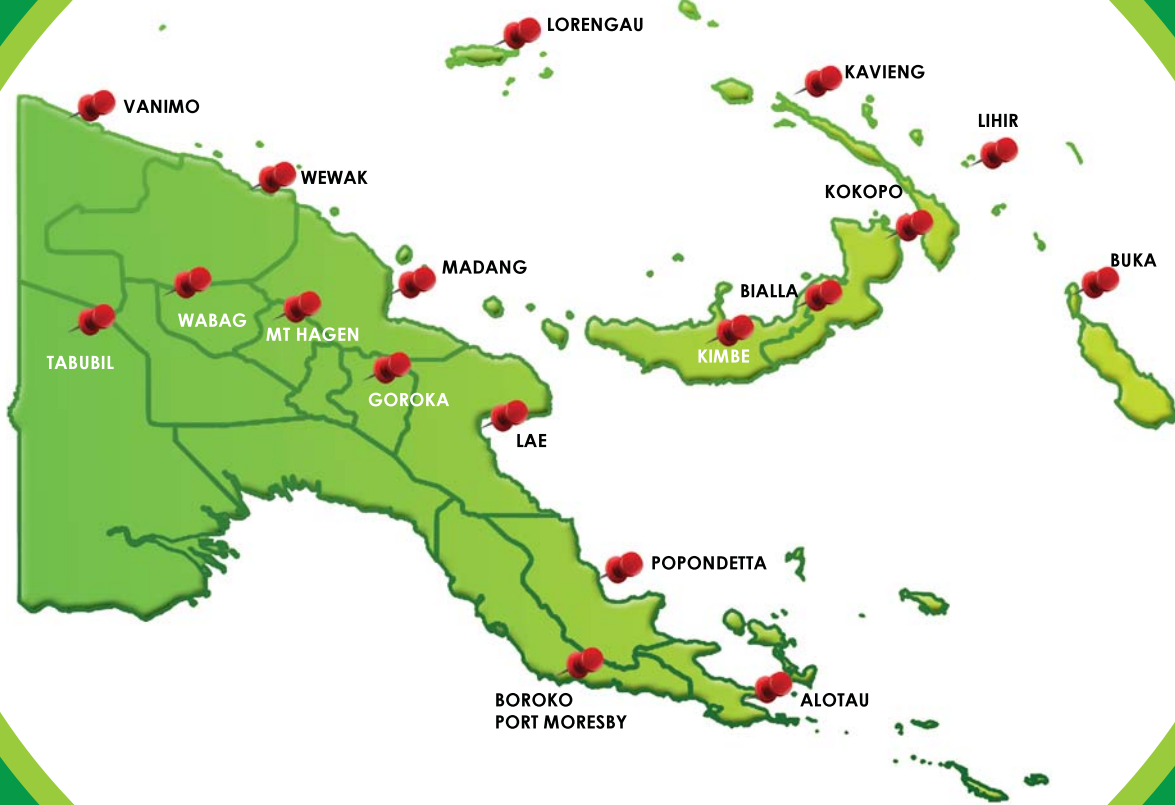


“ The largest Society by membership size in
Papua New Guinea & South Pacific



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

For more information call 313 2000 or helpdesk@ncsl.com.pg

ANNUAL REPORT 2018



NCSL

NASSFUND CONTRIBUTORS
SAVINGS & LOAN SOCIETY LIMITED

CONTENT



The cover image used on this Annual Report depicts emerging growth in membership, savings & lending activities during 2017's tough economy. Image courtesy of Pas le matin on flickr

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SOCIETY INFORMATION

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

Principal place of business	Section 4, Allotment 3 Douglas Street, Downtown Port Moresby N.C.D. Papua New Guinea
Directors of the Society	Mr. Ian Tarutia, OBE 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
Auditor	KPMG Chartered Accountants Level 3 Credit House Cuthbertson Street Port Moresby, N.C.D. Papua New Guinea
Bankers	Australia & New Zealand Banking Group (PNG) Limited Bank South Pacific Limited Westpac Bank (PNG) Limited Kina Bank Limited
Lawyers	O’Briens Lawyers

VISION, MISSION & VALUE STATEMENTS



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.

YOUR BOARD OF DIRECTORS

**Ian Tarutia, OBE: Chairman**

Director: Federation of Savings & Loan Societies, Air Niugini 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, and CloudApp Laboratories (PNG) Limited, NASFUND Contributors Savings & Loan Society Limited.

Employer: NASFUND Limited

**William Lamur, OBE (Director)**

Director: East New Britain Development Corporation, East New Britain Properties Limited, PEIL (Pacific Energy) Limited, Grand Pacific Hotel Limited, NASFUND Contributors Savings & Loan Society Limited, Loloata Island Resort Limited, People's Micro Bank Limited, Witherlam Investments Limited, CloudApp Laboratories (PNG) Limited, East New Britain Port Services Limited (Chairman), National Development Bank (Chairman), Mainland Holdings Limited (Chairman), East New Britain Copra & Cocoa Cooperative Society (Chairman), and Pacific Assurance Group (Chairman).

Employer: East New Britain Development Corporation Limited

**Murray Woo (Director)**

Director: Woo Textile Corporation Limited, Healthy Kamwood Limited, Manufacturers Council of Papua New Guinea, Getaway Travel Limited, NASFUND Limited, NASFUND Contributors Savings & Loan Society Limited, Galatoire Limited, Print Monster Limited, NASMEL Limited, PNG Air Limited (Chairman), and City Centre Development Limited (Chairman).

Employer: Woo Textile Corporation Limited

**Vera Raga (Director)**

Director: NASFUND Limited, NASFUND Contributors Savings & Loan Society Limited, Edge Limited, Carpark Limited, National Tripartite Consultative Council, Malagan Limited, and Gewani Limited.

Employer: PNG Banks & Financial Institutions Workers Union

**Hulala Tokome (Director)**

Director: Puma Energy PNG Limited, Puma Energy Refining PNG Limited, Puma Energy Supply PNG Limited, Mainland Holdings Limited, NASFUND Contributors Savings & Loan Society Limited, NASMEL Limited, NASFUND Limited, and CloudApp Laboratories (PNG) Limited.

Employer: Puma Energy

**Christopher Elphick (Member Representative Director)**

Director: Natu Investments (PNG) Limited, and Tohouwa (PNG) Limited.

Employer: Natu Investments (PNG) Limited

YOUR MANAGEMENT TEAM



Vari Lahui
General Manager
Member: Papua New Guinea
Institute of Banking &
Management, and PNG
Institute of Directors.



Jackraho Morea
Accountant



Patricia Sawanga
Manager Legal & Compliance
Member: PNG Law Society
NCSL Board Secretary



Richard Flatt Lesa
Manager Information Technology
Member: Australian Awards
Alumni



Darusilla Musi
Manager Human Resource
Member: PNG Human
Resources Institute



Evelove Farapo
Team Leader Marketing &
Client Relations



Bernard Geita
Manager Lending



Dorish Leba
Team Leader Data Processing



Robert Thadeus
Manager Member Services &
Branch Support

BOARD CHAIRMAN'S STATEMENT



Ian Tarutia, OBE
Board Chairman

Dear Members,

I am pleased to present to you the report on the activities undertaken by your Society in 2017 which again saw the Society grow and strengthen its financial position in spite of yet another challenging year.

The audited financial statements highlights the following key results;

- Gross Assets increased by 8.8% to K157.9 million
- Net Asset Value at K13.4 million
- Sound General Reserves at K11.1 million
- Revenue from core business increased by just under 15% to K17.0 million
- Operating Expenses (excluding interim interest payment to members) increased by 2.5% to K9.7 million
- Interim interest payment to members increased by 184% to K4.0 million
- Net Income of K2.1 million (after interim interest payment to members)
- Total membership increased by 18.1% to 98,833 members
- Member Savings increased by 12.3% to K142.8 million
- Paid out a total of K57.8 million in member savings withdrawals
- Loan Portfolio increased by 22.6% to K61.5 million
- Processed a total of over 39,000 loans with a volume of K70.6 million

Payment of interest to members' savings accounts on a monthly basis is now a permanent feature of NCSL's offering with a total of K5.69 million in total interest paid to members in 2017. This equated to an interest crediting rate of 4.3% which is an improvement on the 3.9% interest paid in 2016.

