation with NASFUND, Eda Supa and Aon Master Trust.

Is membership compulsory?

No. Saving with NCSL is not compulsory. It is a voluntary savings scheme that gives members flexibility to access savings to fulfill their urgent financial commitments such as school fees, customary obligations and funeral expenses

What savings products does NCSL provide?

NCSL offers three savings accounts. The accounts are:

Education Savings	Can only be used for education related expenses
General Savings	For all purposes. Withdraw up to 50% of your savings their net savings
Christmas Savings	Enables savings for the festive season and can be withdrawn in November, December & January

The purposes of these accounts are to:

- encourage members to save regularly
- enable members to obtain larger loans when required

Education Savings Account

- Minimum savings of K20.00 per deposit (paid fortnightly or monthly);
- A minimum balance of K50.00 must always remain in the account;
- Withdrawals are allowed only for education related purposes;
- Direct deposit will be made payable to school, education institutions or supplier of education related goods or services;
- Quotations from supplier(s) of stationaries, goods and services must be attached with each application;

General Savings Account

- Minimum savings of K20.00 per deposit (paid fortnightly or monthly);
- Minimum withdrawal of K200.00 per month ;
- Members may withdraw up to 50% of their net total savings balance in their General Savings Account;
- One withdrawal per month is allowed;

Christmas Savings Account

- Minimum savings of K15.00 per deposit (paid fortnightly or monthly);
- Withdrawals are allowed during the months of November, December and January only each year;

- A minimum balance of K20.00 must remain always in the account;

Savings can be used as security against loans.

Does NCSL pay interest on Savings?

Yes, the Society pays monthly interest on your total savings balance and also pays annual interest based on the surplus funds (profit) made each year.

Can I transfer my superannuation savings to my NCSL account?

No. Superannuation savings are totally separate and independent from NCSL savings. One cannot transfer superannuation funds to NCSL while being an active member of NASFUND.

If I am already a member of another savings & loan society can I still join the NCSL?

No. The Registrar of savings & loan societies disallows members joining more than one society. If you wish, you may cease your membership with another society and transfer your savings to NCSL.

What are the rules for withdrawing savings if I am not taking a loan?

1. Members may withdraw up to 50 % of their net total savings balance in their General Savings Account. Only one withdrawal per month is allowed.
2. The minimum amount that a member shall withdraw is K200.00. No amount less than K200.00 shall be permitted for withdrawal.
3. A member with a loan balance that exceeds 50% of their total general saving account, shall not be allowed any withdrawal of their savings.

A refund of savings or a full exit is due to the member three months after the last contribution is received. An exit fee is applicable.

How will I know my money is safe?

We give you peace of mind and comfort with the unique way in which we manage and administer the affairs and operations of the Society. Commitment to good governance, prudential management and customer oriented service is what we are known to deliver.

Additional Savings

- Additional savings outside of regular deductions can be accepted from members.
- The member must inform NCSL of the account they wish to deposit additional savings to.
- If additional savings are deposited into the General Savings Account for the purpose of obtaining a loan, the loan request shall be considered seven days after making the additional deposit.
- All deposits must be paid by direct bank deposit or EFTPOS facility

Frequently Asked Questions

Does NCSL offer loans?

Yes. The maximum lending ratio as approved by the Registrar of savings and loans societies is 1:2. If you have K1,000 in your savings account, you are allowed to borrow a maximum of K2,000.00 provided normal loan requirements are met. The 1: 2 loan ratio is now available for all purposes.

Lending Guidelines

Loan Eligibility

A member is eligible for a loan if he/she: -

- Has had a continuous payroll deduction contribution for a minimum period of 3 months.
- Has a minimum of K200.00 in their savings account.
- Is honest and of good character and has had no prior conviction for fraud or theft.
- Has a good credit rating.

Any 1:2 loans of K100,000.00 and above requires NCSL Board approval.

Purpose, Ratios and Terms of Loan

The Society can grant loans for a wide variety of reasons such as:

Purpose	Maximum Ratio	Term	Maximum, Minimum & Additional Loans
Education or School fees	1:2	1 year	Maximum Loan: The maximum loan the Society may grant to a member is limited to twice their total accumulated savings at any one time taking into account any existing loans, fees and charges that is outstanding to the members account.
Funeral expenses	1:2	1 years	
Customary Obligation	1:2	1 years	
Holiday Travel expenses	1:2	1 years	Minimum Loan:
Motor Vehicle Registration & Insurance	1:2	1 year	The minimum loan that may be granted to a member is K200.00. A member with a loan balance that exceeds 50% of their total general saving account, shall not be allowed any withdrawal of savings.
Household Electrical Items & Chattels	1:2	5 years	
Birthday Expenses	1:2	1 year	Additional Loans: Additional loans may be granted to a member
Investments	1:2	5 years	(a) If a members' total current savings fully secures the aggregate sum of the loan required. (b) No member shall be granted more than one (1) additional loan per month. No additional loans will be granted to a member if the existing loan balance

Interest on Loans

Interest is charged at 1% per calendar month on the unpaid balance on all existing and current loan accounts.

Loan Repayments

- All loans must strictly adhere to the approved loan repayment schedule.
- Any interest rate in excess of 1% per month on the unpaid balance may be charged subject to the approval of the Registrar.

Lending Priorities

Loan priority shall be considered on a first come first served basis and availability of liquid funds.

Administration Fees

- K25.00 fee for loans
- K20.00 fee for new membership
- K20.00 fee for fully exiting
- K 1.00 fee for all savings withdrawals

NASCARE

What is NASCARE?

NASCARE is a medical and life insurance cover for NCSL members. It provides insured members, their spouse, children and natural parents medical, dental, optical, pharmaceutical, hospital and death benefit in PNG.

Who is providing Insurance?

Our partners are Pacific MMI Insurance Ltd for medical cover and Capital Life Insurance Ltd for life cover. These are reputable insurance companies in PNG.

I am not a member of NCSL. Can I apply for NASCARE?

No, NASCARE is a benefit available only to members of NCSL.

Can I take medical insurance cover only?

No, members can not take out partial cover i.e.; they can not take medical insurance and leave out life insurance or vice versa. The NASCARE plan is for both medical and life insurance cover.

What is the annual premium?

The premium is K850.00 and is to be paid in full upon registration. NASCARE premium is renewed each year to maintain the cover. It is NOT a one off cost.

How can I apply and when does NASCARE cover start?

- Members must fully complete two application forms;
- Medical proposal
 - Life proposal

*Once registration is confirmed, the cover is in place.

Frequently Asked Questions

How much can I claim under NASCARE ?

You can claim the following within 12 months period of the cover:

Type of Benefit	Limit
Medical Benefit	K70,000
Pregnancy	K3,000
Dental	K2,500
Optical	K2,500
Natural Parents	K500
Life Benefit	Limit
Member	K40,000
Spouse	K15,000
Children (aged 25 & under)	K2,000
Natural Parents	K500

How can I claim a refund for medical expenses?

When you seek treatment from a medical institution you must pay in full after obtaining treatment. To claim your refund you must complete the medical claim form and forward to any NCSL Office with original copies of the following:

- Medical invoices;
- Doctors' prescriptions;
- Pharmacy receipts.

Your claim will be settled within 14 working days with payment made to your nominated bank account.

If a member incurs medical bills overseas, the insurance partner will only refund the medical bills incurred and not the travel expenses.

Claim must be submitted within 60 days from the date your cover expires. Any claims lodged after 60 days will not be reimbursed.

How much will be refunded for my medical expenses?

Members will be refunded 80% of the total amount claimed, e.g. if your hospital bill is K100.00 the refund is K80.00

What is excluded from medical cover?

