

**“The largest Society by membership size in
Papua New Guinea & South Pacific”**



“We operate with honesty and integrity”

2016

ANNUAL REPORT



**NASFUND CONTRIBUTORS
SAVINGS & LOAN SOCIETY**

“ Financially empowering NASFUND members”



The cover image used on this Annual Report depicts naturing growth in membership and savings at NCSL. Image Courtesy of GETTY IMAGE

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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, National Capital District Papua New Guinea
Directors of the Society	Mr. William Lamur, OBE Mr. Murray Woo Mr. Hulala Tokome Mr. Christopher Elphick Mr. Vera Raga
Chairman	Mr. Ian Tarutia, OBE
Secretary	Ms. Patricia Sawanga
Auditors	KPMG Chartered Accountants Level 3 Credit House Cuthbertson Street Port Moresby, National Capital District Papua New Guinea
Bankers	Australia & New Zealand Banking Group (PNG) Limited Bank South Pacific Limited Westpac Bank (PNG) Limited
Lawyers	O’Briens Lawyers



NCSL head office on Douglas Street, Port Moresby.



Vision Statement:

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

Mission Statement:

“To improve the quality of our members’ lives through security, returns, services and product range we offer.”

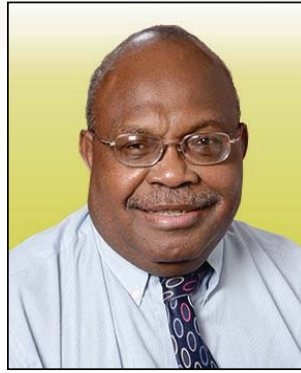
Value Statement:

- 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, OBE
Board Chairman



William Lamur, OBE
Board Director



Murray Woo
Board Director



Hulala Tokome
Board Director



Vera Raga
Board Director



Christopher Elphick
Board Director
(joined May 2016)

MANAGEMENT TEAM



Front (from left): Evelove Farapo (Team Leader - Marketing & Client Relations), **Dorish Leba** (Team Leader - Data Processing), **Patricia Sawanga** (Manageress - Legal & Compliance), **Darusilla Musi** (Manageress -Human Resource)
Back (from left): Vari Lahui (General Manager), **Bernard Geita** (Manager - Lending), **Robert Thadeus** (Manager - Member Services), **Lister Paia** (Team Leader Information Technology), **Jackraho Morea** (Accountant)

Board Chairman's Statement

Dear Members,

It gives me great pleasure on behalf of the Board to present my report on the activities undertaken by your Society in 2016. From the outset, I am pleased to highlight that NCSL is now consolidating its position as a leading society that continues to grow as we continue the focus to serve our valued members throughout the country.

The audited financial statements highlighted the following key indicators;

- Gross Assets increased by 11.9% to K145.1 million
- Loan Portfolio increased by 8.9% to K50.1million
- Processed a total of 30,721 loans with a volume of K56.8 million
- Member savings increased by 12.9% to K127.1 million
- Net Assets reduced by 9.6% to K14.4 million due to a 2015 accounting correction that was effected in 2016
- Total membership increased by 9.6% to 83,715
- Net Income of K4.0 million after allowing for Loan Provision of K1.8 million and Interim Interest payment of K1.4 million



Ian Tarutia, OBE
Board Chairman

One of the highlights in 2016 was the commencement of monthly interest payments to members' savings accounts at an initial interest rate of 1.2% per annum which equated to just over K1.4 million.

We also had to significantly increase our loan provisioning levels after we were advised by our auditor that the current methodology of provision calculation, as provided by our regulator -Bank of PNG, is outdated and does not comply with International Accounting Standards (IAS).

On the back of this results, your Board was pleased to announce year end interest crediting rate of 2.7%, equating to K3.13 million in final interest payment to the members. This was in addition to 1.2% (totalling K1.4 million) paid during the course of the year.

This means that NCSL has paid a total of 3.9% in interest payments to the members and this equates to just over K4.5 million in total interest payments to its members for the 2016 financial year.

Operations

One of the highlights of the year was the successful transition to the new operating system, SaveLoanSmart.

The new system was acquired from Cloudapp Laboratories Limited, a newly incorporated software development company, which is majority (51%) owned by the Society in a partnership with the established software development company from Fiji, Software Factory Limited who own the remaining 49%.

The new system is web-based and also comprises a member portal as well as an employer portal, which provides real-time interaction between the member, employer and NCSL for quicker turn-around of member applications and provides added convenience as it can be accessed from anywhere where there is internet access.

The year also saw the expansion of our representation to Bialla and Wabag and we will continue to seek these opportunities as part of bringing our services closer to our members in every part of the country.

We also increased staff in the regional centres of Kokopo, Lae and Mt Hagen to assist with service delivery and cater for the growing membership.

We have now commenced the internal audit process which is an integral part of the Society's risk management strategy which will also assist with strengthening our internal processes.

Your Board also approved some more key policies which include the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP) which provides for continuity in any event of disruption to the business. Management has been tasked with ensuring the effectiveness of these Plans through testing and rehearsal.

Your Board also approved the annual engagement of an independent consultant to undertake a review of staff remuneration. This is part of our objective to ensure that we retain our quality staff by paying according to market whilst ensuring that they deliver on the expectations of the Board.

Investments

We did not enter into any new investments during the year while we focused on our core business activity of gathering deposits and lending.

As part of this, we continue our efforts to sell our investment properties while continuing to invest our surplus cash in central bank bills which provides good steady returns.

Industry

Whilst the revised Savings & Loan Societies Act has been gazetted, this is yet to be operationalized and we expect this to happen any time soon.

We are ready to implement the requirements of this revised law which will require all savings and loan societies to register under the Companies Act and lodge annual returns to Investment Promotions Authority and will continue to be regulated by Bank of PNG through licencing.

The revised Act allows a transition period of 12 months after which we will arrange for election of board members from within the membership of the Society.

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

Future

Your Board approved the revised strategic action plan which maintains the vision of becoming a one-stop-shop Bank by 2020.

Management has been tasked with implementation of this Plan which will see the introduction of new initiatives whilst ensuring the existing products and services remain effective and continue to provide convenience to our members.

In all of this, delivery of consistent quality service remains our top priority while making sure that we continue to provide the best possible returns on your funds.

We thank you for continued trust and confidence in your Society.

I want to thank my fellow board members for their continued focus and commitment in the affairs of the Society. I also want to thank the management and staff for their contributions and I look forward to greater success in 2017.



Ian Tarutia, OBE
Chairman

Management Statement

Dear Members,

We experienced another year of consolidation which saw your Society continue to grow in all facets of the business and it is pleasing to report that we continued to grow revenue from our core business.

The Board approved the revised strategic action plan under the four (4) key pillars of Financial, Member Services, Risk/Processes and People and I provide an update under each of these areas;

Financial

The market remained subdued as a result of lower commodity prices which continued to provide challenges to the government and saw no new major investments.

Businesses continued to review their business operations in light of these challenges and in some cases, led to shedding of staff to ensure sustainability.

Despite these challenges, your Society managed to record another sound year of performance as highlighted by the Chairman in his message.

We managed to continue the growth in revenue from our core business and below is a comparative analysis of the year on year review figures;

K '000

Revenue Source	2016	2015	Movement
Loan Interest	5,505	4,253	1,252 (+29%)
Investments	7,804	7,061	743 (+10%)
Fees	1,107	1,008	99 (+10%)
Rental / Dividend	516	431	85 (+20%)
*Other	-36	-243	
Total	14,896	12,510	2,226 (+19%)

* Other represents movements in the valuation of properties and share investments

Revenue from Loans as a percentage of total revenue continues to increase which is in line with our objective of seeing a greater contribution from our core business activities.

We commenced the payment of monthly interest to members at the beginning of the year which saw a total of K1.4M paid to members in interim interest which was topped up after the auditing of our financial year. This will become a permanent feature of our offering to our members.

During the audit of the 2016 financial statements, we were informed that the current methodology for calculation of loan provisioning as sanctioned by our regulator, Bank of PNG, is outdated and does not align with International Accounting Standards (IAS). This resulted in the material increase of K1.8M in loan provisioning at the end of 2016, which adversely impacted on our Net Income and therefore, interesting crediting to our members.

We are informed that the calculation methodology is under review and BPNG will advise as soon as they have agreed on the revised calculation methodology.

We are confident of returning to returns of no less than 5% in the coming years as we focus on growing our loan portfolio while continuing to generating higher returns on our cash investments.