This result was achieved on the back of good growth in revenue from core business and, despite significant large write-downs in the value of properties and equity investments.

We also managed to reduce the loan provisioning charge by 45% and we are confident this will further reduce as we continue to improve the quality of the loan portfolio.

Operations

Staff have adapted well on the new operating system, SaveLoanSmart and we continue to introduce enhancements towards efficient processes for consistent delivery of quality service.

We also saw the delivery of two (2) stand-alone branches in Lae and Port Moresby which is a historical achievement as it is a first of its kind for NCSL.

We will continue our efforts to sell non-strategic investment properties so that management and staff can focus their efforts on our core business of gathering deposits and lending.

Our regulator, Bank of PNG undertook a few onsite reviews during the year and identified a number of operational issues to be addressed. Management is attending to this as a matter of priority.

The internal audit program is ongoing as part of our governance regime. This function ensures we are adequately managing all identified risks within the business.

Industry

The revised Savings & Loan Societies Act is yet to be

operationalized, however when it does happen, NCSL is ready to accommodate the changes that will occur as a consequence of the revised legislation.

The current Board will remain in office for 12 months after the revised Act becomes effective, then it will be a requirement for the 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 keep close engagement with other sister societies on all industry matters of mutual interest.

Future

Quality customer service and offering of value adding products and benefits remains our top priority while making sure that we continue to grow member savings through investment income distribution.

I wish to thank my fellow board members for their hard work, counsel and leadership in 2017. I also want to thank Vari Lahui our General Manager and the NCSL team throughout Papua New Guinea for their hard work towards delivering this year's results for the members. Well done.

Let's do it again in 2018.

Thank you

Ian A. Tarutia, OBE
CHAIRMAN

MANAGEMENT STATEMENT



Vari Lahui
General Manager

Dear Members,

I am pleased to report on the 2017 financial which was another successful year for NCSL with growth experienced in all aspects of the business.

I provide this report under the four (4) key pillars of Financial, Member Services, Risk/Processes and People as captured in NCSL's Strategic Plan to 2020.

Financial

The market remained subdued as a result of lower commodity prices and the government is focussed on progressing some major projects to stimulate the economy and provide more job opportunities for a rapidly growing population.

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

When employers start laying off workers, NCSL is adversely affected if the laid off workers are members of NCSL. If these members have 1:2 loans outstanding, it means that NCSL may have to ultimately write off the loan if the member is not able to find alternative employment.

Despite such 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 figures;

K'000

Revenue Source	2017	2016	Movement
Loan Interest	6,543	5,505	1,038 (+19%)
Investments	8,445	7,805	640 (+8%)
Fees	1,446	1,107	339 (+31%)
Rental / Dividend	388	516	-128 (-25%)
*Other	-979	-37	-942 (-2746%)
Total	15,843	14,896	947 (+6%)

* 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 achieved a sound financial performance on the back of good growth in the revenue from our core operation and despite the significant write-down in the values of our equity investments and investment properties of just under K1.0 Million as shown in the table above.

We continued the payment of monthly interest to members that we began in 2016. In the course of 2017, we paid a total of just over K4.0M in interim interest to members which was topped up by another K1.3M after the auditing of our yearend financial statements. NCSL will continue to pay monthly interest to its members and top it up at the end of the financial year.

While growing our revenue, we also managed to keep our operating expenses down which resulted in a higher net income. This enabled us to pay a higher interest crediting rate compared to 2016.

MANAGEMENT STATEMENT

Below are comparative figures for the last 5 years;

STATISTICAL INFORMATION	2013	2014	2015	2016	2017
ASSETS & LIABILITIES					
Loans to Members	26,179,831	30,264,292	46,052,923	50,145,426	61,473,676
Gross Assets	108,635,014	123,606,310	129,618,081	145,066,824	157,897,415
Growth in Gross Assets	14.5%	13.8%	4.9%	11.9%	8.8%
Member Savings	94,129,966	107,201,046	112,628,736	127,173,195	142,802,558
Net Assets	13,995,689	15,574,108	15,933,798	14,410,474	13,414,566
PROFITABILITY					
Loan Interest Income	3,029,375	3,115,995	4,252,834	5,505,159	6,543,034
Total Income	10,551,856	11,983,332	12,510,381	14,896,043	15,843,220
INTEREST PAID TO MEMBERS					
Net Profit	6,128,308	6,527,546	5,598,976	4,004,611	2,118,134
Interest Crediting Rate	6.0%	5.5%	5.2%	3.9%	4.2%
ACTIVE MEMBERS / STAFF					
New Members registered	9,385	8,844	9,007	7,869	16,160
Total Members	67,330	72,355	76,344	83,715	98,833
No. of fulltime staff	45	53	64	69	69

Member Services

Maintaining a consistent and good quality services to our members continues to be our key focus and we continue to invest a lot of time and energy in this area to ensure that our members are happy.

We commenced the USSD service on the Digicel platform which now allows members to obtain their NCSL account details, initiate a savings withdrawal application and also apply for a 1:1 loan using their mobile phones at any location where there is a mobile phone signal.

We have also automated the approval process on 1:1 loans which now enables members to access funds much more quickly than ever before.

This is part of our ongoing efforts to enhance our service delivery via the electronic channels and urge all members to use these channels which would enable quicker-turnaround times on lodged applications.

We have also finalised work on our first ever stand-alone NCSL branches in Lae and Boroko which enables our members to be served while sitting down.

During the year, we also launched the FairPrice Credit Scheme which now enables our members to acquire household goods at reasonable prices and we have set up a stand-alone BIS service at the FairPrice outlet for our members use.

We also introduced loan insurance to our members which now allows our members to take out insurance on their 1:2 loans and covers them in the event of accidental injury or death.

Also increasing participation in our value back program 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

As part of our risk management framework, we continue the internal audit program which has result in the identification of some areas that require further attention. This is an ongoing process and we have maintained a good relationship with the internal auditor in managing the highlighted areas.

We also maintain a good working relationship with our regulator, Bank of PNG, who also maintains regular oversight of our business operation and we maintain close dialogue on the management of matters identified for our attention.

MANAGEMENT STATEMENT

Process / Risk (continued)

We will commence the process of rehearsing the approved Business Continuity and Disaster Recovery Plans in the new year as soon as all the required items are in place for this. These include having the appropriate equipment, like IT hardware and communication links.

We continue to await the operationalization of the revised Savings and Loan Societies Act which will provide growth opportunities while introducing some reporting requirements as part of strengthening governance practices within the industry.

People

I am pleased to advise that we continue to have a very low staff turnover rate and continue to undertake regular staff survey to seek feedback from staff.

Unfortunately we had to let go a few of our staff due to non-performance and this is part of our ongoing effort to build a culture of performance and compliance within the Society.

We have set up a committee to address all the matters raised in the staff surveys to ensure that we continue to have a conducive working environment.

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

Future

One of the key initiatives that we are looking to deliver in the new year is the debit card offering which we believe will be a game-changer for the Society.

The delivery of this initiative has been delayed while we consider the most cost-effective solution which would enable us to deliver the benefits to our members at the lowest possible cost. We are doing this in close consultation with Bank of PNG who is planning to launch the national payment switch soon.

We will continue 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.