- Vitamins or health food supplement
- Pre-existing conditions
- Cosmetic surgery
- Any non-medical expenses
- In-vitro fertilisation
- Non prescribed medication
- HIV/AIDS, venereal disease, sexually transmitted disease(STD)
- Intentional self injury
- Suicide or attempted suicide
- Alcoholism, drug addiction
- War, services in armed forces
- Pregnancy within 12 months of joining
- Repairs/replacements of broken, damaged or stolen spectacles, dentures or artificial limbs
- Visa/occupational medical examinations
- Domestic violence.
- Extreme Sports

How can I/ beneficiaries claim for life insurance cover?

In the event of a member's death, the life insurance is paid out to the insured member's nominated beneficiaries.

In the event of the spouse's death, the life benefit is paid to the member.

When claiming life cover you must complete the Death Claim Form and attach original copies of the following;

- Death Certificate/ Medical Report
- Death Confirmation Letter from the employer
- Warrant of burial
- Letter from Pastor/ Priest/ Village Councillor to be attached with application to any NCSL office.

Your claim will be settled within 14 working days with payment made to your nominated bank account or cheque to be collected at your nearest NCSL Office.

What is excluded from the life cover?

Any claims arising from;

- Sexually Transmitted Disease, HIV, AIDS, or Retroviral Infections.
- Alcoholism, intoxication, drug addiction, mental illness or deficiency, psychoneurotic disorder.
- Suicide, self inflicted injury, or criminality, including tribal fighting.
- Any conditions for which the insured person has received medical treatment, diagnosis, prescribed drugs, or attended consultation, during the 365 days immediately prior to the insured person being insured under this policy. However, this exclusion shall not apply to any insured person who has been covered under a previous period immediately prior to the inception of this policy. If an insured person has been covered under a previous period immediately prior to the inception of this policy which is less than 365 days, this exclusion shall apply until the expiration of 365 days from the inception of that prior policy.
- An epidemic as declared by the World Health Organisation or relevant authority.

Can I claim for my natural parents?

Yes. Members can claim medical and life insurance for natural parents. You can claim K500 each for life and medical benefit for a nominated parent.

How can I get more information on NASCARE?

You may call NCSL Head Office on phone 313 2023 or visit our website www.ncsl.com.pg for more information.

SERVICES

Biometric Identification Service (BIS)

BIS enables members to scan their fingerprint into a reader which then verifies their identity and automatically displays personal details and a summary of their savings & loan balances and eligibilities.

How can I register?

Prior to using this service, a member must initially register their fingerprint at the nearest NCSL office.

Frequently Asked Questions

SaveBal SMS Balance Service

The SaveBal SMS Service enables NCSL members to access their account balance by typing in the request format. *628* Membership Number # send. A text message will be sent to the member advising of the savings account balance and the balance of any loan outstanding.

* Applicable to both Digicel & Bmobile handsets

Website

Our online services enables a member to check their savings & loan balance, lodge loan applications, register new membership and transfer between savings accounts.

KIDS SAVINGS ACCOUNT

What is Kids Savings Account or KSA?

KSA is a trustee account for children who are under the age of 18 years.

Who is eligible to join?

Any interested child under 18 years of age with their parent's consent. This includes children of current NCSL members and non-members.

Is there a minimum age for membership?

Yes. Minimum age is 3 years.

How can I apply?

Complete a KSA membership registration form and sign along with the parent and submit to your nearest NCSL branch. KSA forms are available in all NCSL branches and website: www.ncsl.com.pg

Is there a membership fee?

A membership fee of K1.00 is charged to open your Kids Savings Account.

Will I be given a membership number?

Yes. You will be given a 10 digit account number which will also be your NCSL membership number.

What is the minimum deposit?

The minimum deposit is K1.00

How often can I deposit?

You can deposit on a regular basis within a 3 months period. Failure to deposit within the given time frame will result in the account being systematically locked.

How can a member deposit contributions?

You can deposit your savings via;

1. Salary deduction by nominated trustee parent
2. Eftpos facility at NCSL NCD branches only
3. Direct deposit (*refer banking details below*)

BANK	BSP	ANZ	Westpac
Account number	1000 880 939	13391771	600 465 7087
Type	Cheque	Cheque	Cheque
Branch	Port Moresby	Boroko	Waigani

Will my savings attract interest?

Yes, the Society pays monthly interest on your total savings balance and also pays annual interest based on the surplus funds (profit) made each year.

How can I check my balance?

You can access your savings information through;

- SaveBal (*628*member number# send)
- Online balance check via our website - www.ncsl.com.pg
- Email NCSL on helpdesk@ncsl.com.pg
- Visit any NCSL branch

How much can I withdraw from KSA?

You will be eligible to withdraw 50% of your total savings, subject to certain conditions.

Is there a minimum holding balance for the KSA withdrawal?

The minimum balance is K200.00

When can I withdraw from KSA and what are the requirements?

Only accessible at 18 years of age with the following exceptions;

For children seeking continued education after receiving Grade 8 Primary School certificate

- Withdraw once a year or each school term if self-sponsored (letter of acceptance to be presented)
- Withdrawal to cover airfares to location of educational institution.
- Covers cost of medical check for school (present invoice from the institution or school).
- Regular medical checks for health up keep (*present invoice from the medical centre or hospital*).

For medical emergency purposes

- Life and death situations for the member (*under whose name the account is held*).

Cease employment

- If parents have been unemployed more than 3 months and unlikely to be employed again and if the child is over the age of 18 then a handover is done for the funds to be credited to the child's account. If the child is still under 18, she or he will have to remain with the Society and utilise their account on reaching 18 years of age.

Do I need to have a bank account for an emergency withdrawal?

Yes, you must have a bank account for your withdrawal request to be processed.

Are there fees involved?

Yes. A withdrawal processing fee of K1.00 is charged per transaction.

Can I take a loan against my savings?

No.

Can my parents use my savings as security to obtain loans from NCSL or other financial institutions?

No.

Frequently Asked Questions

Will I have a membership card as well?

Yes. Cost of obtaining a new ID card is K10.00 Visit your nearest NCSL branch for more information

Will I also participate in the Loyalty Program?

Yes. Upon presentation of your membership ID card at selected service provider, you will be given a direct discount.

What happens to my savings when I turn 18 years?

Your total savings will be transferred to a NCSL's General Savings Account, maintaining your name and membership details.

If I decide to cease my account, how do I apply for a refund of my savings?

You are required to complete a KSA Refund Form. An exit fee of K20.00 will be charged.

What are the requirements for refunding my savings?

You are required to provide the following;

- Completed KSA Refund Form
- Letter from school or institution child is attending
- Consent letter from trustee or guardian
- Bank statement of child
- Statutory declaration
- Copy of ID card

In the event of untimely death, to whom will my savings be paid to?

Payment will be done according to nominations of beneficiaries on your KSA membership application form. Ensure to always update your beneficiaries as necessary.



Port Moresby: Head office team educating students of Bavaroko Primary School on Kids Savings Account and the importance of saving at an early age. NCSL's Kids Savings Account product was launched in August 2015.

Directors Declaration

The Directors of the Society have the pleasure in submitting their report and the financial statements of NASFUND Contributors Savings and Loan Society ("the Society") for the year ended 31 December 2015.

Activities

The nature of operations and principal activities of the Society are maintaining membership of its members for the purpose of a savings and loan society, processing contributions and loans, and management of investments of the Society.

There were no significant changes in the nature of the activities of the Society during the year.

Results

The net profit for the year ended 31 December 2015 was K5,598,976 (2014: K6,527,546) before statutory reserves.