Vari Lahui
General Manager

Management Statement

Comparative figures for the last 5 years are as follows;

Statistical Information	2012	2013	2014	2015	2016
Assets & Liabilities					
Gross Assets	94,853,167	108,635,014	123,606,310	129,618,081	145,066,824
Member Savings	82,706,929	94,129,966	107,201,046	112,628,736	127,173,195
Net Assets	11,700,229	13,995,689	15,574,108	15,933,798	14,410,474
Loans to Members	27,035,370	26,179,831	30,264,292	46,052,923	50,145,426
Growth in Gross Assets	19.1%	14.5%	13.8%	4.9%	11.9%
Profitability					
Total Income	8,284,597	10,551,856	11,983,332	12,510,381	14,896,043
Loan Interest Income	2,678,118	3,029,375	3,115,995	4,252,834	5,505,159
Net Profit	4,812,886	6,128,308	6,527,546	5,598,976	4,004,611
Interesting Crediting Rate	5.5%	6.0%	5.5%	5.2%	3.9%
Expense to Income ratio	42%	42%	45%	55%	63.6%
Membership					
No. of active members	61,690	67,330	72,355	76,344	83,715
New members registered (gross)	9,449	9,385	8,844	9,007	7,869
No. of Staff	38	45	53	64	69

Member Services

Our top priority remains in providing consistent quality service to our members and this is considered in everything we do, from reviewing processes to introducing new initiatives.

One of these initiatives was the introduction of the new operating system, SaveLoanSmart, and I am pleased to report that we successfully transitioned to this new system on 01/11/2016.

The new operating system provides real-time interaction between the member, employer and NCSL and has enabled us to achieve quicker turn-around of member applications in a consistent manner.

The new system has also enabled us to achieve efficiency in our data processing area which has resulted in the deployment of 2 officers in this area to member-facing roles to assist with service delivery. We also increased our staff numbers to cater for new branches in Bialla and Wabag and to manage increased member demands in Kokopo, Lae and Mt Hagen. We now have 19 points of representation right throughout the major cities and towns of PNG.

We have commenced the reconfiguring of our branches with Lae and Boroko branches and hope to have these completed in 2017 which will see NCSL operating from its own space and members will be served in a sit-down environment. We achieved a membership growth of 9.7% with members now numbering 83,715 as at 31/12/2016.

We also continue to promote our electronic channels for service delivery to assist with serving our growing membership and urge all members to use these channels which would enable quicker- turnaround times on lodged applications. This included enhancing the USSD service which now enables balance enquiries, savings withdrawals and lodgement of 1:1 loan applications from your mobile phone. The 1:1 loan applications will be instantly approved for funds disbursement to the bank account if all is in order.

We also increased participation in our value back progress which will see members enjoying discounts when making purchases at selected outlets. We would like to see more businesses from the provincial centres participate in this program so that our members in these centres can also enjoy this benefit.

Process / Risk

We continue to maintain focus on risk management with ongoing regular review of our policies and procedures towards lowering the level of risk in the business.

We recruited a Risk & Compliance officer to assist Manager Legal and Compliance with all risk management matters and this is also in line with our objective to increase internal capacity to undertake our own testing of internal controls.

Management Statement

Bank of PNG also undertook a targeted onsite review and most of the matters have been addressed and we maintain close dialogue with our regulator on the management of these matters.

We have also commenced the process of internal audit which will only strengthen the way we manage risks within the business.

The Board has also approved our BCP / DRP which was non-existent in the past and we are awaiting the finalisation of works at Boroko Branch, earmarked as our secondary site, to commence full rehearsal of these plans.

We are awaiting the operationalization of the revised Savings and Loan Societies Act which will provide growth opportunities while introducing some reporting requirements and we are prepared for these changes.

People

We continue to ensure that we look after our staff and commenced the engagement of an external consultant to undertake independent review of staff remuneration. As a result of the first review, we increased staff remuneration to align with those offered by similar institutions in the financial industry. This is to ensure that we retain our good quality staff and I am pleased to report that our staff turnover remains very low.

We also continue our learning and development programs to ensure that our staff are well-trained to better serve our members.

We also continue to undertake regular surveys to seek feedback from our staff on the various aspects of the business and where we can improve to provide a more conducive environment for consistency in good work performance.

Future

Management continues to progress with the implementation of the Board-approved strategic action plan with some exciting initiatives planned for roll out in the new year.

These include the introduction of a transactional account linked to a debit card to cater for our members' every day requirements.

We are also looking to further enhance functionalities available on mobile phone services and introduce self-help services in high traffic areas to enable members to initiate transactions and access our services without the need to come to the NCSL branches.

We are also looking to provide enhanced product and service offerings towards our goal of achieving a one-stop-shop objective, providing improved convenience to our members and maintaining consistent quality service to our members.

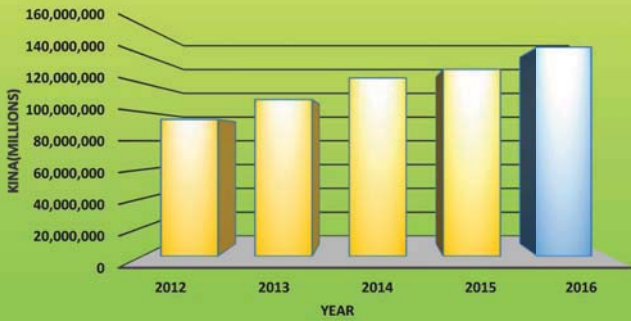
I am grateful for the wonderful support provided by the NCSL board members and thank them for their continued guidance and counsel. I also want to thank the staff for their wonderful contributions in achieving the results in 2016 and I look forward to another successful year in 2017.



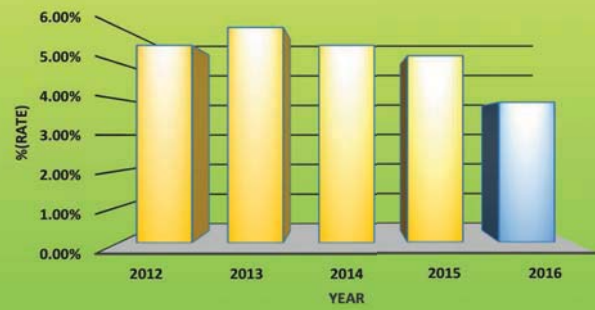
Vari Lahui
General Manager

Graphical Information

GROSS ASSETS



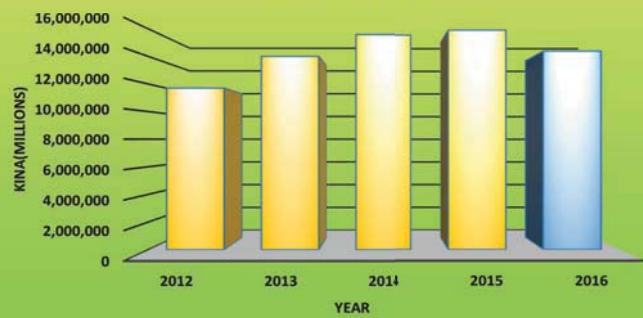
INTEREST CREDITING RATE



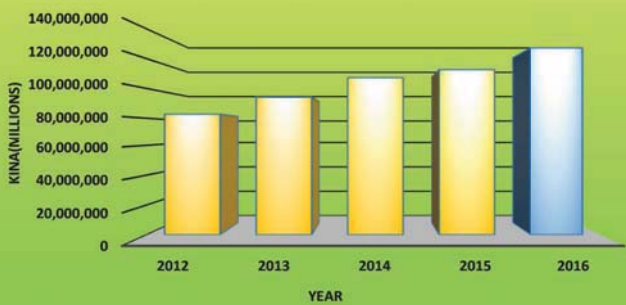
LOANS TO MEMBERS



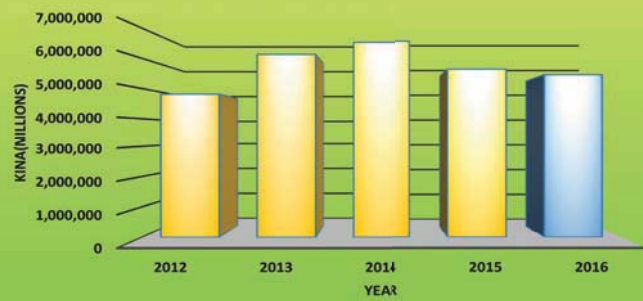
NET ASSETS



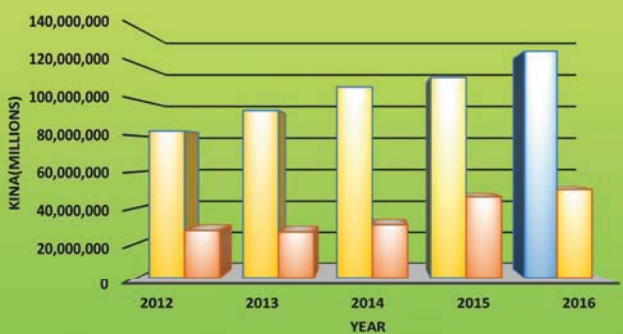
MEMBER SAVINGS



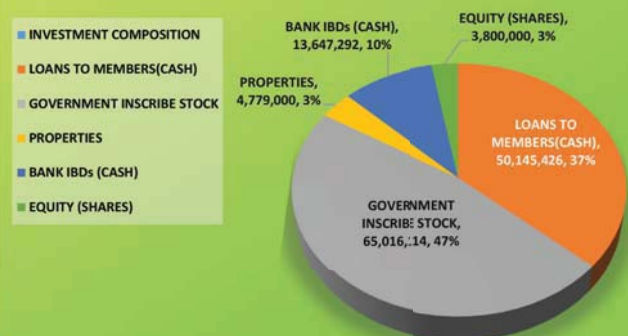
EBIT



SAVINGS vs LOAN COMPARISON



INVESTMENT COMPOSITION



“To become PNG’s one-stop-shop bank 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 Chairman is the Chief Executive Officer of NASFUND. The Board has six Directors.