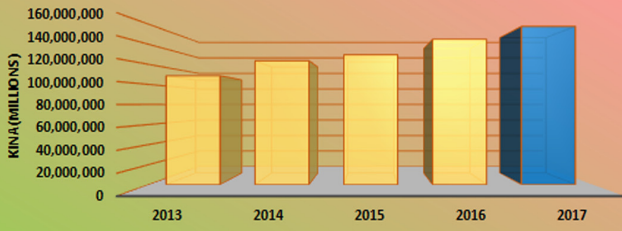
I would like to thank for the NCSL Board of Directors for the wonderful support provided and their continued guidance and counsel. I also want to thank the staff for their wonderful contributions in achieving the results during the year and I look forward to another successful year in 2018.



Vari Lahui
General Manager

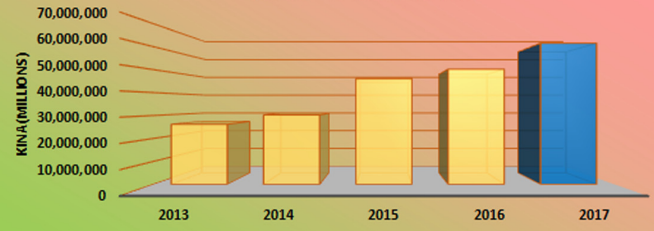
GRAPHICAL INFORMATION

Gross Assets



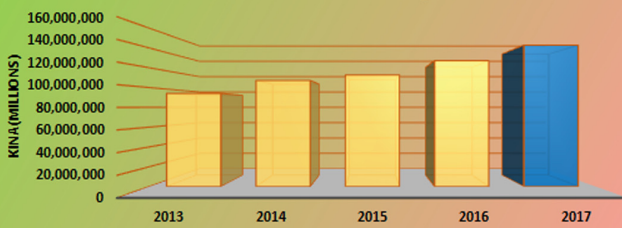
	2013	2014	2015	2016	2017
Gross Assets	108,635,014	123,606,310	129,618,081	145,066,824	157,897,415

Loans to Members



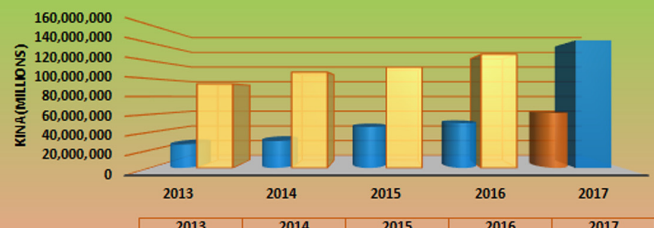
	2013	2014	2015	2016	2017
Loans to Members	26,179,831	30,264,292	46,052,923	50,145,426	61,473,676

Member Savings



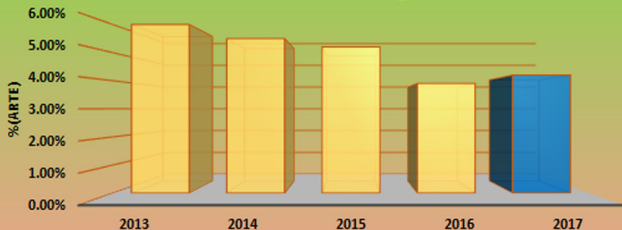
	2013	2014	2015	2016	2017
Member Savings	94,129,966	107,201,046	112,628,736	127,173,195	142,802,558

Savings vs Loan Comparison



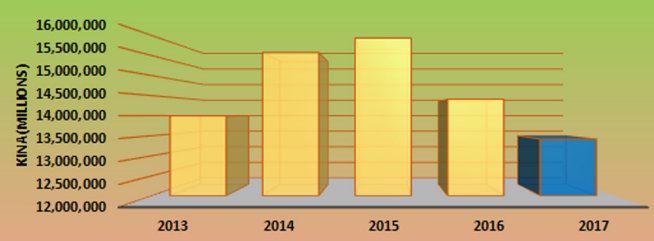
	2013	2014	2015	2016	2017
Loans to Members	26,179,831	30,264,292	46,052,923	50,145,426	61,473,676
Member Savings	94,129,966	107,201,046	112,628,736	127,173,195	142,802,558

Interest Crediting Rate



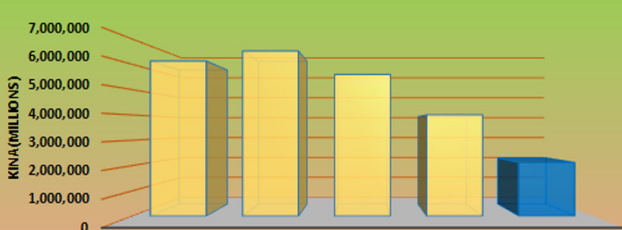
	2013	2014	2015	2016	2017
Interest Crediting Rate	6.00%	5.50%	5.20%	3.90%	4.20%

Net Assets



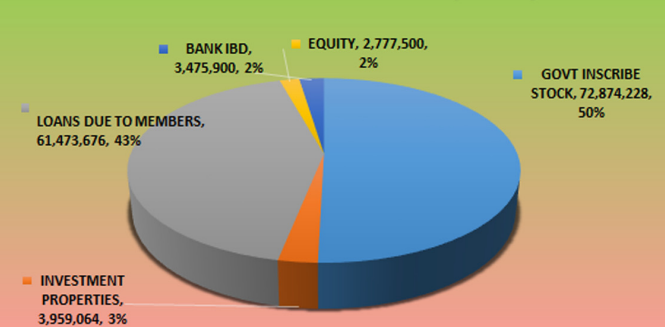
	2013	2014	2015	2016	2017
Net Assets	13,995,689	15,574,108	15,933,798	14,410,474	13,414,566

Net Profit



	2013	2014	2015	2016	2017
Net Profit	6,128,308	6,527,546	5,598,976	4,004,611	2,118,134

INVESTMENT COMPOSITION (K'000)



CORPORATE GOVERNANCE STATEMENT

“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.

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

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 2017, 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 2017, there were no contingent liabilities.

Crediting Rate Policy

Crediting of interest to members’ accounts for 2017 was done in March 2018. 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 2017, the provision for bad and doubtful debts was K2,068,669.00

Donations

There were no donations by the Society over 2017.

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 2017 by the Chairman and Directors.

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 scheme. Through the savings & loan vehicle, NCSL continues 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 NCSL as a member?

Any person who is employed and wants to save for short to medium term financial needs is eligible.

Is membership compulsory?

No. Membership 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, funeral expenses and etc.

What does NCSL provide?

NCSL offers four savings accounts. These are:

EDUCATION SAVINGS	Can only be used for education related expenses
GENERAL SAVINGS	For any other purposes
CHRISTMAS SAVINGS	Enables savings for the festive season in November, December and January
KIDS SAVINGS ACCOUNT	Trust savings account for all children up to 18 years of age. Conditions apply for withdrawals

The purposes of these savings accounts are to:

- Encourage members to save regularly
- Enable members to obtain larger loans when required

Education Savings Account

- Minimum savings of K20.00 (whether paid on fortnightly or monthly basis).
- A minimum balance of K50.00 must always remain in the account.
- Withdrawals are allowed only for education related purposes.
- Cheques will be made payable to school, education institution, supplier of education related goods or service.
- Quotations from suppliers of goods and services must be attached with each application.

General Savings Account

- Minimum savings of K20.00 (whether paid fortnightly or monthly).
- Minimum withdrawal of K200.00 at any one time. Members may withdraw up to 50% of their net total savings balance in their General Savings Account and only one withdrawal per month is allowed
- A member must save for a continuous period of three months or more and have a minimum balance of K200.00 before a loan is allowed.

Christmas Savings Account

- Minimum savings of K15.00 (whether paid fortnightly or monthly).
- Withdrawals are only allowed in November, December and January of each year.
- A minimum balance of K20.00 must always remain in the account.
- Savings can be used as security against loans.