Interest

Interest will be credited to Members' Savings Accounts on 3rd day of March 2016.

Directors

The directors of the Society at the date of the report of the Society are listed on page 1. No director of the Society had any material interest in any contract or arrangement with the Society or any related entity during the year ended 31 December 2015.

Remuneration of the Directors of the Society

Directors of the Society's remuneration, including the value of benefits, received during the year, is as follows:

Director's name	2015		2014	
	Directors fees	Sitting allowance	Directors fees	Sitting allowance
	K	K	K	K
Mr. William Lamur, OBE	5,000	2,000	5,000	1,500
Mr. Murray Woo	5,000	2,500	5,000	1,250
Ms. Ellenor Iutiko (resigned December 2015)	5,000	1,250	5,000	1,000
Mr. Hulala Tokome	5,000	2,750	5,000	750
Mr. Vera Raga	5,000	3,750	5,000	1,500
	<u>25,000</u>	<u>12,250</u>	<u>25,000</u>	<u>6,000</u>
Chairman of the Society				
Mr. Ian Tarutia, MBE	5,500	3,500	5,500	-
	<u>30,500</u>	<u>15,750</u>	<u>30,500</u>	<u>6,000</u>

Statement by Directors

In our opinion, the financial statements set out on pages 5 to 35 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2015 and the profit for the year ended on that date of the NASFUND Contributors Savings and Loan Society Limited in so far as they concern members of the Society. Further, all Risk Management Systems are in place and operating effectively.

The financial statements have been drawn up in accordance with the requirements of the Savings and Loan Society (Amendment) Act 1995 and the requirements of NASFUND Contributors Savings and Loan Society Limited's Board policies.

DATED at PORT MORESBY this 3rd day of March 2016.

For and on behalf of the Board of Directors of NASFUND Contributors Savings and Loan Society Limited.



Mr. Ian Tarutia, MBE
Chairman



Mr. Hulala Tokome
Director

Scope

We have audited the accompanying financial statements of NASFUND Contributors Savings and Loan Society for the year ended 31 December 2015, consisting of the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in members' funds and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 9 to 35.

This report is made solely to the Society's members, as a body, in accordance with section 28A of the Savings and Loan Societies (Amendment) Act 1995. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Directors and Management's Responsibility for the Financial Statements

Directors and Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We have obtained all the information and explanations we required for the purposes of our audit.

In our opinion:

- (a) the financial statements of NASFUND Contributors Savings and Loan Society Limited is in accordance with the Savings and Loans Societies (Amendment) Act 1995 including:
 - (i) give a true and fair view of the financial position of the Society as at 31 December 2015 and of its financial performance and its cash flows for the year then ended; and
 - (ii) complying with International Financial Reporting Standards; and
- (b) proper accounting records have been kept by the Society as far as appears from our examination of those records.

DATED at PORT MORESBY this 3rd day of March 2016.



Chartered Accountants

A blue ink signature of Scott Pearce, written in a cursive style.

Scott Pearce

Partner

Registered under the Accountants Act 1996

Statement of Financial Position at 31 December 2015

	Note	2015 K	2014 K
ASSETS			
Current assets			
Loans due from members	10	46,052,923	30,264,292
Prepayments and other receivables	11	1,120,744	1,536,895
Quoted equity investments	9 (b)	3,652,500	5,099,124
Term deposits	26	12,901,214	33,309,680
Cash on hand and at bank	26	1,020,430	2,274,157
		64,747,811	72,484,148
Non-current assets			
Furniture and equipment	7	1,497,794	1,356,291
Investment properties	8	4,438,000	4,365,000
Government inscribed stock	9 (a)	58,934,476	45,400,871
		64,870,270	51,122,162
TOTAL ASSETS		129,618,081	123,606,310
LIABILITIES			
Current liabilities			
Members savings	13	112,628,736	107,201,046
Trade and other payables	14	748,320	566,922
Finance lease liability	15	24,818	18,549
		113,401,874	107,786,517
Non-current liability			
Rental bonds payable		23,902	19,218
Provision for long service leave	12	220,614	155,879
Finance lease liability	15	37,893	70,588
		282,409	245,685
TOTAL LIABILITIES		113,684,283	108,032,202
NET ASSETS		15,933,798	15,574,108
Represented by: - MEMBERS FUNDS			
Share capital	17	76,344	72,355
Statutory reserve	18	11,368,428	8,728,328
Retained earnings		4,489,026	6,773,425
TOTAL EQUITY		15,933,798	15,574,108

For and on behalf of the Board of Directors



Mr. Ian Tarutia, MBE
Chairman
Dated: 3rd March 2016



Mr. Hulala Tokome
Director
Dated: 3rd March 2016

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 22 to 42.

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 K	2014 K
Income from lending			
Interest from members loans	10	4,252,834	3,115,995
		4,252,834	3,115,995
Income from investments			
Interest income		7,060,628	6,077,746
Rental income		229,412	490,057
Dividend income		201,500	222,830
Movement in fair value of equity investments	9 (b)	(445,481)	527,514
Movement in fair value of investment properties	8	73,000	(207,000)
		7,119,059	7,111,147
Other income			
Loan fees	10	700,031	529,315
New membership fees		172,143	182,571
Withdrawal fees		135,403	91,624
Reversal of provision for doubtful debts	10	19,214	-
Sundry income		111,697	43,252
Release of unallocated contributions	13	-	909,428
		1,138,488	1,756,190
TOTAL INCOME		12,510,381	11,983,332
Expenses			
Administration expenses	19	2,962,040	2,588,287
Finance lease expenses	15	7,879	8,339
Staff expenses	20	3,581,537	2,595,769
Provision for doubtful debts and bad debts	10	-	50,913
Depreciation	7	321,255	152,345
Property repairs and maintenance		38,694	60,133
TOTAL EXPENSES		6,911,405	5,455,786
Profit from operations before interest and tax		5,598,976	6,527,546
Income tax expense	21	-	-
Profit for the year		5,598,976	6,527,546
Other comprehensive income		-	-
Total comprehensive income for the year		5,598,976	6,527,546

The Statement of Comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 22 to 42.

Statement of Change in Members' Funds for the Year Ended 31 December 2015

	Note	Share capital K	Statutory reserve K	Retained earnings K	Total K
As at 1 January 2014		67,330	7,422,820	6,505,538	13,995,688
Net member contributions received	17	5,025	-	-	5,025
Total comprehensive income for the year		-	-	6,527,546	6,527,546
Transfer to statutory reserve	18	-	1,305,508	(1,305,508)	-
Interest credited to member savings deposits	13	-	-	(4,954,151)	(4,954,151)
At 31 December 2014		72,355	8,728,328	6,773,425	15,574,108
Net member contributions received	17	3,989	-	-	3,989
Total comprehensive income for the year		-	-	5,598,976	5,598,976
Transfer to statutory reserve	18	-	2,640,100	(2,640,100)	-
Interest credited to member savings deposits	13	-	-	(5,243,275)	(5,243,275)
At 31 December 2015		76,344	11,368,428	4,489,026	15,933,798

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 22 to 42.