<i>Name of Director</i>	<i>Meeting Attendance</i>
Ian Tarutia (Chairman)	4
William Lamur	3
Christopher Elphick	2
Hulala Tokome	4
Murray Woo	3
Vera Raga	3

- The Board of Directors receive a sitting fee of K500.00 per board meeting.
- The Chairman receives K5,500.00 per annum.
- An annual fee of K5,000.00 is paid quarterly to each Director.
- In 2016, the board met on four occasions. Prior to each meeting, all available information on matter 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 2016, there were no contingent liabilities.

Crediting Rate Policy

Crediting of interest to members’ accounts for 2016 was done in May 2017. 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 2016, the provision for bad and doubtful debts was K1,826,904.00.

Donations

There were no donations by the Society over 2016.

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 director’s 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 2016 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 over the legal age of 18 years 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 four 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 total net savings balance.
Christmas Savings	Enables savings for the festive season and can be withdrawn in November, December & January only each year.
Kids Savings Account	A trustee account for children from infant to 18 years.

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;
- 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;

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 from infant up to 18 years of age with their parent's consent. This includes children whose parents are members and non-members of NCSL.

How can I apply?

Complete a KSA membership registration form and sign along with your parent and submit to your nearest NCSL branch. KSA forms are also available online.

Is there a membership fee?

Yes. A membership fee of K1.00 is charged to open your account.

Will I be given a membership number?

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

How often can I deposit and what is the minimum amount?

You can deposit on a regular basis. The minimum deposit is K1.00. Failure to deposit within 3 months will result in the account being systematically locked.

How can I activate a locked account?

Locked accounts can be activated by depositing money into the Kids Savings Account.

How can a member deposit contributions?

You can deposit your contributions via the following;

1. Salary deduction by nominated trustee parent
2. Electronic bank transfer
3. Mobile SMS banking
4. Direct deposit (refer banking details on the next page)

Frequently Asked Questions

Bank	BSP	ANZ	WESTPAC
Acc. No#	1000880939	13391771	6004657087
Type	Cheque	Cheque	Cheque
Branch	Port Moresby	Boroko	Waigani

Will my savings attract interest?

Yes, the Society pays a fixed interest rate of 3.00% per annum on your total savings balance and also pays additional annual interest based on the surplus funds (profit) made each year.

How much can I withdraw and what is the minimum holding balance?

You will be eligible to withdraw 50% of your total savings and the minimum holding balance is K200.00. Withdrawals are subjected to certain conditions.

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

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

Are there fees involved?

Yes, a nominal withdrawal fee of K1.00 will be charged.

Can I take a loan against my KSA savings?

No.

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

No.

What happens to my KSA 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.

You are required to provide the following;

- Completed KSA Refund Form
- Letter from school or institution child is attending as proof
- Consent letter from trustee or guardian
- Bank statement of child
- Statutory declaration
- 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. Please ensure to always update your beneficiaries when necessary.

Will I have a membership card as well?

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

Will I also participate in the Loyalty Program?

Yes. Upon cash purchase, present your KSA membership ID card to receive instant discount from selected retail or service provider.

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 my general 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.

Frequently Asked Questions

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.

LENDING GUIDELINES

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 medical & education purposes.

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 loan 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 are outstanding on the members loan account(s).
Funeral expenses	1:2	1 year	
Customary Obligation	1:2	1 year	

Holiday Travel expenses	1:2	1 year	Minimum Loan: 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.
Motor Vehicle Registration & Insurance	1:2	1 year	
Household Electrical Items & Chattels	1:2	5 years	
Birthday Expenses	1:2	1 year	Additional Loans: Additional loans may be granted to a member <ul style="list-style-type: none"> • If a members' total current savings fully secures the aggregate sum of the loan required. • No member shall be granted more than one (1) additional loan per month. Also no additional loans will be granted to a member if the existing loan balance exceeds 50% of their total savings balance.
Investments	1:2	5 years	

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

Frequently Asked Questions

NASCARE

What is NASCARE?

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

Who is providing Insurance?

Our partners are AON Risk Services (PNG) Ltd and Capital Life Insurance Ltd for both medical & life insurance 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 NCSL members.

Can I take medical insurance cover only?

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

What is the annual premium?

The premiums are based on the three different plans;

- Single Plan - K750.00
- Couple Plan - K850.00
- Family Plan - K950.00

How can I apply and when does NASCARE cover start?

Members must fully complete Medical & Life proposal form. Once premium and application is lodged, registration is confirmed and the cover is in place.

How can I pay my premium?

You can pay your premium via the following;

1. Direct payment into NCSL Contribution Account
2. Withdrawal from General Savings Account
3. Obtaining a loan from the Society. The loan will be considered under normal lending policy. If you elect to obtain a loan from the Society, the repayment will be fortnight. Loan must be repaid within 12 months.

Are there any age limits and does this cover my family?

There are age limits and NASCARE covers the following:

- Member & Spouse up to 65 years;
- Children up to 18-25 years of age who are unmarried and full time students (*proof of student identity is required from the relevant education institution*);

- Under this policy, the age limit for natural parents is 65 years.

How much can I claim under NASCARE?

You can claim the following within 12 months period of the cover according to your cover plan;

MEDICAL & HOSPITAL BENEFITS	
Single Plan	K25,000.00
Couple Plan	K40,000.00
Family Plan	K60,000.00
Natural Parents	K1,000.00
DENTAL & OPTICAL BENEFIT	
Single Plan	K1,500.00
Couple Plan	K2,000.00
Family Plan	K3,000.00
Maternity Care	K3,000.00
EMERGENCY EVACUATION & REPATRIATION	
Within PNG	K10,000.00
Outside PNG	K30,000.00
FUNERAL EXPENSES BENEFITS	
<i>The amount of compensation payable is limited to:</i>	
Member	K5,000.00
Spouse	K5,000.00
Dependent Child	K2,000.00
Natural Parents	K500.00
LOSS OF LIFE BENEFIT	
Member	K40,000.00
Spouse	K40,000.00

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 lodge it at any NCSL branch near you with original copies of the following;

- Medical Invoice;
- Doctors' prescriptions;
- Pharmacy receipts

Your claim will be settled within 10 working days with payment made to your nominated bank account.

Medical associated travel and accommodation expenses can also be claimed if a Doctors referral is obtained and the expenses are approved by the Insurer prior to travel. Claims must be submitted within 60 days from the date your cover expires.

Frequently Asked Questions

Claims 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 this cover?

- Expenses or changes incurred during any waiting periods.
- Pre-existing conditions which means any conditions for which the insured person has received medical treatment, diagnosis, consultation or prescribed drugs during the twelve months prior to the insured person being insured under this policy.
- HIV/AIDS, venereal disease, infertility or sterilisation
- Cost of airfares for medical reasons outside of your province without a referral from a doctor.
- Routine physical examination and health checks.
- Suicide, intentional and self-inflicted injury.
- Work related injury or illness.

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 person's nominated beneficiaries. In the event of the nominated beneficiary'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 the Pastor/ Priest/ Village Councillor to be attached

Claims are to be submitted within 90 days of occurrence.

Your claim will be settled within 14 working days with payment made to NCSL office than banked into the nominated bank account.

Can I claim for my natural parents?

Yes. Members can claim the following respectively for natural parents;

- Medical benefit is K1000.00
- Funeral expense is K500.00

What happens if I wish to withdraw from NASCARE before the policy matures?

For individually insured member, the balance of your premium will be refunded to your loan account or into your general savings account. This is if the member has not lodged any claims during the period of the cover.

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

Customer service is our top priority and we continue to embrace technology to ensure our members are able to easily access their savings and loan account information. As a growing Society, we strive for excellence in our pursuit for better services for our members.

Biometric Identification System (BIS)

BIS enables members to scan their finger print into the 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 finger print at the nearest NCSL branch.

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.*

Member Online Service

For online service enter this link <http://sls.ncsl.com.pg/Account/Login> to instantly view balance, apply for loans & savings withdrawal and email balance statements.

Service can be accessed via mobile phone, tablets, laptop & desktops.



Lae: (from top) Manager Member Services Robert Thadeus & Marketing Officer Jasper Kinaram conducting NCSL awareness to employees in Lae.

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 2016.

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 2016 was K4,004,611 (2015: K5,598,976).