KIDS SAVINGS ACCOUNT (KSA)

What is Kids Savings Account or KSA?

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

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 available online and at all NCSL branches.

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 methods;

1. Salary deduction by nominated trustee parent
2. Mobile SMS banking
3. Electronic bank transfer
4. Standing order
5. Direct deposit (refer banking details below)

Bank	BSP	ANZ	WESTPAC
Acc#:	1000880939	13391771	6004657087
Type	CHEQUE	CHEQUE	CHEQUE
Branch	PORT MORESBY	BOROKO	WAIGANI

FREQUENTLY ASKED QUESTIONS

Will my savings attract interest?

Yes, the Society pays a fixed interest rate of 1.2% per annum on your total savings balance and also pays additional annual interest based on the surplus funds (profit) made each year.

Can I take a loan against 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 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, 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

Does NCSL pay interest on savings?

Yes. The Society pays monthly and also annual interest on savings. Annual interest is 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 their superannuation funds to NCSL while being an active member of NASFUND or other Superannuation funds.

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

No. The Registrar of savings & loan societies does not allow members to join 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 from 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.

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 way in which we manage and administer the affairs and operations of the Society. Commitment to good governance, prudential management and customer-oriented service is what we are known to deliver.

Additional Savings

- Additional savings outside of regular deductions are 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.
- No cash deposit is allowed. All deposits must be paid by cheque, by direct bank deposit or EFTPOS facility

LENDING GUIDELINES

Does NCSL offer loans?

Yes. The maximum lending ratio as approved by the register of Savings & Loan 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 available for emergency and medical purposes.

Minimum amount to obtain is K200.00

Lending Guidelines Loan Eligibility

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

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

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

FREQUENTLY ASKED QUESTIONS

Loan Ratios and Terms

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

Purpose	Maximum Ratio	Maximum Term
Education	1:2	12 months
Funeral Expenses	1:2	12 months
Customary Obligations	1:2	12 months
Holiday Travel Expenses	1:2	12 months
Motor Vehicle Purchase	1:2	5 years
Household Electrical Items & Chattels	1:2	5 years
Birthday Expenses	1:2	12 months
Investments	1:2	5 years

Additional Loans: Additional loans may be granted to a member (a) If a members' total current savings fully secures the aggregate sum of the loan required. (b) No member shall be granted more than one (1) additional loan per month. No additional loans will be granted to a member if the existing loan balance exceeds 50% of their total savings balance.

Interest on Loans

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

Loan Repayments

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

Lending Priorities

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

Loan Insurance

- NCSL's loan insurance product secures loan repayments for 1:2 loans in the event of unforeseen medical situations or death upon members.
- This insurance cover is applicable to members who have been contributing to NCSL for more than 3 months and are able to satisfy the credit assessment criteria for approval of a 1:2 loan.
- Loan insurance will not be considered a primary requisite for approval of any loan and applies to approved 1:2 loans and normal loan processing fee of K25.00 applies.
- Upon loan approval, the premium for the insurance will be added to the loan amount thereby allowing the member to only have one loan repayment amount.

The cost of loan insurance premium varies depending on the amount borrowed and the term given to repay the loan.

For example: a loan of no more than K1,000.00 over a 6 month repayment term – will attract a premium of K5.40 while a loan between K9,000.000 and K10,000.00 at a term of 12 months will attract a premium of K108.00.

Loan Insurance protects members and the Society from potential loss.

Administration Fees

- K25.00 fee for processing approved loans
- K20.00 fee for setting up new membership
- K20.00 fee for fully exiting
- K1.00 fee for all savings withdrawals

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 members, their spouse and children in PNG.

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

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

Can I take medical insurance cover only?

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

What is the annual premium?

The premiums are based on three different plans and are to be paid in full upon registration.

PREMIUM	OPTIONAL PREMIUM FOR SPOUSE & NATURAL PARENTS
Single Plan - K750	* K40.00 for natural parents
Couple Plan - K850	* K200.00 for spouse life cover * K60.00 for natural parents
Family Plan - K950	* K200.00 for spouse life cover * K60.00 for natural parents

NASCARE premium is renewed each year to maintain the cover. It is NOT a one off cost.

How can I apply and when does NASCARE cover start?

Members must fully complete the proposal form, for medical and life cover. Once application is lodged; registration is confirmed, and the cover is in place.

FREQUENTLY ASKED QUESTIONS

How can I pay my Premium?

You can pay your premiums via:

- Direct payment into NCSL Administration Account.
- Withdrawal from member's General Savings Account.
- Obtaining a loan from the Society. The loan will be considered under normal lending policy and must be repaid within 12 months.

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

NASCARE covers:

- Member & spouse up to 65 years.
- Children up to 18-21 years of age who are unmarried but full time students (proof of student identity is required from the relevant education institution).
- Under this policy, there is no age limit for natural parents.

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 (unemployed)	K1,000.00
DENTAL & OPTICAL BENEFIT	
Single Plan	K1,000.00
Couple Plan	K2,000.00
Family Plan	K3,000.00
MATERNITY CARE	
First antenatal visit for normal birth at PIH & LIH	K500.00
Other private hospitals besides PIH & LIH.	K3,000.00
EMERGENCY EVACUATION & REPATRIATION	
Outside PNG	K30,000.00
FUNERAL EXPENSES BENEFITS	
The amount of compensation payable is limited to:	
Single Plan	K5,000.00
Couple Plan	K5,000.00
Family Plan	K2,000.00
Natural Parents	K500.00
LOSS OF LIFE BENEFIT	
Member	K40,000.00
Spouse	K40,000.00

How much 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 invoices
- 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 doctor 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.

How much will be refunded for my medical expenses?

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

Other benefits

Insured members pay K10.00 for outpatient medical services offered by these following service providers.

- Pacific International Hospital (NCD)
- ASPEN Medical (NCD)
- Lae International Hospital (Lae)
- GM Flores (Lae)

Kindly note that natural parents are not covered under this facility.

* Eye Care charges K80.00 for prescribed glasses.

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 12 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 benefits are 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 all original copies of the following;

- Death certificate/Medical Report
- Death confirmation letter from the employer
- Warrant of burial
- Letter from the Pastor/ Priest/ Village Councilor to be attached with application and lodged at any NCSL branch.

FREQUENTLY ASKED QUESTIONS

How can I claim a refund for medical expenses?

Claims are to be submitted within 90 days of occurrence. Your claim will be settled within 10 working days with payment made to NCSL office then banked into the nominated bank account.

Can I claim for my natural parents?

Yes. Members can claim the following respectively for natural parents and this is subjected to payment of optional premium only;

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

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

For individual 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 send an email to nascare@ncsl.com.pg or visit our website: www.ncsl.com.pg for more information

ELECTRONIC CHANNELS OF SERVICES

Mobile Banking

Do your NCSL transactions anywhere by dialling *628# and follow the prompts to;

- Apply for 1:1 loan
- Apply for savings withdrawal
- Check your savings balance & loan eligibility

Member Online Portal

For instant services enter this link <https://sls.ncsl.com.pg> to;

- Apply for 1:1 loan
- Apply for savings withdrawal
- Check your savings balance & loan eligibility
- Email loan statement

SMS alert

Receive instant alerts on the progress of your loan, savings, withdrawal application and contribution notification.

Complete a SL15 form to register your mobile number to enjoy this free service

What is Biometric Identification System (BIS)?

Biometric Identification System (BIS) enables members to scan their fingerprint onto a reader which then verifies their identity and automatically displays personal details and a summary of their savings, loan balances and eligibilities.

Members can also perform withdrawals through BIS which is more faster with a quicker turnaround time to access your funds.