Port Moresby: (From left to right) Marketing Officer Jasper Kinaram & Lending Officer Stanley Trimoni, presenting a 32" Television Screen to winners of the TV giveaway promotion in partnership with Brian Bell & Co. Ltd

Statement of Cash Flows for the Year Ended 31 December 2015

	Note	2015 K	2014 K
CASH FROM OPERATING ACTIVITIES			
Profit		5,598,976	6,527,546
Adjustments:			
Loss on disposal of fixed assets		-	13,280
(Gain) / loss on investment properties	8	(73,000)	207,000
Members loan provision/recovery	10	(19,214)	50,913
Bad debts write off	10	(139,470)	(55,088)
Release of unallocated contributions	13	-	(909,428)
Depreciation	7	321,255	152,345
Amortization of discounts/premiums		(533,605)	188,975
Provision for long service leave	12	79,380	28,577
Loss/(gain) on equity investments	9	445,481	(527,514)
Interest earned on loans	10	(4,252,834)	(3,115,995)
Loan fees	10	(700,031)	(529,315)
Interest on finance lease		7,879	8,339
Net cash inflow before changes in working capital		734,817	2,039,634
Changes in:			
Prepayments and other receivables		458,084	(601,580)
Trade and other payables		181,836	208,372
Long service leave paid	12	(14,645)	(2,718)
Net cash inflow from operating activities		1,360,092	1,643,708
CASH FROM INVESTING ACTIVITIES			
Purchase of government securities		(13,000,000)	(1,000,000)
Proceeds from sale of equity investment		1,001,143	-
Purchase of fixed assets and work in progress	7	(462,758)	(1,346,244)
(Payment of) / Proceeds from finance leases		(30,425)	80,798
Bonds (paid) / refunded (net)		(41,566)	5,059
Net cash outflow from investing activities		(12,533,606)	(2,260,387)
CASH FROM FINANCING ACTIVITIES			
Loans provided to members	10	(60,970,268)	(38,676,458)
Repayments of loans	10	50,293,186	38,241,482
Net savings and deposits received	13	63,802,979	55,924,529
Members withdrawals and fees	13	(63,618,564)	(46,898,172)
Increase in share capital (net)	17	3,989	5,025
Net cash (outflow) / inflow from financing activities		(10,488,678)	8,596,406
Net (decrease) / increase in cash and cash equivalents		(21,662,192)	7,979,727
Cash and cash equivalents at beginning of the year		35,583,837	27,604,110
Cash and cash equivalents at end of the year	26	13,921,645	35,583,837

The Statement of Cash Flows to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 22 to 42.

1 Reporting entity

NASFUND Contributors Savings and Loan Society Limited (the "Society") is a co-operative financial organisation domiciled in Papua New Guinea under the Saving and Loan Societies (Amendment) Act 1995. The address of the Society's registered office is Section 4, Allotment 3, Douglas Street, Downtown, Port Moresby N.C.D., Papua New Guinea. The Society is primarily involved in the savings and loans industry and is registered under the Savings and Loan (Amendment) Act 1995.

2 Basis of preparation

(a) Statement of compliance

The financial statements of the Society have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997 and the prudential standards issued by the Bank of Papua New Guinea.

The financial statements have been authorised for issue by the Board of Directors on the date of signing the audited financial statements.

(b) Basis of preparation

The Financial Statements have been prepared primarily on the historical cost basis except for the following materials items in the Statement of Financial Position which are measured at fair value:

- financial instruments at fair value through profit or loss;
- available-for-sale financial assets; and
- investment properties

(c) Functional currency

The financial statements are presented in the currency of Papua New Guinea, the Kina, which is the Society's functional currency.

(d) Use of estimates and judgments

The preparation of a financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting are recognised in the period in which the estimate is revised and in future periods if affected.

(e) Judgments

Classification of investments

The Society's management decides on acquisition of an investment whether it should be classified as a trading investment or available-for-sale. Classification

of investments as trading investments depends on how management monitor the performance of these investments. These investments have readily available reliable fair values and the changes in fair values are reported as part of the statement of comprehensive income in the financial statements. All other investments are classified as available-for-sale.

(f) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Valuation of investment properties

The Society has adopted the fair value approach in determining the carrying value of its investment properties. The Society has opted to rely on independent appraisers' advice to determine the fair value of its investment properties. Such fair values were determined either based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices or the present value of net cash flows to be generated from the property discounted using risk-adjusted market capitalisation rates adjusted for the certain market factors such as the physical deterioration of the property and its location.

The fair value methodology and any unobservable inputs that would be applicable to estimation for investment properties are considered in Notes 4 (i) and 8.

Valuation of financial assets and liabilities

The Society carries most of its financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. In addition, certain liabilities acquired through debt exchange and restructuring are required to be carried at fair value at the time of the debt exchange and restructuring. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Society utilised different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The fair value methodologies and unobservable inputs used in calculating the financial assets and liabilities of the Society are considered in Notes 4 (i), and 9.

Contingent liabilities

At the end of every financial year, management make the best possible judgment of contingent liabilities. If it is probable that a contingent liability will crystallise, a full provision is made. If there is remote possibility that the contingent liability will crystallise, full disclosure is made of the facts.

2 Basis of preparation (continues)

g) Changes in accounting policies

The accounting policies are consistent with those of the previous financial period. The new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations that came into effect, did not have any impact on the financial performance or financial position of the Society.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Society.

(a) Members savings

Contributions are accounted for, and members' accounts credited with their contributions, on a cash basis based on the receipt of reconciled contributions schedules.

Accounting for interest credited to members' accounts is in accordance with Savings and Loan Societies (Amendment) Act 1995;

1. Interest credited to members is on the basis of the period to which contributions relate; and
2. The rate of interest is determined by the Board of Directors of the Society every year and is calculated on the daily balance of the members' accounts.

(b) Investment assets

In accordance with IFRS investments assets including investment properties and equity investments are included in the Statements of Financial Position at fair value as at the balance date and movement in fair value of investment assets are recognised in the statement of comprehensive income in the period in which they occur.

The Society's interest in controlled entities are treated as plan assets or investments of the Society available for sale and therefore not consolidated in these financial statements.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Society entities at exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated

to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Deferred expenditure

All staff housing subsidies advanced are amortised over a five-year period at 20% per annum.

(e) Financial instruments

(i) Non-derivative financial assets

The Society initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Society becomes a party to the contractual provisions of the instrument.

The Society derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Society is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Society has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Society has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Society manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Society's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Government Inscribed Stock (GIS) as a debt instrument that is not quoted in an active market, meets the definition of loans and receivables. GIS are recorded at amortised cost.

(e) Financial instruments(continues)

(i) Non-derivative financial assets(continues)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans to members

Maximum loans for specific purposes are granted on 1:2 basis on the net aggregate sum of savings as well as a positive risk assessment.

Interest on the loans is calculated based on the formula provided by the Bank of PNG and deducted in advance from members' loan Interest income recognised on a monthly basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Society is restricted by the Savings and Loan Societies (Amendment) Act 1995 to borrow. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Society becomes a party to the contractual obligations.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the amount presented in the statement of financial position when, and only when, the Society has a legal right to offset the amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Society has the following non-derivative financial liabilities trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(f) Furniture and Equipment

(i) Recognition and measurement

Items of furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash low hedges of foreign currency purchase of furniture and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment.

Gains and losses on disposal of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a part of an item of furniture and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Society, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of furniture and equipment are recognised in profit or loss as incurred.

(f) Furniture and Equipment

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture and equipment, since this most closely reflects the expected pattern consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Society will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

(f) Furniture and Equipment (continued)

Office equipment	4-10 years
Furniture and fittings	5 -15 years
Motor vehicle	3 - 6 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Society on terms that the Society would not consider otherwise, indication that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(h) Impairment

(i) Financial assets (including receivables)

The Society consider evidence of impairment for receivables and held-to-maturity investment securities at both a

specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Society uses historically trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised in profit or loss.

Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increase and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The carrying amount of the Society's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

(h) Impairment (continues)

(ii) Non-financial assets

If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, any intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an assets exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefit plans

(i) Superannuation

The Society pays into a defined contribution superannuation plan for its employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution superannuation plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Other long-term employee benefits

The Society's obligations in respect of long-term employee benefits other than superannuation is the amount of benefit that employees have earned in return for their services in the current and prior periods as required by law. That benefit is accrued each period and the increase taken to profit and loss account.