Interest

Interest will be credited to Members’ Savings Accounts on 3rd day of May 2017.

Directors

The directors of the Society at the date of the report of the Society are listed on page 4. 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 2016.

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	2016		2015	
	Directors fees K	Sitting allowance K	Directors fees K	Sitting allowance K
Mr. William Lamur, OBE	5,000	2,000	5,000	2,000
Mr. Murray Woo	5,000	2,500	5,000	2,500
Ms. Ellenor Iutiko (resigned December 2015)	-	-	5,000	1,250
Mr. Hulala Tokome	5,000	2,750	5,000	2,750
Mr. Vera Raga	5,500	3,750	5,000	3,750
Mr. Christopher Elphick	3,750	1,250	-	-
	<u>23,750</u>	<u>12,250</u>	<u>25,000</u>	<u>12,250</u>
Chairman of the Society				
Mr. Ian Tarutia, OBE	<u>5,500</u>	<u>3,500</u>	<u>5,500</u>	<u>3,500</u>
	<u>29,250</u>	<u>15,750</u>	<u>30,500</u>	<u>15,750</u>

Statement by Directors

In our opinion, the financial statements set out on pages 18 to 40 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2016 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 31st day of March 2017.

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



Mr. Ian Tarutia, OBE
Chairman



Mr. Hulala Tokome
Director

Opinion

We have audited the accompanying financial statements of NASFUND Contributors Savings and Loan Society for the year ended 31 December 2016, consisting of the statement of financial position as at 31 December 2016, 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 18 to 40.

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.

Basic for Opinion

We conduct our audit in accordance with International Standard on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the the Society and the ethical requirements that are relevant to our audit of the financial statement and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basic for our opinion.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

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

In preparation the financial statements, the Directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charges with governance are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective are to obtain reasonable assurance about whether the financial statement as a whole are free from material mistatemet, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance in accordance with ISAs will always detect a material misstatementwhen it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregated, they could reasonable be expected to influence the economic decisions of the users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise proffessional judgement and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and platform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of intenal control.
- Obtain an understanding of internal control relevent to the audit in order to design audit procedures that are appropriate in the circumstance , but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- Conclude on the appropriateness of the Directors' use of the going concerns basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as going concern. If we conclude that it we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.

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

We have obtained all the information and explanation which, to the of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion;

- i. Proper books of account have been kept by the Society, Sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
- ii. to the best of our knowledge and according to the information and explanation given to us the financial statements comply with the reporting requirements of the Savings and Loan Societies (Amendment) Act 1995 and the Companies Act 1997, in the manner so required.

DATED at Port Moresby this 03rd day of March 2017.

Chartered Accountants



A handwritten signature in black ink, appearing to read 'Suzzan Theron', written over a horizontal line.

Suzzan Theron

Partner

Registered under the Accountants Act 1996

		2016	K	2015	K
	Note				
ASSETS					
Cash on hand and at bank	28	3,752,043		1,020,430	
Term deposits	28	9,895,249		12,901,214	
Prepayments and other receivables	12	2,736,745		1,120,744	
Quoted equity investments	10 (b)	3,020,000		3,652,500	
Unquoted equity investments	10 (c)	160,000		-	
Government inscribed stock	10 (a)	65,016,114		58,934,476	
Loans due from members	11	50,145,426		46,052,923	
Investment properties	9	4,779,000		4,438,000	
Furniture and equipment	8	5,562,248		1,497,794	
TOTAL ASSETS		145,066,824		129,618,081	
LIABILITIES					
Members savings	14	127,173,195		112,628,736	
Trade and other payables	15	3,087,130		680,838	
Finance lease liability		39,574		62,711	
Rental bonds payable		25,718		23,902	
Employee provisions	13	330,736		288,096	
TOTAL LIABILITIES		130,656,352		113,684,283	
NET ASSETS		14,410,473		15,933,798	
MEMBERS FUNDS					
Share capital	18	83,715		76,344	
Statutory reserve	19	12,169,350		11,368,428	
Retained earnings		2,157,409		4,489,026	
TOTAL EQUITY		14,410,474		15,933,798	

For and on behalf of the Board of Directors



Mr. Ian Tarutia, OBE
Chairman
Dated:



Mr. Hulala Tokome
Director
Dated:

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 24 to 42.

Statement of Changes in Member's Funds for the Year Ended 31 December 2016

	Note	Share capital	Statutory reserve	Retained earnings	Total
As at 1 January 2015		72,355	8,728,328	6,773,425	15,574,108
Net member contributions received	18	3,989	-	-	3,989
Total comprehensive income for the year		-	-	5,598,976	5,598,976
Transfer to statutory reserve	19	-	2,640,100	(2,640,100)	-
Interest credited to member savings deposits relating to 2014 profits	14	-	-	(5,243,275)	(5,243,275)
At 31 December 2015		76,344	11,368,428	4,489,026	15,933,798
Net member contributions received	18	7,371	-	-	7,371
Total comprehensive income for the year		-	-	4,004,611	4,004,611
Transfer to statutory reserve	18	-	800,922	(800,922)	-
Interest credited to member savings deposits relating to 2015 profits	14	-	-	(5,535,306)	(5,535,306)
At 31 December 2016		83,715	12,169,350	2,157,409	14,410,474

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 24 to 42.



Port Moresby: Road show team set up at high traffic areas to educate and inform members as well as interested public about NCSL. This forum attracted new membership for NCSL and it's Kids Savings Account.

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016

		2016 K	2015 K
	Note		
Income from lending			
Interest from members loans		5,505,159	4,252,834
		<u>5,505,159</u>	<u>4,252,834</u>
Income from investments			
Interest income		7,804,526	7,060,628
Rental income		252,768	229,412
Dividend income		263,500	201,500
Movement in fair value of quoted equity investments	10 (b)	(632,500)	(445,481)
Movement in fair value of unquoted equity investments	10 (c)	160,000	-
Movement in fair value of investment properties	9	341,000	73,000
		<u>8,189,294</u>	<u>7,119,059</u>
Other income			
Loan fees		767,034	700,031
New membership fees		195,347	172,143
Withdrawal fees		144,682	135,403
Reversal of provision for doubtful debts		14,581	19,214
Sundry income		79,947	111,697
		<u>1,201,591</u>	<u>1,138,488</u>
TOTAL INCOME		<u>14,896,044</u>	<u>12,510,381</u>
Expenses			
Administration expenses	20	3,337,705	2,962,040
Finance lease expenses		2,568	7,879
Staff expenses	21	3,832,940	3,581,537
Provision for doubtful debts and bad debts	11	1,826,904	-
Depreciation	8	463,062	321,255
Property repairs and maintenance		16,758	38,694
Interest to members		1,411,497	-
		<u>10,891,434</u>	<u>6,911,405</u>
TOTAL EXPENSES		<u>10,891,434</u>	<u>6,911,405</u>
Profit from operations before interest and tax		<u>4,004,611</u>	<u>5,598,976</u>
Income tax expense	22	-	-
		<u>4,004,611</u>	<u>5,598,976</u>
Profit for the year		<u>4,004,611</u>	<u>5,598,976</u>
Other comprehensive income			
Total comprehensive income for the year		<u>4,004,611</u>	<u>5,598,976</u>

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 24 to 42.

Note	2016 K	2015 K
CASH FROM OPERATING ACTIVITIES		
Interest received from members loans	5,505,159	4,252,834
Interest received from government debt securities	6,895,715	7,357,880
Rental income received	252,768	229,412
Dividend income received	263,500	201,500
Fee income received	1,187,009	1,119,274
Net loans issued to members	(5,592,503)	(15,788,923)
Net investment in interest bearing deposits	3,005,966	20,408,466
Net purchase of equity investments	-	1,001,143
Net purchase of debt investments	(6,081,638)	(13,533,605)
Expenses paid to suppliers	(2,850,738)	(2,827,215)
Expenses paid to staff	(3,832,940)	(3,400,139)
Net cash inflow from operating activities	(1,247,701)	(979,373)
CASH FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,627,516)	(462,758)
Net cash outflow from investing activities	(2,627,516)	(462,758)
CASH FROM FINANCING ACTIVITIES		
Net member capital contribution received	7,371	3,989
Net member savings and deposits received	6,599,460	184,415
Net cash (outflow) / inflow from financing activities	6,606,831	188,404
Cash and cash equivalents at beginning of the year	1,020,430	2,274,157
Net (decrease) / increase in cash and cash equivalents	2,731,613	(1,253,727)
Cash and cash equivalents at end of the year	3,752,043	1,020,430

The Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 24 to 42.



From Left to Right: NCSL management representatives informing listeners about lending and service standards on FM100 Talk Back Show with host Late Bonner Tito.

1. Reporting:

NASFUND Contributors Savings and Loan Society Limited (The 'Society') is domiciled in Papua New Guinea. The Society's registered office is at Section 4, Allotment 3, Douglas Street, Downtown, Port Moresby N.C.D., Papua New Guinea. The Society is primarily involved in retail banking activities including receiving deposits and issuing loans.