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

VALUE BACK LOYALTY PROGRAM



How to participate

1. Upon cash purchase, present your NCSL membership ID to receive instant discount.
2. Obtain a loan or savings withdrawals from your NCSL savings account to receive a shopping voucher;
 - Get a quotation on your item(s) of purchase
 - Present your quotation with your complete loan/savings withdrawal form at any NCSL branch.
 - A cheque is raised to the selected retail or service provider
 - Pay for your item(s) and receive a shopping voucher equivalent to 5% -20% of the purchased price.

Will I have a membership card as well?

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

How do I pay for my NCSL ID card?

Payments for processing membership ID card must be directly deposited into NCSL Administration Account number: **1000947590**



Lae: NCSL General Manager Vari Lahui and then Lae MP. Loujaya Kouza officiating the ribbon cutting to open the first ever stand alone NCSL branch.

DIRECTOR'S 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 2017.

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 2017 was K2,118,134 (2016: K4,004,610).

Interest

Interest will be credited to Members' Savings Accounts on 28th day of March 2018.

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 2017.

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:

<i>Director's name</i>	2017		2016	
	Directors' fees K	Sitting allowance K	Directors' fees K	Sitting allowance K
Mr. William Lamur, OBE	5,000	1,500	5,000	2,000
Mr. Murray Woo	5,000	3,000	5,000	2,500
Mr. Hulala Tokome	5,000	6,000	5,000	2,750
Mr. Vera Raga	5,000	5,500	5,000	3,750
Mr. Christopher Elphick	<u>5,000</u>	<u>6,000</u>	<u>3,750</u>	<u>1,250</u>
	25,000	22,000	23,750	12,250
 <i>Chairman of the Society</i>				
Mr. Ian Tarutia, OBE	<u>5,500</u>	<u>3,500</u>	<u>5,500</u>	<u>3,500</u>
	<u>30,500</u>	<u>25,500</u>	<u>29,250</u>	<u>15,750</u>

Statement by Directors

In our opinion, the financial statements set out on pages 20 to 45 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2017 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 28th day of March 2018.

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



Mr. Ian Tarutia OBE
Chairman



Mr. Vera Raga
Director



Independent Auditor's Report

To the shareholders of NASFUND Contributors Savings and Loan Society Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NASFUND Contributors Savings and Loan Society Limited ('the Society').

In our opinion the accompanying financial statements of the Society are in accordance with the reporting requirements of the Savings and Loan Societies (Amendment) Act 1995 and Companies Act 1997, including

- giving a true and fair view of the Society's financial position as at 31 December 2017 and of its financial performance for the year ended on that date;
- complying with the International Financial Reporting Standards; and

• proper accounting records have been kept by the Society as far as it appears from our examination of those records.

The financial statements comprise the:

- statement of financial position as at 31 December 2017;
- statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Society in accordance the Companies Act 1997, the relevant ethical requirements of CPA Papua New Guinea. We do not provide any other services to the Society. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements of CPA Papua New Guinea.

We confirm that we have remained independent as required by the Companies Act 1997, during the time of our audit to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in the Society's annual reporting which is provided in addition to the financial statements and the Auditor's Report. This includes, the Society Information and Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors for the Financial Statements

The Directors are responsible for:

- preparing the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Companies Act 1997,
- implementing necessary internal control to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Society's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Society's or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control



Suzzan Theron
Partner

Registered under the Accountants Act 1996 Port Moresby
Date: 29th March 2018

STATEMENT OF FINANCIAL POSITION

	Note	2017 K	2016 K
ASSETS			
Cash on hand and at bank	28	3,475,900	3,752,043
Term deposits	28	4,515,148	9,895,249
Prepayments and other receivables	12	3,318,553	2,736,745
Quoted equity investments	10 (b)	2,617,500	3,020,000
Unquoted equity investments	10 (c)	160,000	160,000
Government inscribed stock	10 (a)	72,874,228	65,016,114
Loans due from members	11	61,473,676	50,145,426
Investment properties	9	3,959,064	4,779,000
Property, plant & equipment	8	5,503,346	5,562,248
TOTAL ASSETS		157,897,417	145,066,824
LIABILITIES			
Members savings	14	142,802,558	127,173,194
Trade and other payables	15	1,178,140	3,087,130
Financial lease liability		11,639	39,574
Rental bonds payable		11,045	25,718
Employee provision	13	479,470	330,736
TOTAL LIABILITIES		144,482,851	130,656,353
NET ASSETS		13,414,566	14,410,472
MEMBERS FUNDS			
Share capital	18	98,833	83,715
Statutory reserve	19	11,072,672	12,169,350
Retained earnings		2,243,061	2,157,409
TOTAL EQUITY		13,414,566	14,410,475

For and on behalf of the Board of Directors



Mr. Ian Tarutia, OBE
Chairman
Dated: 28th March, 2018



Mr. Vera. Raga
Director
Dated: 28th March, 2018

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 45.

STATEMENT OF CHANGES IN MEMBERS' FUNDS

	Note	Share capital K	Statutory reserve K	Retained earnings K	Total K
Balance as at 1 January 2016		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		-	-	4,004,610	4,004,610
Transfer to statutory reserve	19	-	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	14,410,475
Net member contributions received	18	15,118	-	-	15,118
Total comprehensive income for the year		-	-	2,118,134	2,118,134
Transfer to statutory reserve	19	-	(1,096,678)	1,096,678	-
Interest credited to member savings deposits relating to 2016 profits	14	-	-	(3,129,160)	(3,129,160)
At 31 December 2017		98,833	11,072,672	2,243,061	13,414,566

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 45.



Port Moresby: NCSL member Sylvie Rupa Ikufu (centre) with NCSL Loans Officer, Martin Napilo and at FairPrice Showroom after her loan was approved to purchase goods under NCSL's Credit Facility.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 K	2016 K
Income from lending		<u>6,543,034</u>	<u>5,505,159</u>
		6,543,034	5,505,159
Income from investments			
Interest income		8,445,061	7,804,526
Rental income		155,916	252,768
Dividend income		232,500	263,500
Movement in fair value of quoted equity investments	10 (b)	(402,500)	(632,500)
Movement in fair value of unquoted equity investments	10 (c)	-	160,000
Movement in fair value of investment properties	9	<u>(819,936)</u>	<u>341,000</u>
		7,611,040	8,189,294
Other income			
Loan fees		983,375	767,034
New membership fees		289,120	195,347
Withdrawal fees		173,574	144,682
Reversal of provision for doubtful debts		29,458	14,581
Sundry income		213,618	79,947
		<u>1,689,144</u>	<u>1,201,591</u>
TOTAL INCOME		<u>15,843,220</u>	<u>14,896,044</u>
Expenses			
Administration expenses	20	4,054,802	3,337,705
Finance lease expenses		3,277	2,568
Staff expenses	21	3,838,639	3,832,940
Provision for doubtful debts and bad debts	11	992,954	1,826,904
Depreciation	8	809,498	463,062
Property repairs and maintenance		21,865	16,758
Interest to members		4,004,051	1,411,497
TOTAL EXPENSES		<u>13,725,086</u>	<u>10,891,434</u>
Profit from operations before interest and tax		2,118,134	4,004,610
Income tax expense	22	-	-
Profit for the year		<u>2,118,134</u>	<u>4,004,610</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>2,118,134</u>	<u>4,004,610</u>

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 45.