(iii) Short-term employment benefits

Short-term employment benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the

employee, and the obligation can be estimated reliably.

(j) Provisions

A provision is recognised if, as a result of a past event, the Society has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Statutory reserve

In accordance with Section 47 of the Savings and Loan Societies (Amendment) Act 1995, the Society, at the end of each financial year and prior to declaration of interest, is required to allocate 20% of its net profit for the year to a general reserve fund to ensure that the balance of general reserve fund equates to 10% of the total liabilities. Where the balance of the general reserve fund equates to or exceeds 10% of the total liabilities there is no requirement to allocate 20% of the total net profit to general reserve fund.

(l) Revenue

Revenue is recorded on an accrual basis. To the extent in which it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured, revenue is recognised. The following recognition criteria relates to the different revenues the Society has recognised.

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at balance date, is reflected in the statement of financial position as a receivable.

Interest revenue

Revenue on money market and fixed interest securities is recognised using the effective interest rate method, if not received at balance date, is reflected in the statement of financial position as a

Movement in net market value of investments

Changes in the net market value of investments are recognised as income and are determined as the differences between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

Loan fees

Income from loan fees is earned when members sign the loan agreement. The Society charges an arrangement fee for new loans.

(l) Revenue (continues)

Rent

Rent from property is recognised in accordance with the rental agreement on an accrual basis.

(m) Expenses

Fees, Commission and other expenses are recognised in profit or loss on an accrual basis.

4 Determination of fair values

A number of the Society's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that assets or liability.

The Society has an established control framework with respect to the measurement of fair values. The overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, rests upon the General Manager. The General Manager reviews the valuation reports and assesses the reasonableness of the significant unobservable inputs. The key items in the valuation reports are reported to the Board of Directors.

When measuring the fair value of an asset or a liability, the Society uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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); and

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).

If the inputs used to measure fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

The Society recognises transfers between levels of the fair value hierarchy at the end of the reporting period during the change has occurred.

The following is a summary of significant fair values determined in preparing the notes to the Society's

financial statements.

(i) Investment properties

An external, independent valuation Society, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Society's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Society and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate, counter- notices, have been served validly and within the appropriate time. A sensitivity analysis on investment property revaluations has been disclosed in Note 8.

(ii) Investment in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(iii) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Financial risk management

The Society has exposure to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

This note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and management risks, and the Society's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors of the Society have overall responsibility for the establishment and oversight of the Society's risk management framework. The Board is responsible for developing and monitoring the Society's risk management policies.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Society's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Society.

(i) Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's receivables from customers, investment securities and term deposits.

Trade and other receivables

Trade and other receivables relate mainly to the Society's rental debtors. Customers that are graded as "high risks" are placed on a restricted customer list and monitored by the property managers and management of the Society.

The Society establishes an allowance for impairment that represents its estimates of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Loans to members

Loans are provided to member on either a 1:1 basis on a net aggregate sum of the members savings or on 1:2 basis where the members employer has guaranteed the excess loan amounts above the members savings. Due to the basis of the loans provided, the Society believes it

has limited exposure to risk, however assessment of any impairment of the loans is done on a periodic basis.

Cash and term deposits

The Society seeks to limit its risk exposure by only placing its cash and term deposits with banks that have a good credit rating.

Investments

The Society limits its exposure to credit risks by investing only in liquid securities and only with counterparties that have a high credit ratings. Management actively monitors credit ratings and given that the Society only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(ii) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

Typically the Society ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of repayments of members balances, withdrawals and loans; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Due to the nature of the Society's operations the current asset/liability ratio is less than one. This arises as customer deposits classified as a current liability is used for finance to customers which generally have a higher non-current finance receivable component than current finance receivables.

Notwithstanding this, liquidity is managed by the Society through regular monitoring of its liquidity position. A key part of this monitoring is the completion of cash flow forecast which shows the forecast levels of inflows and outflows. This provides management and the Board with transparency over what levers it has available to it, should any liquidity matter arise. The Board and Management are satisfied that the Society have appropriate levers to manage liquidity going forward.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Society's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

5 Financial risk management(continues)

Risk management framework (continues)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Society’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society’s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Society standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of

- transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.
- Compliance with the Society’s standards is supported by a programme of periodic reviews undertaken by Management. The results of internal reviews are discussed with management with summaries submitted to the Board.

6 IASB standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Society has not opted to early adopt the following new or amended standards in preparing these financial statements.

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS is effective for annual financial periods on or after 1 January 2018, with early adoption permitted.	The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 Revenue from Contract with Customers	IFRS 15 establishes comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

7 FURNITURE AND EQUIPMENT

	<i>Office equipment</i> K	<i>Furniture and fittings</i> K	<i>Motor vehicle</i> K	<i>Leasehold Improvement</i> K	<i>Work in progress</i> K	<i>Total</i> K
Cost:						
At 1 January 2014	388,620	25,054	40,000	-	-	453,674
Additions	662,973	27,666	99,100	556,506	-	1,346,244
Disposals	-	-	(40,000)	-	-	(40,000)
At 31 December 2014	1,051,592	52,720	99,100	556,506	-	1,759,919
At 1 January 2015	1,051,592	52,720	99,100	556,506	-	1,759,919
Additions	414,658	-	-	-	48,100	462,758
Disposals	-	-	-	-	-	-
At 31 December 2015	1,466,251	52,720	99,100	556,506	48,100	2,222,677
Accumulated Depreciation:						
At 1 January 2014	256,188	5,094	16,720	-	-	278,002
Charge for the year	120,127	2,624	22,575	7,020	-	152,345
Disposals	-	-	(26,720)	-	-	(26,720)
At 31 December 2014	376,315	7,718	12,575	7,020	-	403,627
At 1 January 2015	376,315	7,718	12,575	7,020	-	403,627
Charge for the year	250,327	924	24,788	45,216	-	321,255
Disposals	-	-	-	-	-	-
At 31 December 2015	626,642	8,642	37,363	52,236	-	724,882
Carrying amounts						
At 31 December 2015	839,609	44,078	61,737	504,270	48,100	1,497,794
At 31 December 2014	675,279	45,003	86,525	549,486	-	1,356,291

8 INVESTMENT PROPERTIES

	Note	2015 K	2014 K
Investment properties - Residential	(a)	4,438,000	4,365,000

(a) Investment properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

	Valuation model	Capitalisation rates	2014 K'000	Revaluation K'000	2015 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	10.50%	1,647	73	1,720
Sec 147 Lot 16 8 Mile	MC	11.00%	906	-	906
Sec 147 Lot 22 8 Mile	MC	11.00%	906	-	906
Sec 147 Lot 26 8 Mile	MC	11.00%	906	-	906
			4,365	73	4,438

	Valuation model	Capitalisation rates	2013 K'000	Revaluation K'000	2014 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	11.00%	1,647	-	1,647
Sec 147 Lot 16 8 Mile	MC	11.00%	983	(77)	906
Sec 147 Lot 22 8 Mile	MC	11.00%	971	(65)	906
Sec 147 Lot 26 8 Mile	MC	11.00%	971	(65)	906
			4,572	(207)	4,365

Investment properties are stated at fair value, which have been determined by the Board of Directors based on valuations performed by the Professional Valuers (by Mr. Kaluwin Potuan, registered valuer No. 63) as at 31 December 2015. Investment property comprises a number of residential properties that are leased to third parties.

Each of the commercial leases is for a period of one year with options to renew. Annual rent increases are normally indexed to consumer prices.