2. Basis of Accounting:

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Society's board of directors on 31 March 2017.

All amounts are expressed in Kina unless otherwise stated. Fair value accounting is used for investments at fair value through profit and loss, and investment properties. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

Statement of compliance

The financial statements of the Society are general purpose financial statements which have been prepared in accordance with the accounting provisions of the International Financial Reporting Standards (IFRS) and the Savings and Loans Societies (Amendments) Act 1995. IFRS are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). The Society's application of IFRS and its Interpretations ensures that its financial statement complies with IFRS.

3. Functional currency

The financial statements are presented in Kina.

4. Use of estimates and assumptions

In the application of the Society's accounting policies, which are described in note 1, the directors of the Society are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1. Investments in Government bonds and treasury bills

The Directors have reviewed the Society's investments in government debt securities in the light of its capital maintenance and liquidity requirements and have confirmed the Society's positive intention and ability to hold those assets to maturity. Government debt securities are classified as loans and receivables due to a lack of a secondary market and quoted active market prices.

4.1.2. Financial assets at FVTPL - Quoted and unquoted shares

Quoted and unquoted equity investments have been classified as fair value through profit and loss. Quoted prices have been obtained from Port Moresby Stock Exchange (POMSOX). Unquoted equity investments have been valued using valuation techniques.

4.2. Key sources of estimation uncertainty

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

4.2.1. Useful lives of property, plant and equipment

The Society reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

4.2.2. Fair value measurements and valuation processes

Some of the Society's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Society uses market-observable data to the extent where it is available. Where Level 1 inputs are not available, the Society engages third party qualified valuers to perform the valuation.

4.2.3. Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Society will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business. As at 31 December 2016 the Society had an at call liquidity net deficiency of 123 million (2015: 111 million). This net deficiency is predominantly due to member deposits being fully categorized as liability exposure at call.

Funds received from members savings have been invested in long term investment opportunities, resulting in the apparent maturity mismatch. The savings are fully secured or partially secured against Loans to members(where members deposits being fully categorized as liability exposure at call.

While member savings are at call, there are processes in place to control the volume of withdrawals.

Having assessed the Society's ability to generate positive cash flows as well as the likely timing of member withdrawals, of which there has been no history of significant withdrawals, the at call liquidity net deficiency.

is not expected to affect the Society's ability to meet its operational and financial obligations and the going concern assumption is considered appropriate in the preparation of these financial statements

5. Changes in accounting policy

There were no changes in accounting policies in 2016.

6. New standards issued but not yet effective

The relevant standards and interpretation that are issued, but not yet effective, up to the date of issuance of the Society's financial statements are disclosed below.

IFRS 9 Financial Instruments

IFRS 9, published in 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This amendment is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Society does not plan to adopt this standard early and the extent of the impact has not been determined.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 in 2014. The standard is not mandatorily effective for the Society until 1 October 2017. IFRS 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. The society is assessing the potential impact on its financial statements resulting from the application of this standard.

IFRS 16 Leases

The final version of IFRS 16 was issued in February 2016. IFRS 16 requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for annual reporting periods beginning on or after 1st Jan 2019, with early adoption permitted.

Other standards and interpretation that are not deemed to have a significant effect on the Society are:

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2012-2014 Cycle

7. Significant Accounting Policies:

A. Basis of consolidation

The financial statements are prepared on a standalone basis for the Society. The Society does not have subsidiaries and does not control another entity.

B. Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income using the effective interest method include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

C. Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees and sales commission are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight line basis over the commitment period.

D. Change in Fair Value of Financial Assets

Change in fair value of financial assets comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

Other fees and commission expense related mainly to transaction and service fees, which are expensed as the services are received.

E. Dividend Income

Dividend income is recognised when the right to receive income is established, usually this is the ex-dividend date for equity securities.

7. Significant Accounting Policies (continued)

F. Leases

i. Lease payments – lessee:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

ii Lease assets- lessee:

The leased asset is initially measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases are classified as operating leases and are not recognised in the statement of financial position.

iii Lease assets- lessor:

If the Society is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the new investment in the lease is recognised and presented within loans and advances.

G. Tax Exemption

The Society is exempt from income tax under section 40A of the Income Tax Act 1959.

H. Financial assets and liabilities:

i. Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments including regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

The Society classified its financial instruments into the following categories;

- Fair value through profit and loss and within this category as:
 - ◆ held for trading
 - ◆ designated at FVTPL; and
- Loans and receivables

The Society classifies its financial liabilities as measured at amortised cost.

iii. De-recognition

A financial asset is de-recognised when the Society loses control over the contractual rights that comprise the asset. This will occur when the rights are realised, expired or surrendered. A financial liability shall be de-recognised when it is extinguished.

The Society de-recognises a financial liability when its contractual obligations are discharged or cancelled or expired.

iv Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

v. Amortised cost measurement

The amortised cost of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

vi. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence the most advantageous market to which the society has access at that date.

When available the Society measures the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as active if transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market then the Society uses calculation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that the market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

The society recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

7. Significant Accounting Policies (continued)**H. Financial assets and liabilities (continued)****vii. Identification and measurement of impairment****a) Objective evidence of impairment:**

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flow of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- Indications that a borrower or issuer will enter bankruptcy; and
- The disappearance of an active market for a security.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In making an assessment of whether an investment in sovereign debt is impaired, the Society considers the following factors:

- The market's assessment of the creditworthiness of the issuer and security
- The rating agencies' assessments of credit worthiness
- The country's ability to access the capital markets for new debt issuance

b) Individual and collective assessment:

The Society considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held to maturity investment securities are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held to maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to maturity investment securities with similar risk characteristics.

The individual component of the total allowance for impairment applies to the financial assets evaluated individually for impairment and found to be individually impaired and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and

the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by Management.

c) Measurement:

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in the profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised because the amount of impairment loss to decrease then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available for sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

d) Reversal of impairment and write-offs:

The Society writes off a loan or an investment debt security either partially or in full and any related allowance for impairment losses, when Society determines that there is no realistic prospect of recovery.

I. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, and other short-term highly liquid investments with initial maturities of less than three months.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

J. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable repayment terms that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

Loans and advances and initially recognised at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

7. Significant Accounting Policies (continued)**H. Financial assets and liabilities (continued)****K. Investment securities**

i. Fair value through profit or loss:

The Society designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

ii. Other fair value changes, other than impairment losses are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

L. Property and equipment

i. Recognition and measurement:

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii Subsequent costs:

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Society. Ongoing repairs and maintenance are expensed as incurred.

iii Depreciation:

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives and is recognised in the profit or loss. 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.

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

M. Investment properties

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within change in fair value of investment. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

N. Investment property rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

O. Software

Software acquired by the Society is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Society is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development the capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 3-5 years. Amortisation methods, useful lives and residual values are reviews at each reporting date and adjusted if appropriate.

P. Impairment of Non-Financial Assets

At each reporting date, the society reviews the carrying amounts of its non-financial assets (other than investment properties) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. 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.

7. Significant Accounting Policies (continued)**Q. Deposits**

Deposits are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

R. 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 reliable 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 the 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.

S. Employee benefits**i. Defined contribution plans:**

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

ii. Other long term employee benefits:

The Society's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are

recognised in profit or loss in the period in which they arise.

iii. Termination benefits:

Termination benefits are expensed as at the earlier of when the Society can no longer withdraw the offer of those benefits and when the Society recognises costs from a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

iv. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

T. Reserves

The Society maintains the following equity positions:

i) Member capital represents contributions members have made to the Society on initiation or creation of their savings account. Member capital is refundable to the member on cessation of their membership with the society.

ii) General reserve / statutory reserve represents a statutory minimum of twenty percent (20%) of each year's net earnings before declaring interest on deposits and dividends. If the reserve is greater than 10% of total liabilities then 20% of net earnings is not required to be transferred.



Tapini, Goilala District, Central Province: Oil Palm workers in Tapini, gathering for NCSL awareness.