STATEMENT OF CASH FLOWS

	Note	2017 K	2016 K
CASH FROM OPERATING ACTIVITIES			
Interest received from members loans		6,543,034	5,505,159
Interest received from government debt securities		8,051,755	6,895,715
Rental income received		179,337	252,768
Dividend income received		232,500	263,500
Fee income received		1,659,687	1,187,010
Net loans issued to members		(11,570,015)	(5,592,503)
Net investment in interest bearing deposits		5,380,101	3,005,966
Net purchase of equity investments		-	-
Net purchase of debt investments		(7,858,114)	(6,081,638)
Expenses paid to suppliers		(3,472,467)	(2,850,738)
Expenses paid to staff		(3,660,923)	(3,832,940)
Net cash inflow from operating activities		(4,515,106)	(1,247,701)
CASH FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(3,072,308)	(2,627,516)
Net cash inflow/(outflow) from investing activities		(3,072,308)	(2,627,516)
CASH FROM FINANCING ACTIVITIES			
Net member capital contribution received		15,118	7,371
Net member savings and deposits received		7,296,153	6,599,460
Net cash inflow/(outflow) from financing activities		7,311,271	6,606,831
Cash and cash equivalents at beginning of the year		3,752,043	1,020,430
Net increase/(decrease) in cash and cash equivalents		(276,143)	2,731,614
Cash and cash equivalents at end of the year	28	3,475,900	3,752,043

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 45.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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 28th March 2018.

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.

4.1.3. Lease classification

The Society is partly leasing arrangements, both as a lessee and as lessor. The treatment of leasing transactions in the financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

4. Use of estimates and assumptions (continued)

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. Impairment testing

The Society reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

4.2.4. Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in Note 7(R).

4.2.5. Other receivables

The Society assesses its other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Society makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

4.2.6. 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 2017 the Society had an at call liquidity net deficiency of K135 million (2016: K123 million). This net deficiency is predominately 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 have taken out Loans with the Society) as such those savings secured to loans cannot be fully withdrawn.

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 2017.

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 January 2018. IFRS15 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 as well as the standard Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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 IAS 7 Disclosure Initiative
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 40 Transfers on Investment Property
- Amendments to IFRS 1 Annual Improvement to IFRSs 2014 -2016 Cycle
- 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.

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

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.

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.

F. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risk and rewards incidental to ownership.

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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

7. Significant Accounting Policies (continued)

F. Leases (continued)

i Lease payments – lessee (continued):

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 the which the society has access at that date.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

7. Significant Accounting Policies (continued)

H. Financial assets and liabilities (continued):

vi Fair value measurement (continued):

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.

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;
- 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 creditworthiness
- 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

7. Significant Accounting Policies (continued)

H. Financial assets and liabilities (continued):

c) Measurement (continued):

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, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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.

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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

7. Significant Accounting Policies (continued)

L. Property and equipment (continued)

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
Leasehold Improvements	10 - 14 years
Software	refer Note 7 (O)

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 independence 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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

i. Defined contribution plans:

A provision is recognised if, as a result of a past event, the Society has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

8 PROPERTY, PLANT AND EQUIPMENT

	<i>Software and Office equipment</i>	<i>Furniture and fittings</i>	<i>Motor vehicle</i>	<i>Leasehold Improvement</i>	<i>Work in progress</i>	<i>Total</i>
	<i>K</i>	<i>K</i>	<i>K</i>	<i>K</i>	<i>K</i>	<i>K</i>
Cost:						
At 1 January 2016	1,466,250	52,720	99,100	556,506	48,100	2,222,675
Additions	214,707	233,302	45,000	7,447	4,027,061	4,527,517
Disposals	-	-	-	-	-	-
WIP Transfers	3,900,000				(3,900,000)	-
At 31 December 2016	<u>5,580,957</u>	<u>286,022</u>	<u>144,100</u>	<u>563,953</u>	<u>175,161</u>	<u>6,750,192</u>
At 1 January 2017	5,580,957	286,022	144,100	563,953	175,161	6,750,192
Additions	226,902	50,147	-	678,063	217,196	1,172,308
Disposals	(422,159)	-	-	-	-	(422,159)
WIP Transfers	-					-
At 31 December 2017	<u>5,385,700</u>	<u>336,169</u>	<u>144,100</u>	<u>1,242,016</u>	<u>392,357</u>	<u>7,500,341</u>
Accumulated Depreciation:						
At 1 January 2016	626,641	8,642	37,363	52,236	-	724,882
“Charge for the year”	375,599	20,500	28,737	38,266	-	463,062
Disposals	-	-	-	-	-	-
“At 31 December 2016”	<u>1,002,200</u>	<u>29,142</u>	<u>66,100</u>	<u>90,502</u>	<u>-</u>	<u>1,187,944</u>
At 1 January 2017	1,002,200	29,142	66,100	90,502	-	1,187,944
“ Charge for the year”	682,304	23,726	36,026	67,442	-	809,498
Disposals	(447)	-	-	-	-	(447)
“At 31 December 2017”	<u>1,684,064</u>	<u>52,868</u>	<u>102,127</u>	<u>157,944</u>	<u>-</u>	<u>1,996,995</u>
Carrying amounts						
“At 31 December 2017”	<u>3,701,644</u>	<u>283,301</u>	<u>41,973</u>	<u>1,084,072</u>	<u>392,357</u>	<u>5,503,346</u>
“At 31 December 2016”	<u>4,578,758</u>	<u>256,881</u>	<u>78,000</u>	<u>473,451</u>	<u>175,161</u>	<u>5,562,248</u>

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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

9 INVESTMENT PROPERTIES

	NOTE	2017 K	2016 K
Investment properties - Residential	(a)	<u>3,959,064</u>	<u>4,779,000</u>

(a) Investment properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

	Valuation model	Capitalisation rates	2016 K'000	Revaluation K'000	2017 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	12.00%	1,700	(568)	1,132
Sec 147 Lot 16 8 Mile	MC	10.00%	1,036	(8)	1,028
Sec 147 Lot 22 8 Mile	MC	10.00%	1,024	(124)	900
Sec 147 Lot 26 8 Mile	MC	10.00%	1,019	(119)	900
			<u>4,779</u>	<u>(819)</u>	<u>3,960</u>

	Valuation model	Capitalisation rates	2016 K'000	Revaluation K'000	2017 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>

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 2017. 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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 K3,959,064 have been categorised as Level 3 fair value as the inputs to the valuation techniques used were made by 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:

	2017 K	2016 K
Opening balance	4,779,000	4,438,000
Changes in fair value	(819,936)	341,000
Closing balance	3,959,064	4,779,000

Significant key unobservable inputs used include market lease rates and market capitalisation rates of 10% and 12% (2016:10.5% 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.



Port Moresby: Donating in kind is a wonderful way to bless and support community charity organisation. NCSL Marketing representatives presenting reading books & stationery items to WeCare foundation.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**10 INVESTMENT SECURITIES AND GOVERNMENT INSCRIBED STOCK**

	Note	2017 K	2016 K
Government inscribed stock	(a)	72,874,228	65,016,114
Quoted equity investments	(b)	2,617,500	3,020,000
Unquoted equity investments	(c)	160,000	160,000
		75,651,728	68,196,114

(a) Government inscribed stock

The stock's book value comprises of:

	2017 K	2016 K
Face value of Government inscribed stock	70,660,000	62,669,000
Unamortised premiums	2,664,613	2,992,695
Unamortised discounts	(450,385)	(636,581)
	<u>72,874,228</u>	<u>65,016,114</u>

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

The GIS have coupon rates ranging from 9% to 15.4% and the yield rates ranging from 8.5% to 15%

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	10,000,000
2029	10.5 to 11.0	7,750,000
2031	15.4	1,000,000
		<u>70,660,000</u>

(b) Quoted equity investments

Summary of revaluation of quoted investments is as follows:

Quoted shares domestic	2016 K	Revaluation K	Disposal K	2017 K
Credit Corporation (PNG) Limited	2,945,000	(387,500)	-	2,557,500
PNG Air Limited	75,000	(15,000)	-	60,000
	<u>3,020,000</u>	<u>(402,500)</u>	<u>-</u>	<u>2,617,500</u>

Reconciliation of movement in quoted investments is as follows:

	2017 K	2016 K
Balance at 1 January	3,020,500	3,652,500
Change in fair values	(402,500)	(632,500)
Disposal of New Britain Palm Oil	-	-
Balance at 31 December	<u>2,617,500</u>	<u>3,020,000</u>

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**10 INVESTMENT SECURITIES AND GOVERNMENT INSCRIBED STOCK (continued)****(c) Unquoted equity investments**

	2017	2016
	K	K
Investment in CloudApp Limited	160,000	160,000
	<u>160,000</u>	<u>160,000</u>

During the prior 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 K160,000 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. There were no changes in the fair value for 2017.