(b) Measurement of fair value, fair value model and significant unobservable inputs

The information about how the fair values of the Society's investment properties, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used) is detailed as follows:

(i) Market capitalisation (MC) is a fair valuation model which considers the present value of net cash flows to be generated from the property. The expected net cash flows are discounted using risk-adjusted market capitalisation rates adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary). Key unobservable input includes the risk-adjusted market capitalisation rates and market lease rates.

(ii) Direct market approach (DMA) is a market-based valuation technique which considers the most recent completed sales transactions and quoted market prices (when available) of similar properties in the location adjusted for the certain market factors such as the physical deterioration of the property and its location (prime vs. secondary).

8 INVESTMENT PROPERTIES (continued)

(c) Fair value hierarchy

The classifications of fair value hierarchy has been discussed in Note 4. The reconciliation of the movement of investment properties based on their respective fair value hierarchy classification are detailed as follows:

Level 3 fair value

The fair value measurement for investment properties of K4,438,000 have been categorised as Level 3 fair value as the inputs to the valuation techniques used were made reference to significant unobservable inputs such as risk-adjusted capitalisation rates. The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	2015 K	2014 K
Opening balance	4,365,000	1,647,000
Transfer from level 2 to level 3	-	2,925,000
Changes in fair value	73,000	(207,000)
Closing balance	4,438,000	4,365,000

Significant key unobservable inputs used include market lease rates and market capitalisation rates of 10.5% and 11% (2014: 11%). Accordingly, an increase in market lease rates and / or a decrease in market capitalisation rate would increase the fair value of the properties. A decrease in market lease rates and / or an increase in market capitalisation rate would decrease the fair value of the properties.

In 2014 the valuation of the three properties at 8 mile were transferred from level 2 to level 3 valuation category due to insufficient market price data being available, as such the independent valuer and Board of Directors believe the MC methodology using actual rentals is more appropriate. There was no transfer between levels in 2014.

Sensitivity analysis

	Effect on profit increase / (decrease)	
	31 Dec 2015 K	31 Dec 2014 K
Increase in capitalisation rates by 100 basis points	(347,577)	(340,199)
Decrease in capitalisation rates by 100 basis points	487,085	464,761
10% increase in rentals	478,007	464,761
10% decrease in rentals	(415,813)	(413,777)

9 INVESTMENT SECURITIES AND GOVERNMENT INSCRIBED STOCK

	Notes	2015 K	2014 K
Government inscribed stock	(a)	58,934,476	45,400,871
Quoted equity investments	(b)	3,652,500	5,099,124
		62,586,976	50,499,995

(a) Government inscribed stock

The stock's book value comprises of:

	2015 K	2014 K
Face value of Government inscribed stock	56,660,000	43,660,000
Unamortised premiums	3,091,820	2,744,181
Unamortised discounts	(817,344)	(1,003,310)
	58,934,476	45,400,871

Government inscribed stock (GIS) are shown net of unamortised discounts / premiums on acquisition which are amortised over the life of the stock.

The GIS have coupon rates ranging from 9% to 15.4% and yield rates ranging from 8.5% to 15.4%.

Maturity	Yield rates %	Face Value K
2018	9.5	1,000,000
2019	12.9	8,000,000
2022	8.5	1,750,000
2023	9 to 12	13,000,000
2027	11.2 to 14.0	24,160,000
2029	10.5 to 11.0	7,750,000
2031	15.4	1,000,000
		56,660,000

(b) Quoted equity investments

Summary of revaluation of quoted investments is as follows:

	2014 K	Revaluation K	Disposal K	2015 K
Quoted shares domestic				
Credit Corporation (PNG) Limited	4,030,000	(542,500)	-	3,487,500
Airlines PNG	165,000	-	-	165,000
Disposal of New Britain Palm Oil Limited	904,124	97,019	(1,001,143)	-
	5,099,124	(445,481)	(1,001,143)	3,652,500

Reconciliation of movement in quoted investments is as follows:

	2015 K	2014 K
Balance at 1 January	5,099,124	4,571,610
Change in fair values	(445,481)	527,514
Disposal of New Britain Palm Oil Limited	(1,001,143)	-
Balance at 31 December	3,652,500	5,099,124

10 LOANS DUE FROM MEMBERS

	2015 K	2014 K
Loans due from members	46,261,989	30,632,044
Less: provision for doubtful debts	(209,066)	(367,752)
	46,052,923	30,264,292

A summary of the movement in loans due from members is as follows:

	2015 K	2014 K
Balance at 1 January	30,632,044	26,551,758
New loans granted	60,970,268	38,676,458
Loans repaid	(50,293,186)	(38,241,482)
Interest charged on loans	4,252,834	3,115,995
Loan fees	700,031	529,315
Balance at 31 December	46,261,989	30,632,044

Interest of 1% per month is charged. Repayments are received on a fortnightly and monthly basis. All loans are secured against members savings and employer guarantees. The minimum loan is K200. Board approval is required for loans granted over K100,000. All members with outstanding loans in excess of their savings account balances are not allowed to withdraw.

The movement in the provision for doubtful debts was as follows:

	2015 K	2014 K
Balance at 1 January	367,752	371,927
(Write back of) / provision for doubtful debts	(19,214)	50,913
Bad debts written off during the year	(139,472)	(55,088)
Balance at 31 December	209,066	367,752

11 PREPAYMENTS AND OTHER RECEIVABLES

	2015 K	2014 K
Accrued interest	722,304	576,281
Staff related receivables	47,009	15,891
Rent receivable	111,058	198,017
Security deposits	46,250	-
Other receivables from NASFUND (Note 23)	43,282	328,018
	969,903	1,118,207
Prepayments	150,841	418,688
	1,120,744	1,536,895

Accrued interest represents interest accrued on Government inscribed stock (Note 9) and interest bearing deposits (Note 26).

12 PROVISION FOR LONG SERVICE LEAVE

Movements in the provision are recognised in the statement of comprehensive income are as follows:

	2015 K	2014 K
Provision as at 1 January	155,879	130,020
Provision recognised in profit for the year (Note 20)	79,380	28,577
Long service leave paid	(14,645)	(2,718)
Provision as at 31 December	220,614	155,879

13 MEMBERS' SAVINGS

	2015 K	2014 K
Members savings	110,442,286	104,201,598
Unallocated contributions	2,186,450	2,999,448
Total members' savings	112,628,736	107,201,046

Movement in members savings is represented as follows:

Opening balance	107,201,046	94,129,966
Contributions received and transfers in	63,802,979	55,924,529
Withdrawals and transfers out	(63,254,402)	(46,618,952)
Released unallocated contributions - AON	-	(909,428)
Interest credited	5,243,275	4,954,151
Fees	(364,162)	(279,220)
Closing balance	112,628,736	107,201,046

No monthly interest is paid or accrued. Instead, members receive a distribution from profit for the previous year based on the rate of interest determined by the Board of Directors of the Society and is calculated on the daily balance of the members accounts for the year.

As at 20th of March 2015, the Board of Directors declared and paid interest at a rate of 5.5% totalling K5,243,275 applicable for the results of the previous year (2014: 6.0% totalling K4,951,151 applicable for the results of 2013).

As at 3rd of March 2016, the Board of Directors have declared a distribution at a rate of interest of 5.2%. This will be paid and credited to the members accounts in the 2016 financial year.

In 2009, the Society's fund management function was transferred from Aon Risk Services to Pacific Wealth Management. During the transition, a balance of K3,169,452 of unallocated member contributions was identified. It had not been possible to identify which members these funds related to (if any) and furthermore, no claims had been made by members for these funds. In 2014, management was able to resolve K1,943,079 of these funds through the identification of an error in the transfer of data from AON. In 2014, the Board of Directors resolved to release the remaining fund of K909,428 to the statement of income based on the probability that there would be no further claims from members.