8 FURNITURE AND EQUIPMENT

	<i>Software and Office equipment</i>	<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 2015	1,051,592	52,720	99,100	556,506	-	1,759,918
Additions	414,658	-	-	-	48,100	462,758
Disposals	-	-	-	-	-	-
At 31 December 2015	1,466,250	52,720	99,100	556,506	48,100	2,222,676
At 1 January 2016	1,466,250	52,720	99,100	556,506	48,100	2,222,676
Additions	214,707	233,302	45,000	7,446	4,027,061	4,527,516
Disposals	-	-	-	-	-	-
WIP Transfers	3,900,000	-	-	-	(3,900,000)	-
At 31 December 2016	5,580,957	286,022	144,100	563,952	175,161	6,750,192
Accumulated Depreciation:						
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
At 1 January 2016	626,642	8,642	37,363	52,236	-	724,882
Charge for the year	375,559	20,500	28,737	38,266	-	463,062
Disposals	-	-	-	-	-	-
At 31 December 2016	1,002,201	29,142	66,100	90,502	-	1,187,944
Carrying amounts						
At 31 December 2016	4,578,755	256,880	78,000	473,450	175,161	5,562,248
At 31 December 2015	839,610	44,079	61,737	504,270	48,100	1,497,794

During the year, the Society changed its core banking system. The SaveLoanSmart system went live in November 2016. The system was purchased from CloudApp Limited ('CloudApp'), an entity which the Society has an investment in. Costs associated with the new system were capitalised firstly in WIP and then transferred to software and office equipment. As at 31 December 2016, the full amount of the contract had not been invoiced, however the total cost was capitalised as at year end with the contract balance recorded in trade payables. Hence the non-cash addition to PPE as at 31 December 2016 amounted to K1,900,000. This has been reflected in the cash flow statement.

9 INVESTMENT PROPERTIES

	Note	2016 K	2015 K
Investment properties - Residential	(a)	<u>4,779,000</u>	<u>4,438,000</u>

(a) Investment properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

	Valuation model	Capitalisation rates	2015 K'000	Revaluation K'000	2016 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	10.50%	1,720	(20)	1,700
Sec 147 Lot 16 8 Mile	MC	11.00%	906	130	1,036
Sec 147 Lot 22 8 Mile	MC	10.00%	906	118	1,024
Sec 147 Lot 26 8 Mile	MC	11.00%	906	113	1,019
			<u>4,438</u>	<u>341</u>	<u>4,779</u>
	Valuation model	Capitalisation rates	2014 K'000	Revaluation K'000	2015 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	11.00%	1,647	73	1,720
Sec 147 Lot 16 8 Mile	MC	11.00%	906	0	906
Sec 147 Lot 22 8 Mile	MC	11.00%	906	0	906
Sec 147 Lot 26 8 Mile	MC	11.00%	906	0	906
			<u>4,365</u>	<u>73</u>	<u>4,438</u>

Investment properties are stated at fair value, which have been determined by the Board of Directors based on valuations performed by The Professional Valuers of PNG Ltd as at 31 December 2016. Investment property comprises a number of residential properties that are leased to third parties. The valuation method used was the market capitalisation method.

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.

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

9 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 K4,779,000 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:

	2016 K	2015 K
Opening balance	4,438,000	4,365,000
Changes in fair value	341,000	73,000
Closing balance	<u>4,779,000</u>	<u>4,438,000</u>

Significant key unobservable inputs used include market lease rates and market capitalisation rates of 10.5% and 11% (2015: 10.5% to 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.

10 INVESTMENT SECURITIES AND GOVERNMENT INSCRIBED STOCK

	Notes	2016 K	2015 K
Government inscribed stock	(a)	65,016,114	58,934,476
Quoted equity investments	(b)	3,020,000	3,652,500
Unquoted equity investments	(c)	160,000	-
		<u>68,196,114</u>	<u>62,586,976</u>

(a) Government inscribed stock

The stock's book value comprises of:

	2016 K	2015 K
Face value of Government inscribed stock	62,660,000	56,660,000
Unamortised premiums	2,992,695	3,091,820
Unamortised discounts	(636,581)	(817,344)
	<u>65,016,114</u>	<u>58,934,476</u>

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

10 INVESTMENT SECURITIES AND GOVERNMENT INSCRIBED STOCK (continued)

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	3,000,000
2019	12.9	8,000,000
2022	8.5	1,750,000
2023	9 to 12	11,000,000
2025	11.45	4,000,000
2027	11.2 to 14.0	24,160,000
2028	11.2 to 14.0	2,000,000
2029	10.5 to 11.0	7,750,000
2031	15.4	1,000,000
		<u>62,660,000</u>

(b) Quoted equity investments

Summary of revaluation of quoted investments is as follows:

	2015 K	Revaluation K	Disposal K	2016 K
Quoted shares domestic				
Credit Corporation (PNG) Limited	3,487,500	(542,500)	-	2,945,000
PNG Air Limited	165,000	(90,000)	-	75,000
	<u>3,652,500</u>	<u>(632,500)</u>	<u>-</u>	<u>3,020,000</u>

Reconciliation of movement in quoted investments is as follows:

	2016 K	2015 K
Balance at 1 January	3,652,500	5099124
Change in fair values	(632,500)	(445481)
Disposal of New Britain Palm Oil	-	(1011143)
Balance at 31 December	<u>3,020,000</u>	<u>3,652,500</u>

(c) Unquoted equity investments

	2016 K	2015 K
Investment in CloudApp Laboratories (PNG) Limited	<u>160,000</u>	<u>-</u>

During the year, the Society acquired 51% of the shares in CloudApp Limited ('CloudApp') at no consideration. CloudApp is a software development and retail company. During the year, CloudApp was contracted to implement the Society's new core banking system, a system called SaveLoanSmart. The investment is classified as a financial asset at fair value through profit and loss. The increase of PGK160,000 in fair value has been recorded under movement in fair value of equity investments in the statement of profit and loss and other comprehensive income.

11 LOANS DUE FROM MEMBERS

	2016	2015
	K	K
Loans due from members	51,972,330	46,261,989
Less: provision for doubtful debts	(1,826,904)	(209,066)
	<u>50,145,426</u>	<u>46,052,923</u>

Interest of 1% per month is charged. Repayments are received on a fortnightly and monthly basis. The minimum loan is K200.00 Board approval is required for loans granted over K100,000.00

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

	2016	2015
	K	K
Balance at 1 January	209,066	367,752
Provision charges to profit and loss	1,826,904	-
(Write back of) / provision for doubtful debts	-	(19,214)
Bad debts written off during the year	(397,205)	(139,472)
Balance at 31 December	<u>1,638,766</u>	<u>209,066</u>

12 PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	K	K
Accrued interest	1,067,967	722,304
Staff related receivables	44,492	47,009
Rent receivable	70,625	111,058
Security deposits	46,250	46,250
Other receivables from NASFUND (Note 23)	46,448	43,282
Prepayments	460,962	150,841
Contributions received after year end relating to year end	1,000,000	-
	<u>2,736,745</u>	<u>1,120,744</u>

Accrued interest represents interest accrued on Government inscribed stock (Note 9) and interest bearing deposits (Note 26). Accrued interest on loans is captured in the loan balance. Contributions received after year end predominantly relate to member contributions for December received in January. Refer to note 14 for further information.

13 EMPLOYEE PROVISION

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

	2016	2015
	K	K
Provision for annual leave	78,760	67,482
Provisions for long service leave	251,976	220,614
Provision as at 31 December	<u>330,736</u>	<u>288,096</u>

14 MEMBERS' SAVINGS

	2016 K	2015 K
Members savings	122,284,840	110,442,286
Unallocated contributions	3,888,354	2,186,450
Contributions received after year end relating to year end	1,000,000	-
	<u>127,173,194</u>	<u>112,628,736</u>

During the year, the Society commenced payment of monthly interest to members. This interest differs from the year end distributions declared by the Board of Directors of the Society as it's purpose is to attract and retain member savings and capital.

As at 3rd of March 2016, the Board of Directors declared and distributed to members interest at a rate of 5.2% (2015: 5.5%) totalling K5,535,306 (2015: K5,243,275) from 2015 profits. The distribution made in 2015 was out of 2014 year end profits. This profit distribution is apportioned based on the daily savings balance of the members accounts for the year. This distribution differs from the monthly interest payments and is equity in nature.

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.

15 TRADE AND OTHER PAYABLES

	Note	2016 K	2015 K
Creditors and accruals		3,038,484	621,197
Amounts payable to NASFUND	23	-	-
Other payables		48,646	59,641
		<u>3,087,130</u>	<u>680,838</u>

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

16 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.

17 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:

	2016 K	2015 K
Less than 1 year	571,182	522,000
Between 1 and 5 years	1,943,652	1,348,500
	<u>2,514,834</u>	<u>1,870,500</u>
(ii) Amount recognised in profit and loss Lease expense	638,865	663,349
	<u>638,865</u>	<u>663,349</u>

18 SHARE CAPITAL

	2016	2015
	K	K
Issued ordinary share capital		
Shares on issue at 1 January	76,344	72,355
Net movement in share capital	7,371	3,989
Shares on issues at 31 December	<u>83,715</u>	<u>76,344</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

19 STATUTORY RESERVE

	2016	2015
	K	K
Balance at 1 January	11,368,428	8,728,328
Statutory transfer of net profit for the year	800,922	2,640,100
Balance at 31 December	<u>12,169,350</u>	<u>11,368,428</u>

The Savings and Loan Societies (Amendment) Act 1995, requires a Society to transfer 20% of its profits earned in a financial year to the statutory reserve. The Society is not required to maintain a reserve balance exceeding 10% of total liabilities.