11 LOANS DUE FROM MEMBERS

	2017	2016
	K	K
Loans due from members	63,542,345	51,972,330
Less: provision for doubtful debts	(2,068,669)	(1,826,904)
	<u>61,473,676</u>	<u>50,145,426</u>

Interest of 1% per month is charged. Repayments are received on a fortnightly and monthly basis. The minimum loan is K200. Board approval is required for loans granted over K100,000.

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

	2017	2016
	K	K
Balance at 1 January	1,638,766	209,066
Provision charges to profit and loss	897,584	1,826,904
Bad debts written off during the year	(467,681)	(397,205)
Balance at 31 December	<u>2,068,669</u>	<u>1,638,766</u>

12 PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	K	K
Accrued interest	1,461,272	1,067,967
Staff related receivables	73,474	44,492
Rent receivable	47,204	70,625
Security deposits	46,250	46,250
Other receivables from NASFUND (Note 25)	-	46,448
Prepayments	490,354	460,962
Contributions received after year end relating to year end	1,200,000	1,000,000
	<u>3,318,553</u>	<u>2,736,745</u>

Accrued interest represents interest accrued on Government inscribed stock (Note 10) and interest bearing deposits (Note 28). 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**13 EMPLOYEE PROVISIONS**

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

	2017 K	2016 K
Provision for annual leave	172,345	78,760
Provisions for long service leave	307,125	251,976
	<u>479,470</u>	<u>330,736</u>

14 MEMBERS' SAVINGS

	2017 K	2016 K
Members savings	141,035,932	122,284,840
Unallocated contributions	566,626	3,888,354
Contributions received after year end relating to year end	1,200,000	1,000,000
	<u>142,802,558</u>	<u>127,173,194</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 31st of March 2017, the Board of Directors declared and distributed to members interest at a rate of 3.9% (2016: 5.2%) totalling K3,129,160 (2016: K5,535,306) from 2016 profits. The distribution made in 2016 was out of 2015 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 month 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.



Port Moresby, Hanuabada Village: We support community activities without impacting on members' funds. NCSL General Manager and staff representatives presenting a cheque of K5,000.00 to Hanuabada Village Fire Appeal Executive, Lohia Boe Samuel to help rebuild homes.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**15 TRADE AND OTHER PAYABLES**

	2017 K	2016 K
Creditors and accruals	992,969	3,038,484
Amounts payable to NASFUND	61,369	-
	<u>123,802</u>	<u>48,646</u>
Other payables	<u>1,178,140</u>	<u>3,087,130</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:

	2017 K	2016 K
Less than 1 year	740,314	571,182
Between 1 and 5 years	3,427,546	1,934,652
	<u>4,167,860</u>	<u>2,514,834</u>
(ii) Amount recognised in profit and loss Lease expense	<u>105,394</u>	<u>638,865</u>
Lease expense	<u>105,394</u>	<u>638,865</u>



Madang: NCSL's Madang Branch Client Services Officer Ms Geraldine Lokain speaking to employees of Brian Bell regarding the Society's product & services offerings.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

18 CAPITAL

	2017	2016
	K	K
Issued ordinary share capital		
Shares on issue at 1 January	83,715	76,344
Net movement in share capital	15,118	7,371
Shares on issues at 31 December	<u>98,833</u>	<u>83,715</u>

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

19 STATUTORY RESERVE

	2017	2016
	K	K
Balance at 1 January	12,169,350	11,368,428
Statutory transfer of net profit for the year	432,627	800,922
Adjustment related to retained earnings	(1,520,305)	-
Balance at 31 December	<u>11,072,672</u>	<u>12,169,350</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.

During the current period, a transfer for the General Reserve Fund to Retained Earnings was recorded for an amount of K1,520,305. As agreed with the Bank of Papua New Guinea, this transfer has been recorded in order to adjust the historical transfers, required under the Savings & Loan Societies Act Par 47 (2), to the minimum required amount per year of 20% of the earnings.

20 ADMINISTRATION EXPENSES

	2017	2016
	K	K
Advertising and marketing	277,734	332,478
Auditor's remuneration - statutory audit	282,867	90,000
Auditor's remuneration - other allowable services	-	15,000
Back-office administration fees	-	226,884
Bad debts write off - other debtors	955	17,772
Bank charges	119,728	98,640
Computer, software support and communication	1,254,495	1,109,427
Directors fees	56,000	29,250
Directors sitting fees and expenses	43,879	15,750
Motor vehicle expenses	151,952	57,317
Printing and postage	68,861	231,113
Professional and consulting fees	74,800	113,093
Rental expenses	634,920	610,500
Security charges	89,745	85,643
Travel	68,483	51,172
Other office expenses	930,383	253,665
	<u>4,054,802</u>	<u>3,337,705</u>

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**21 STAFF EXPENSES**

	2017 K	2016 K
Salaries and wages	2,406,171	2,234,489
Superannuation (Note 23)	195,055	181,814
Long service leave (Note 13)	80,976	36,342
Other benefits and expenses	1,156,437	1,380,295
	<u><u>3,838,639</u></u>	<u><u>3,832,940</u></u>

As at 31 December 2017 the Society had 69 employees (2016: 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 2017, the Society expensed K195,055 in contributions (2016: K181,814).

24. SEGMENTAL REPORTING

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 2017 was as follows:

	2017 K	2016 K
Loans to related parties	562,812	493,974
	<u><u>562,812</u></u>	<u><u>493,974</u></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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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.

	2017 K	2016 K
Amount payable to NASFUND (Note 15)	61,369	-
Other receivables from NASFUND (Note 12)	-	46,448
	<u>61,369</u>	<u>46,448</u>

Rent of K634,920 (2016: K610,500) 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 12). All amounts shown above are unsecured, interest free and payable on demand.

(iii) CloudApp 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 Smart Loans Saver system went live in November 2016. The transaction was material. Refer to note 8 for further details.

Compensation of key management personnel

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

	2017 K	2016 K
Salaries, wages and other short-term benefits	2,281,912	1,265,758
Long-service leave	69,169	39,826
Superannuation	195,055	69,517
	<u>2,546,136</u>	<u>1,375,101</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	5
K150,000 – K199,999	-	-
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. (2016: nil)

27 EVENTS AFTER THE REPORTING PERIOD

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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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:

	2017 K	2016 K
Term deposits	4,515,148	9,895,249
Cash on hand and at bank	3,475,900	3,752,043
	<u>7,991,048</u>	<u>13,647,291</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 2017 ranged from 1.75% to 2.5% (2016: 1.95% to 3.5%).