The Society has a policy of actively chasing the details of unallocated deposits. It is not always possible to obtain these if the appropriate details have not been included in the transactions. We remind members to review their statements for missing or incorrect postings and contact the Society as soon as possible to make any corrections.

14 TRADE AND OTHER PAYABLES

	Note	2015 K	2014 K
Creditors and accruals		621,197	225,961
Provision for annual leave		67,482	43,853
Amounts payable to NASFUND	23	-	285,006
Other payables		59,641	12,102
		748,320	566,922

Other payables are non-interest bearing and are generally payable within 60 days.

15 FINANCE LEASE LIABILITIES

The Society had entered into a finance lease with the Bank of South Pacific Limited in relation to the purchase of the Society's bus. The lease term is 48 months and this is expected to end in 2018.

Finance lease liabilities are payable as follows:

	Less than one year K	Between one and five years	Total K
31 December 2014			
Future minimum lease payments	26,428	83,299	109,727
Less interest	(7,879)	(12,711)	(20,590)
Present value of minimum lease payments	18,549	70,588	89,137
31 December 2015			
Future minimum lease payments	31,209	44,213	75,422
Less interest	(6,391)	(6,320)	(12,711)
Present value of minimum lease payments	24,818	37,893	62,711

The interest expense on the finance lease recognised in the statement of comprehensive income for the year ended 31 December 2015 was K7,879 (2014: K8,339)

16 OPERATING LEASES

The Society had entered into operating leases with the Bank of South Pacific Limited in relation to the purchase of a motor vehicle and with NASFUND in relation to the lease of the head office building. The lease term is 36 months for the motor vehicle and 60 months for the head office building.

At 31 December, the future minimum lease payments under this operating lease were payable as follows:

	2015 K	2014 K
Less than 1 year	522,000	573,732
Between 1 and 5 years	1,348,500	1,896,366
	1,870,500	2,470,098
<i>(ii) Amount recognised in profit and loss</i>		
Lease expense	663,349	573,732
	663,349	573,732

17 SHARE CAPITAL

	2015	2014
	K	K
Issued ordinary share capital		
Shares on issue at 1 January	72,355	67,330
Net movement in share capital	3,989	5,025
	<u>76,344</u>	<u>72,355</u>
Shares on issues at 31 December	<u>76,344</u>	<u>72,355</u>

Under the Savings and Loan Societies (Amendment) Act 1995, each member is required to purchase a share at K1.00 on joining the Society. Upon exiting the Society, the member may redeem the K1.00.

18 STATUTORY RESERVE

	2015	2014
	K	K
Balance at 1 January	8,728,328	7,422,820
Statutory transfer of net profit for the year	2,640,100	1,305,508
Balance at 31 December	<u>11,368,428</u>	<u>8,728,328</u>

Savings and loans Societies are required to maintain a statutory reserve equivalent to 10% of the total liabilities.

19 ADMINISTRATION EXPENSES

	2015	2014
	K	K
Advertising and marketing	318,203	444,652
Auditor's remuneration - audit	92,650	78,750
Auditor's remuneration - other services	15,000	12,500
Back-office administration fees	230,543	451,514
Bad debts write off - other debtors	47,879	112,560
Bank charges	98,652	99,220
Computer expenses and software support	212,327	247,412
Directors fees	30,500	30,500
Directors sitting fees and expenses	19,122	15,495
Management fees	-	3,000
Motor vehicle expenses	83,448	101,517
Printing and postage	126,343	56,322
Professional and consulting fees	148,485	307,806
Rental expenses	608,048	281,250
Security charges	109,477	46,148
Telephone and internet charges	171,139	134,292
Travel	69,738	46,966
VPN Rental	348,592	-
Other office expenses	231,894	118,384
	<u>2,962,040</u>	<u>2,588,287</u>

Certain comparative amounts in the administration expenses have been reclassified to ensure consistency in the classification with the current year.

20 STAFF EXPENSES

	2015	2014
	K	K
Salaries and wages	1,969,198	1,416,093
Superannuation (Note 22)	171,723	127,420
Long service leave (Note 12)	79,380	28,577
Other benefits and expenses	1,361,236	1,023,679
	<u>3,581,537</u>	<u>2,595,769</u>

As at 31 December 2015 the Society had 64 employees (2014: 53).

21 INCOME TAX EXPENSE

The Society is exempt under Section 40A of the Income Tax Act.

22 EMPLOYEE BENEFIT PLANS

Superannuation

The Society contributes to the National Superannuation Fund of Papua New Guinea ("NASFUND") on behalf of its employees.

All employees are members of NASFUND. This fund is an accumulation benefit fund whereby the Society matches contributions to the fund made by employees up to 10% of the employee's base salary. Employee contributions are based on 6% of their gross salaries. During 2015, the Society expensed K171,723 in contributions (2014: K127,420).

23 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Society and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Transactions with related parties during the year are as follows:

(i) Members

Member loans made to NASFUND staff, NCSL staff and directors are in the ordinary course of business in accordance with the Society Rules. The total value of these loans as at 31 December 2015 was as follows:

	2015	2014
	K	K
Loans to related parties	1,140,721	704,775
	<u>1,140,721</u>	<u>704,775</u>

The interest rate, security and repayment terms on these loans are no different to the normal terms and conditions extended to the general membership.

23 RELATED PARTY TRANSACTIONS (continued)

(ii) National Superannuation Fund ("NASFUND")

NASFUND is a related party due to NASFUND contributors being the only eligible members of the Society.

	2015 K	2014 K
Amount payable to NASFUND (Note 14)	-	(285,006)
Other receivables from NASFUND (Note 11)	43,282	328,018
	<u>43,282</u>	<u>43,012</u>

Rent of K608,048 (2014: K281,250) was charged to the Society by NASFUND.

Other receivables from NASFUND were recognised in relation to the work in progress carried out by the Society on behalf of NASFUND (Note 11). All amounts shown above are unsecured, interest free and payable on demand.

Compensation of key management personnel

The remuneration of directors and members of key management during the period was as follows:

	2015 K	2014 K
Salaries, wages and other short-term benefits	873,145	606,150
Long-service leave	(67,476)	(2,763)
Superannuation	57,680	40,000
	<u>863,349</u>	<u>643,387</u>

24 CONTINGENCIES AND COMMITMENTS

The Society did not have any commitments or contingencies at the date of approving these financial statements.

25 SUBSEQUENT EVENTS

The new Savings and Loans Act 2015 had been approved by Parliament and is expected to come into effect when it is certified in 2016. The new Act has a number of changes which will impact on the Society's operations including the ability to open up its operations to all PNG residents, obtain members who are members of other Savings and Loans Societies, expand investment opportunities and allow greater scope in the type of lending products that can be made available. The Act will also increase corporate governance, risk management and reporting requirements. The Society has an active plan to address these changes.

26 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2015	2014
	K	K
Term deposits	12,901,214	33,309,680
Cash on hand and at bank	1,020,430	2,274,157
	13,921,645	35,583,837

Term deposits comprising Interest bearing deposits and treasury notes have a maturity of less than 90 days. Interest rates for term deposits as at 31 December 2015 ranged from 1.95% to 3.5% (2014: 0.8% to 1.8%).