20 ADMINISTRATION EXPENSES

	2016	2015
	K	K
Advertising and marketing	332,478	318,203
Auditor's remuneration - statutory audit	90,000	92,650
Auditor's remuneration - other allowable services	15,000	15,000
Back-office administration fees	226,884	230,543
Bad debts write off - other debtors	17,772	47,879
Bank charges	98,640	98,652
Computer, software support and communication	1,109,427	732,059
Directors fees	29,250	30,500
Directors sitting fees and expenses	15,750	15,750
Motor vehicle expenses	57,317	83,448
Printing and postage	231,113	126,343
Professional and consulting fees	113,093	148,485
Rental expenses	610,500	608,048
Security charges	85,643	109,477
Travel	51,172	69,738
Other office expenses	253,665	235,266
	<u>3,337,705</u>	<u>2,962,040</u>

21 STAFF EXPENSES

	2016	2015
	K	K
Salaries and wages	2,234,489	1,969,198
Superannuation (Note 22)	181,814	171,723
Long service leave (Note 12)	36,342	79,380
Other benefits and expenses	1,380,295	1,361,236
	<u>3,832,940</u>	<u>3,581,537</u>

As at 31 December 2016 the Society had 64 employees (2015: 64).

22 INCOME TAX EXPENSE

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

23 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 2016, the Society expensed K181,814 in contributions (2015: K171,723).

24 SEGMENT INFORMATION

The Society operates as one segment and in one geographical location being PNG.

25 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) Loans to staff and directors

Member loans made to 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 2016 was as follows:

	2016	2015
	K	K
Loans to related parties	493,974	1,140,721
	<u>493,974</u>	<u>1,140,721</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.

25 RELATED PARTY TRANSACTIONS (continued)**(ii) National Superannuation Fund (“NASFUND”)**

NASFUND is a related party due to common Directors between NASFUND and the Society. Further, only NASFUND members are eligible to be members of the Society.

	2016	2015
	K	K
Amount payable to NASFUND (Note 14)	-	-
Other receivables from NASFUND (Note 11)	46,448	43,282
	<u>46,448</u>	<u>43,282</u>

Rent of K290,000 (2015: 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.

(iii) CloudApp Laboratories (PNG) Limited

CloudApp is a related party of the Society. The Society holds 51% of the shares of the entity and there are common Directors between the entities. During the year, the Society purchased a core banking system from CloudApp. The Save Loan Smart system went live in November 2016. The transaction was material. Refer to note 7 for further details.

Compensation of key management personnel

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

	2016	2015
	K	K
Salaries, wages and other short-term benefits	1,265,758	873,145
Long-service leave	39,826	(67,476)
Superannuation	69,517	57,680
	<u>1,375,101</u>	<u>863,349</u>

The number of employees whose total remuneration and other benefits received, exceeding K100,000 and falling within each relevant K50,000 banding

K100,000 – K149,999	5	4
K150,000 – K199,999	-	1
K200,000 – K249,999	-	-
K250,000 – K299,999	1	1
	<u>6</u>	<u>6</u>

Directors during the year

- Mr. Ian Tarutia, OBE (Chairman)
- Mr. William Lamur, OBE
- Mr. Murray Woo
- Mr. Hulala Tokome
- Mr. Vera Raga
- Mr. Christopher Elphick

Executives during the year

- Vari Lahui (General Manager)
- Patricia Sawanga (Legal and Compliance Manager)
- Bernard Geita (Manager Lending)
- Darusilla Musi (HR Manager)
- Robert Thadeus (Member Services Manager)
- Jackraho Morea (Accountant)

26 CONTINGENCIES AND COMMITMENTS

The Society did not have any commitments or contingencies at the date of approving these financial statements. (2015: nil)

27 SUBSEQUENT EVENTS

No material subsequent events have occurred between the end of the financial year and the date of signing of the financial statements. However, following the date of the financial statements, the Society's Board of Directors are to approve a distribution to members.

28 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:

	2016	2015
	K	K
Term deposits	9,895,249	12,901,214
Cash on hand and at bank	3,752,043	1,020,430
	<u>13,647,291</u>	<u>13,921,645</u>

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 2016 ranged from 1.95% to 3.5% (2015: 0.8% to 1.8%).

29 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:

	2016	2015
	K	K
Cash and cash equivalents and IBDs	3,752,043	1,020,430
Term deposits	9,895,249	12,901,214
Prepayments and other receivables	2,736,745	1,120,744
Quoted equity investments	3,020,000	3,652,500
Unquoted equity investments	160,000	-
Government inscribed stock	65,016,114	58,934,476
Loans due from members	50,145,426	46,052,923
	<u>134,725,576</u>	<u>123,682,288</u>

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 11), 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.

29 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:

<i>Amounts at 31 December 2016</i>	<i>Total K</i>	<i>At call K</i>	<i>0 to 3 months K</i>	<i>3 to 12 months K</i>	<i>1 to 5 years K</i>	<i>Weighted Average rate %</i>
Assets						
Cash and cash equivalents	3,752,043	3,752,043	-	-	-	2%
Term deposits	9,895,249	-	-	9,895,249	-	3%
Prepayments and other receivables	2,736,745	-	2,736,745	-	-	nil
Quoted equity investments	3,020,000	-	-	3,020,000	-	nil
Unquoted equity investments	160,000	-	-	160,000	-	nil
Government inscribed stock	65,016,114	-	-	-	65,016,114	10%
Loans due from members	50,145,426	-	-	-	-	12%
Total	134,725,576	3,752,043	2,736,745	13,075,249	65,016,114	
Liabilities						
Members savings*	127,173,195	127,173,195	-	-	-	1.2%
Trade and other payables	3,087,130	-	3,087,130	-	-	nil
Finance lease liability	39,571	-	-	-	39,571	8%
Rental bonds payable	25,718	-	-	-	25,718	nil
Provision for long service leave	330,736	-	-	78,760	251,976	nil
Total	130,656,350	127,173,195	3,087,130	78,760	317,266	
<i>Amounts at 31 December 2015</i>						
Assets						
Cash and cash equivalents	1,020,430	1,020,430	-	-	-	2%
Term deposits	12,901,214	-	-	12,901,214	-	3%
Prepayments and other receivables	1,120,744	-	1,120,744	-	-	nil
Quoted equity investments	3,652,500	-	-	3,652,500	-	nil
Unquoted equity investments	-	-	-	-	-	nil
Government inscribed stock	58,934,476	-	-	-	58,934,476	10%
Loans due from members	46,052,923	-	-	-	-	12%
Total	123,682,288	1,020,430	1,020,430	16,553,714	58,934,476	
Liabilities						
Members savings*	112,628,736	112,628,736	-	-	-	nil
Trade and other payables	680,838	-	680,838	-	-	nil
Finance lease liability	62,711	-	-	-	62,711	8%
Rental bonds payable	23,902	-	-	-	23,902	nil
Provision for long service leave	288,096	-	-	67,482	220,614	nil
Total	113,684,283	112,628,736	680,838	67,482	307,227	
Net exposure 2016	4,069,226	(123,421,152)	(350,385)	12,996,489	64,698,848	
Net exposure 2015	9,998,005	(111,608,306)	439,906	16,486,233	58,627,249	

* Member savings are deemed at call however practically there are controls in place to ensure that a significant drawing of member funds is not permitted, hence alleviating the risk of a run on the Society or a liquidity shortage in the short term.

29 FINANCIAL INSTRUMENTS (continued)**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. The society is not exposed to significant interest 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.

(e) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As all of the Society's financial instruments are carried at net market value with changes recognised in the Statements of Comprehensive Income, therefore all changes in market conditions affecting net market value will be recognised.

Investments of the Society (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities and shares and promissory notes in listed companies. The Society's exposure therefore is limited to the market price movement of these investments.

Other market price risk is mitigated by constructing a diversified portfolio of instruments which are traded on various markets. All investment managers are subject to extensive due diligence prior to being appointed and removed by the Board.

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 the assets and profit	
			increase	Decrease
Amount at 31 December 2016				
Quoted and unquoted equity investments	10%	3,180,000	318,000	(318,000)
Amount at 31 December 2015				
Quoted equity investments	10%	3,652,500	365,250	(365,250)

The Society had no unquoted equity investments as at 31 December 2015.

29 FINANCIAL INSTRUMENTS (continued)**(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:

- 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).

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

	Level 1	Level 2	Level 3	Total
31 December 2016				
Quoted equity investments	3,180,000	-	-	3,180,000
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	4,779,000	4,779,000
	<u>3,180,000</u>	<u>160,000</u>	<u>4,779,000</u>	<u>8,119,000</u>
31 December 2015				
Quoted equity investments	3,652,500	-	-	3,652,500
Investment properties	-	-	4,438,000	4,438,000
	<u>3,652,500</u>	<u>-</u>	<u>4,438,000</u>	<u>8,090,500</u>

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



Payroll Officer of TST Boroko distributing NCSL membership application forms after awareness session.