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:

	2017 K	2016 K
Cash and cash equivalents and IBDs	3,475,900	3,752,043
Term deposits	4,515,148	9,895,249
Prepayments and other receivables	3,318,553	2,736,745
Quoted equity investments	2,617,500	3,020,000
Unquoted equity investments	160,000	160,000
Government inscribed stock	72,874,228	65,016,114
Loans due from members	61,473,676	50,145,426
	<u>148,435,006</u>	<u>134,725,576</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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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:

Amounts at 31 December 2017:	Total K	At call K	0 to 3 months K	3 to 12 months K	1 to 5 years K	Weighted Average rate %
Assets						
Cash and cash	3,475,900	3,475,900	-	-	-	2%
Term deposits	4,515,148	-	-	4,515,148	-	3%
Prepayments and other receivables	3,318,553	-	3,318,553	-	-	nil
Quoted equity	2,617,500	-	-	2,617,500	-	nil
Unquoted equity investments	160,000	-	-	160,000	-	nil
Government inscribed stock	72,874,228	-	-	-	72,874,228	10%
Loans due from members	61,473,676	61,473,676	-	-	-	12%
Investment properties	3,959,064	-	-	-	3,959,064	
Property Plant and Equipment	5,503,346	-	-	-	5,503,346	
Total	157,897,417	64,949,576	3,318,553	7,292,648	82,336,639	
Liabilities						
Members savings*	142,802,558	142,802,558	-	-	-	1.2%
Trade and other payables	1,178,140	-	1,178,140	-	-	nil
Finance lease liability	11,639	-	-	-	11,639	8%
Rental bonds payable	11,045	-	-	-	11,045	nil
Provision for long service leave	307,125	-	-	-	307,125	nil
Total	144,310,506	142,802,558	1,178,140	-	329,809	
Amounts at 31 December 2016:						
Assets						
Cash and cash	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	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	50,145,426	-	-	-	12%
Investment properties	4,779,000	-	-	-	4,779,000	
Property Plant and Equipment	5,562,248	-	-	-	5,562,248	
Total	145,066,824	53,897,469	2,736,745	13,075,249	75,367,362	
Liabilities						
Members savings*	127,173,194	127,173,195	-	-	-	nil
Trade and other payables	3,087,130	-	3,087,130	-	-	nil
Finance lease liability	39,577	-	-	-	39,574	8%
Rental bonds payable	25,718	-	-	-	25,718	nil
Provision for long service leave	251,976	-	-	-	251,976	nil
Total	130,577,595	127,173,195	3,087,130	-	317,268	
Net exposure 2017	13,586,911	(77,852,982)	2,140,413	7,292,648	82,006,831	
Net exposure 2016	14,489,229	(73,275,726)	(350,385)	13,075,249	75,040,094	

* 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.

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT

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	<u>Effect on net assets and profit</u>	
			Increase	Decrease
Amount at 31 December 2017				
Quoted and unquoted equity investments	10%	<u>2,777,500</u>	<u>277,750</u>	<u>(277,750)</u>
Amount at 31 December 2016				
Quoted and unquoted equity investments	10%	<u>3,180,000</u>	<u>318,000</u>	<u>(318,000)</u>

NOTES TO, AND FORMING PART OF, THE FINANCIAL STATEMENT**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 2017				
Quoted equity investments	2,617,500	-	-	2,617,500
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	3,959,064	3,959,064
	<u><u>2,617,500</u></u>	<u><u>160,000</u></u>	<u><u>3,959,064</u></u>	<u><u>6,736,564</u></u>
31 December 2016				
Quoted equity investments	3,020,000	-	-	3,180,000
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	4,779,000	4,779,000
	<u><u>3,020,000</u></u>	<u><u>160,000</u></u>	<u><u>4,779,000</u></u>	<u><u>8,119,000</u></u>

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



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20% VALUE BACK

1. ANITUA SUPERMARKET
2. MILNE BAY HARDWARE
3. NATU MEDICAL SERVICES
4. NESIAN HAIR & BEAUTY SALON
5. SED OPTICAL

15% VALUE BACK

1. BIRD OF PARADISE HOTEL
2. BRIAN BELL
3. CAMP ADMINISTRATION
4. COURTS
5. DATEC LEARNING CENTRE
6. ELA ENTERPRISES
7. ELA BEACH HOTEL & APARTMENTS
8. FRESH LOOK SALON & WELLNESS SPA
9. GATEWAY HOTEL & APARTMENT
10. GRAND PAPUA HOTEL
11. HIGHLANDER HOTEL & APARTMENTS
12. HUON GULF HOTEL
13. JAIS ABEN RESORT
14. KAVIENG VILLAGE RESORT
15. K.K. KINGSTON
16. KOKOPO VILLAGE RESORT
17. KOKOPO OPTICAL CLINIC
18. LAGUNA HOTEL
19. MADANG LODGE
20. MADANG RESORT HOTEL
21. MARANATA MEDICAL SERVICES
22. MOROBE OPTICAL
23. PACIFIC GARDEN HOTEL
24. GREEN POWER PNG LIMITED
25. RAPOPO RESORT
26. SOLAR ENERGY SOLUTION
27. SOLAR SOLUTIONS
28. THE SANTUARY HOTEL
29. W.R DENTAL
30. 2K MEDICAL

12.5% VALUE BACK

1. SOLAR ENERGY SOLUTIONS

10% VALUE BACK

1. ANITUA HARDWARE/SUPERMARKET
2. CENTRAL MART
3. CITY HEALTH CARE CLINIC
4. CLICK TV
5. CLUBS OF CLUBS
6. CROWNE PLAZA
7. DALTRON

8. DIGITEC
9. DRIFT WOOD RESORT
10. EAGLE AGRICULTURE & HARDWARE (BUKA)
11. EYE CARE
12. FRESH LOOK SALON & WELLNESS SPA
13. FUNERAL HOME
14. GLOW HAIR BOUTIQUE
15. GRAND PAPUA HOTEL
16. HARDWARE HOUSE
17. HERTZ RENT A CAR
18. HOLIDAY INN EXPRESS
19. HOLIDAY INN & SUITE
20. HONGLAND HARDWARE
21. HOUSE OF XEN
22. JHAYE'S HAIR & BARBAR SHOP
23. JR REPAIRS
24. KOKOPO BEACH BUNGALOW RESORT
25. LAE SPORTS STORE
26. LAE WELLNESS MEDICAL
27. LAHARA LODGE
28. LIVAJOS LIMITED
29. LOGOHU (PATINI)
30. MADANG HARDWARE
31. MASURINA LODGE
32. MILLS DENTAL CARE
33. MR. MIKES PIZZA COMPANY
34. NAYAL IT & CONSUMABLES
35. PLUMBERS & BUILDERS
36. RAMMAH TRADING
37. SANDAUN SURF LODGE
38. SOLAR ENERGY SOLUTION
39. SVS SPORTS STORE (POM)
40. TAKLAM LODGE & TOURS
41. THE CELLAR RESTAURANT
42. THEODIST STATIONARY LIMITED
43. THE STADIUM
44. THE SHADY REST HOTEL
45. TRIO ENERGY
46. WELLNESS LODGE
47. ANITUA SUPERMARKET
48. NANGA MEDICAL
49. NIUGINI FOOTWEAR

7% VALUE BACK

1. HANDYMAN HARDWARE (KAVIENG)

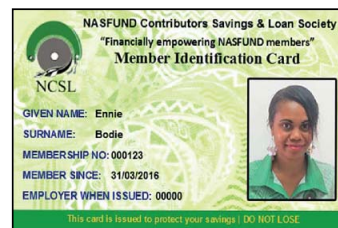
5% VALUE BACK

1. BISI TRADING LIMITED
2. DATEC MEGA STORE

K50 DISCOUNT

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HOW TO PARTICIPATE

1. UPON CASH PURCHASE, PRESENT YOUR NCSL MEMBERSHIP ID CARD TO RECEIVE INSTANT DISCOUNT
2. OBTAIN A LOAN OR SAVINGS WITHDRAWALS FROM YOUR NCSL SAVINGS ACCOUNT TO RECEIVE A SHOPPING VOUCHER;
 - GET A QUOTATION ON YOUR ITEM(S) OF PURCHASE
 - PRESENT YOUR QUOTATION WITH YOUR COMPLETED LOAN/SAVINGS WITHDRAWAL FORM AT ANY NCSL BRANCH.
 - A CHEQUE IS RAISED TO THE SELECTED RETAIL OR SERVICE PROVIDER
 - PAY FOR YOUR ITEM(S) AND RECEIVE A SHOPPING VOUCHER EQUIVALENT TO 5% -20% OF THE PURCHASE PRICE.

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- Savings withdrawal
- Balance check
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