27 FINANCIAL INSTRUMENTS

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2015	2014
		K	K
Debt securities	9	58,934,476	45,400,871
Equity securities	9	3,652,500	5,099,124
Loans due from members	10	46,052,923	30,264,292
Other receivables	11	969,903	1,118,207
Cash and cash equivalents	26	13,921,645	35,583,837
		123,531,447	117,466,331

The maximum exposure to credit risk for loans and receivables at the reporting date is concentrated in Papua New Guinea.

Other than certain loans to members (Note 10), the Society does not believe it has any impairment.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Society has no exposure to foreign currency risk as all financial assets and financial liabilities are denominated in Kina.

27 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Society's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity to meet its obligations when due under normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The Society manages this by having significant proportion of short term deposits and invests in liquid assets.

The following are the maturities of contracted financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Note	Less than 3 months	3 to 12 months	1 to 5 years	Total
		K	K	K	K
Amounts at 31 December 2015:					
<i>Non-derivative financial liabilities</i>					
Members savings	13	112,628,736	-	-	112,628,736
Bonds payable		-	23,902	-	23,902
Trade and other payables	14	748,320	-	-	748,320
		113,377,056	23,902	-	113,400,958
Amounts at 31 December 2014:					
<i>Non-derivative financial liabilities</i>					
Members savings	13	107,201,046	-	-	107,201,046
Bonds payable		-	19,218	-	19,218
Trade and other payables	14	566,922	-	-	566,922
		107,767,968	19,218	-	107,787,186

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society does not believe it has significant exposure to credit rate risk.

Interest on members' savings account is determined on a time-weighted basis on member balances through out the year. This is in accordance with international standards on return accreditation. As such there is no interest rate risk associated with members' savings.

Interest on members loans is fixed by the Society at 1% per month and therefore no significant interest rate risk is associated with members loans.

27 FINANCIAL INSTRUMENTS (continued)

(e) Other market price risk (continued)

Variance analysis

A 10% change in market price of quoted equity instruments would have the following impact on the Society's profit.

		Carrying amount	Effect on net assets and profit	
			Increase	Decrease
Amount at 31 December 2015				
Quoted equity instruments	10%	3,652,500	365,250	(365,250)
Amount at 31 December 2014				
Quoted equity instruments	10%	5,099,124	509,912	(509,912)

(f) Fair value versus carrying values

The carrying amounts of financial assets and liabilities as set out in the statement of financial position approximates the fair values. The significant methods and assumptions used in estimating the fair values are stated in Note 4 and the respective notes to the accounts.

(g) Fair value hierarchy

The classification of fair value hierarchy has been discussed in Note 4. The valuation of financial investments based on their classification is as follows:

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

- Level 1: quoted prices in active markets for identical assets or liabilities,
- Level 2: 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 (derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2015				
Equity securities	3,652,500	-	-	3,652,500
	3,652,500	-	-	3,652,500
31 December 2014				
Equity securities	5,099,124	-	-	5,099,124
	5,099,124	-	-	5,099,124

There were no transfers between levels during the current or prior years.

Directors and Officers Interests

DIRECTORS	
Ian Tarutia, MBE Chairman	Chairman: Heritage Hotel Ltd Director: Credit Corporation Ltd, Federation of Savings & Loan Societies, East New Britain Properties Ltd, Grand Pacific Hotel Ltd, Air Niugini Ltd, Edge Ltd & Malagan Ltd. Member: Australian Institute of Company Directors, PNG Institute of Directors Inc., Financial Services Institute of Australasia, Badili Club. Employee: NASFUND Ltd
William Lamur, OBE Director	Chairman: NASFUND Ltd, Mainlands Holdings Ltd, Pacific Assurance Group, East New Britain Port Services Ltd, ENB Copra & Cocoa Co-Operation Society, National Development Bank Ltd. Director: ENB Properties Ltd, PEIL (Pacific Energy), Territory Packaging, Grand Papua Hotel Ltd. Member: Institute of National Affairs, PNG Institute of Directors Inc, Australia Institute of Directors
Ellenor Iutiko Director	Director Member Representative Leadership PNG Employee: Morobe Mining Joint Venture
Murray Woo Director	Director: Woo Textile Corporation Ltd, Heathly Kamwood Ltd, Manufacturers Council of PNG, Getaway Travel Ltd, NISIT, Business Council of PNG, PNG Air & NASFUND Ltd. Shareholder: Highlands Pacific Ltd, Oil Search Ltd, Lihir Gold Ltd.
Hulala Tokome Director	Director: NASFUND Ltd, Puma Energy Ltd, Puma Energy Refining Ltd, Puma Energy Supply Ltd, Mainland Holdings Ltd, SPI Exploration & Production Ltd, LNG Ltd. Employee: Puma Energy Ltd
Vera Raga Director	Director: NASFUND Ltd, Edge Ltd & Carpark Ltd Employee: PNG Banks & Financial Institutions Workers Union
OFFICERS	
Vari Lahui	General Manager Member: PNG Institute of Banking & Business Management Inc., & PNG Institute of Directors Inc.
Romata Geno	Board Secretary/ Manageress Legal & Compliance Member: PNG Law Society
Grayson Ohue	Accountant Member: Certified Practicing Accountants of PNG
Darusilla Musi	Manageress Human Resource
Bernard Geita	Manager Lending
Richard Leka	Manager Member Service & Branch Support
Evelove Farapo	Team Leader Marketing & Client Relations
Lister Paia	Team Leader Information Technology
Dorish Leba	Team Leader Data Processing

SERVICE	PHONE	FACSIMILE	EMAIL ADDRESS
General enquiries	313 2000	325 4766	helpdesk@ncsl.com.pg
Loans	313 2016	320 0913	loans@ncsl.com.pg
Withdrawals	313 2049	320 0913	withdrawals@ncsl.com.pg
Member Contribution	313 2004	320 0913	banking@ncsl.com.pg
Membership	313 2018	320 0913	membership@ncsl.com.pg
NASCARE	313 2023	320 0913	nascare@ncsl.com.pg
BRANCH OFFICES	PHONE	FACSIMILE	EMAIL ADDRESS
Alotau	313 2038	641 0164	alotau@ncsl.com.pg
Boroko	313 2032	325 6347	boroko@ncsl.com.pg
Buka	313 2043	973 9250	buka@ncsl.com.pg
Goroka	313 2036	532 1086	goroka@ncsl.com.pg
Kimbe	313 2040	983 4115	kimbe@ncsl.com.pg
Kokopo	313 2039	982 8731	kokopo@ncsl.com.pg
Lae	313 2033	472 5791	lae@ncsl.com.pg
Lihir	313 2044	986 4844	lihir@ncsl.com.pg
Lorengau	970 3848	970 9866	lornasfund@nasfund.com.pg
Madang	313 2035	422 1847	madang@ncsl.com.pg
Mount Hagen	313 2034	542 3134	hagen@ncsl.com.pg
Popondetta	313 2037	629 7295	popondetta@ncsl.com.pg
Tabubil	313 2041	649 8091	tabubil@ncsl.com.pg
Vanimo	457 0987	457 1847	vainasfund@nasfund.com.pg
Wewak	313 2042	456 1436	wewak@ncsl.com.pg



Port Moresby: NCSL Head Office staff posing in new corporate wear.

Sir Antony Siaguru Walk Against Corruption



NCSL staff and family participating in Transparency International PNG Inc. Walk Against Corruption in June 2015

Corporate Va'a Challenge



In tangerine canoe, NCSL Dolphins secured first place in the final hit to participate in the corporate grandfinal



The NCSL Corporate Va'a Team



Friends catching up during Corporate Va'a Challenge



Cooling down the heat of Corporate Va'a Challenge



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- * PAY FOR YOUR ITEM(S) AND GET A SHOPPING VOUCHER EQUIVALENT TO 10% -15% OF PURCHASE PRICE

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