Staff of PNG T-Shirt Ltd displaying 2016 Walk Against Corruption T-Shirt for NCSL employees.

DIRECTORS

Ian Tarutia, OBE Chairman	Director: Federation of Savings & Loan Societies, Air Niuguni Limited, Papua New Guinea Chamber of Commerce and Industry, Papua New Guinea Institute of Company Directors, Employer Federation of Papua New Guinea, East New Britain Properties Limited.
William Lamur, OBE Director	Director: East New Britain Development Corporation, East New Britain Port Services, Andersons Foodland, National Development Bank, Trukai Industries Limited, Pacific Assurance Group, East New Britain Supermarkets, Witherlam Investments Limited, East New Britain Copra, Cocoa & Coffee Co-Operative, Mainland Holdings Limited, East New Britain Properties Limited, PEIL (Pacific Energy), Territory Packaging, Grand Pacific Hotel Limited, NASFUND & NASMEL Limited.
Christopher Elphick Member Representative Director	Director: Natu Investments (PNG) Limited, Tohouwa (PNG) Limited.
Murray Woo Director	Director: Woo Textile Corporation Limited, Healthy Kamwood Limited, Manufacturers Council of Papua New Guinea, Getaway Travel Limited, Business Council of Papua New Guinea, PNG Air Limited, Print Monster Limited, City Centre Development Limited, NASMEL Limited, Galatoire Limited & NASFUND.
Hulala Tokome Director	Director: Puma Energy PNG Limited, Puma Energy Refining PNG Limited, Puma Energy Supply PNG Limited, Mainland Holdings Limited, NASFUND & NASMEL Limited.
Vera Raga Director	Director: NASFUND, National Tripartite Consultative Council, Edge Limited, Carpark Limited, Malagan Limited, Gewani Limited & NASMEL Limited.

OFFICERS

Vari Lahui	General Manager Member: PNG Institute of Banking & Business Management Inc, & PNG Institute of Directors Inc.
Patricia Sawanga	Board Secretary Manageress Legal & Compliance. Member: PNG Law Society.
Jackraho Morea	Accountant Member: Certified Practicing Accountants of PNG.
Darusilla Musi	Manageress Human Resource.
Bernard Geita	Manager Lending.
Robert Thadeus	Manager Member Service & Branch Support.
Evelove Farapo	Team Leader Marketing & Client Relations.
Lister Paia	Team Leader Information Technology.
Dorish Leba	Team Leader Data Processing.

Branch Representation

In our endeavour to bring services closer to our members. We have representation with NASFUND in 19 locations.

Refer table below with details for each of our branch offices;

Location	Address	Phone	Fax	Email
Alotau	P.O.Box 423, Alotau, Milne Bay Province	313 2038	641 0164	alotau@ncsl.com.pg
Bialla	P.O.Box, 106, Bialla, West New Britain Province	313 2056	983 1152	bialla@ncsl.com.pg
Boroko	P.O.Box 7732, Boroko, National Capital District	313 2032	325 6347	boroko@ncsl.com.pg
Buka	P.O.Box 446, Buka, AROB	313 2043	973 9250	buka@ncsl.com.pg
Goroka	P.O.Box 595, Goroka, Eastern Highlands Province	313 2036	532 1086	goroka@ncsl.com.pg
Kavieng	P.O.Box 70, Kavieng, New Ireland Province.	313 2053	983 4399	kavieng@ncsl.com.pg
Kimbe	P.O.Box 935, Kimbe, West New Britain Province.	313 2040	983 4115	kimbe@ncsl.com.pg
Kokopo	P.O.Box 2079, Kokopo, East New Britain Province	313 2039	982 8731	kokopo@ncsl.com.pg
Lae	P. O.Box 2451, Lae, Morobe Province	313 2033	472 5791	lae@ncsl.com.pg
Lihir	P.O.Box 300, Lihir, New Ireland Province	313 2044	986 4844	lihir@ncsl.com.pg
Lorengau	P.O.Box 238, Lorengau, Manus Province	970 3848	970 9866	lornasfund@nasfund.com.pg
Madang	P.O.Box 1166, Madang, Madang Province	313 2035	422 1847	madang@ncsl.com.pg
Mount Hagen	P.O.Box 1539, Mt. Hagen, Western Highlands Province	313 2034	542 3134	hagen@ncsl.com.pg
Popondetta	P.O.Box 619, Popondetta, Oro Province	313 2037	629 7295	popondetta@ncsl.com.pg
Port Moresby	P.O.Box 7732, Boroko, National Capital District	313 2031	320 0193	helpdesk@ncsl.com.pg
Tabubil	P.O.Box 133, Tabubil, Western Province	313 2041	649 8091	tabubil@ncsl.com.pg
Vanimo	P.O.Box 63, Vanimo, Sandaun Province	313 2057	457 1847	vanimo@ncsl.com.pg
Wabag	P.O.Box 193, Wabag, Enga Province	313 2058	547 1142	wabag@ncsl.com.pg
Wewak	P.O.Box 740, Wewak, East Sepik Province	313 2042	456 1436	wewak@ncsl.com.pg



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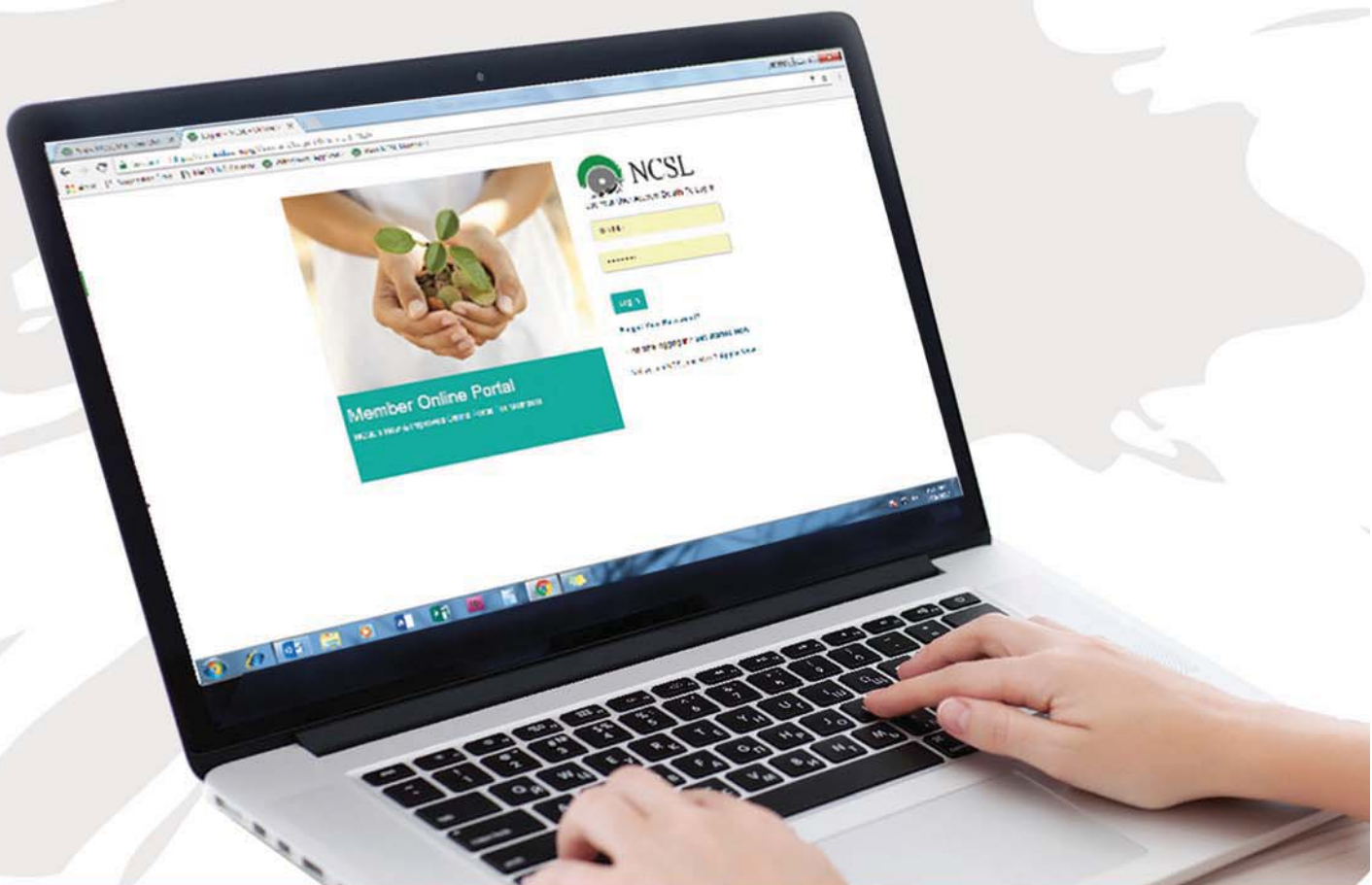


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