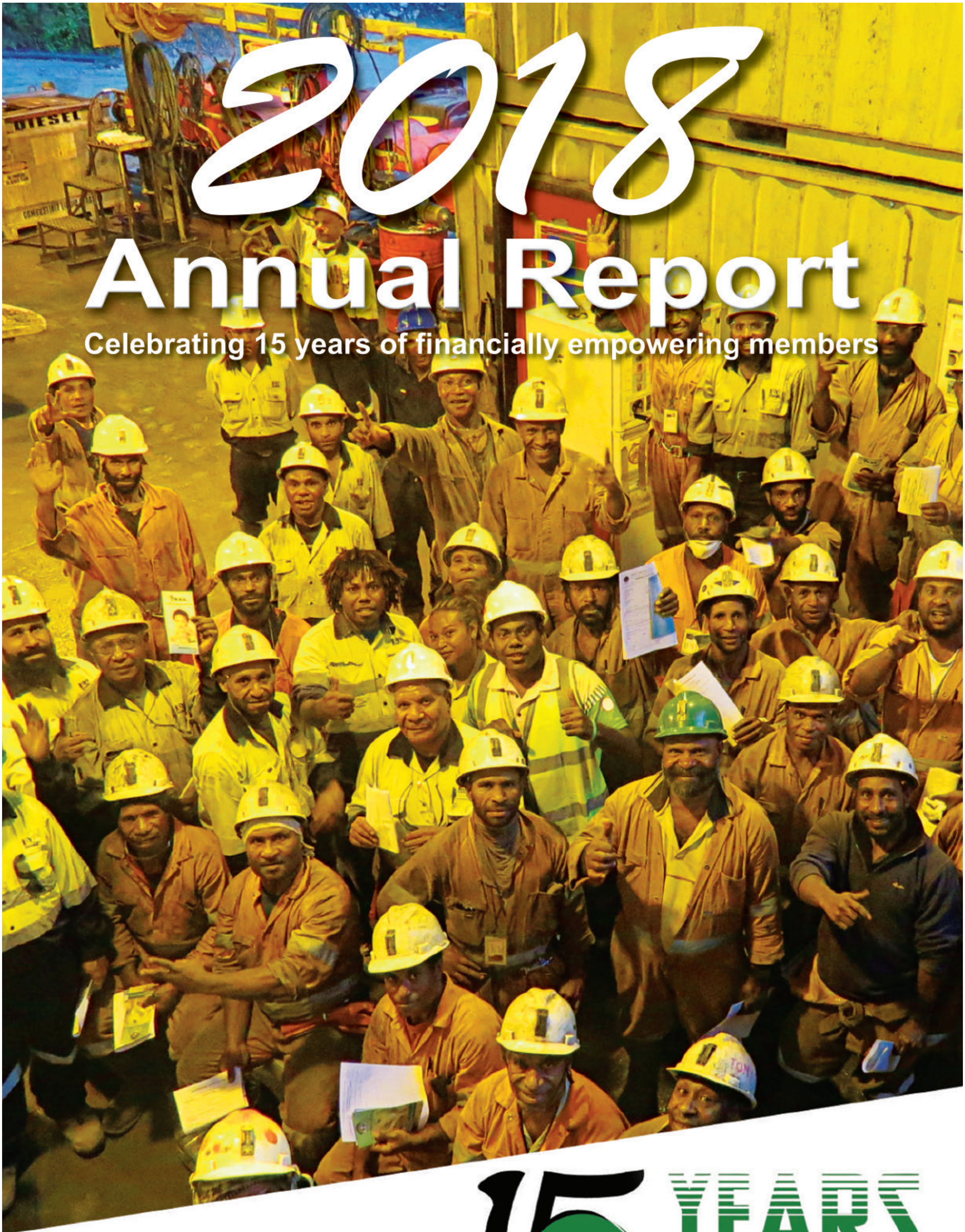
2018 Annual Report

Celebrating 15 years of financially empowering members



15 YEARS
ANNIVERSARY
2003 -2018

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NCSL

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 Statements:

- 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 efficent 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.

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	Mr. Noel Larupa Ako
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

Dear Members,

I am pleased to present to you the annual report on the activities undertaken by your Society in 2018 which saw the Society report the best ever Net Income position and further strengthen its financial position.

It was a year of continued growth which saw pleasing results that included higher revenue from core business while continuing the transformation towards achieving the vision of becoming a "One Stop Shop" bank.

The audited financial statements showed the following key results;

- Gross Assets increased by 17.5% to K185.5 million
- Net Asset Value increased by 50.4% to K20.1 million
- Sound General reserves at K12.7 million
- Revenue from core business increased by just under 21% to K19.9 million
- Operating Expenses (excluding interim interest payment to members) increased by 5.1% to K10.2 million
- Interim interest payment to members at K1.8 million
- Net Income increased significantly from K2.1M to K8.4M
- Total membership increased by 7.4% to 106,159 members
- Member Savings increased by 11.5% to K159.2 million
- Paid out a total of K63.3 million in member savings withdrawals
- Loan Portfolio increased by 32.0% to K81.2 million
- Processed a total of over 72,933 loans (+85%) with a volume of K83.2 million (+32%)

We continue to pay monthly interest on all savings accounts and top that with additional interest after finalisation of the audit of our annual financial statements. We paid out a total of K8.5 million in interest paid to members' savings accounts in 2018, compared to a total of K5.7 million paid in 2017. The payment in 2018 equated to an interest crediting rate of 5.8% which is an improvement on the 4.3% interest crediting rate in 2017.

This result was achieved on the back of good growth in revenue from lending and despite write-down in the valuation of properties. The year saw a significant increase in the number of loan applications as well as reduction in loan delinquency levels which saw a write-back in provisioning which also contributed to the record results.

Operations

Our focus remained on maintaining consistency in the delivery of quality service which saw continued review of all our touch points and core business processes.

This resulted in automation of the loan approval process which saw a quicker turn-around on loan applications and 85% increase in the number of loan applications processed during the year and significant reduction in the number of paper applications handled over the counter at branches.

We also commenced the installation of our Biometric Identification System (BIS) devices at offsite locations during the year in our effort to bring services closer to our members. This is in addition to installing online access capability at our branches which now allows members to initiate online applications which have a much quicker turn-around time.

With the rollout of the undersea cable which is expected to increase the speed and reduce the cost of internet, we expect a greater increase in the number of online and electronic transactions and we hope to phase out the use of paper in the future.

Risk management continues to be an integral part of the management of the Society and we have engaged a reputable accounting firm to progress internal auditing of our policies and processes in addition to the external audit engagement.

We will continue to review our policies and processes and ensure that they remain relevant in an evolving business environment and these form our first line of defence in the management of risk within the business.

Industry

The revised Savings & Loan Societies Act came into effect during the year and I am pleased to advise that NCSL was one of the very few societies identified by the regulator, Bank of PNG, to be compliant with the requirements of the revised Act.

Work has commenced for NCSL to be fully compliant and this includes incorporating under the Companies Act and obtaining a licence from Bank of PNG.

The current Board will remain in office until the end of the transition period when requirements of Schedule 4 of the Revised Act on Board of Directors will need to be satisfied.

We continue to maintain membership of the Federation of Savings and Loan Societies (FESALOS) and collaborate with other sister societies on all industry matters of mutual interest.

Future

Your Society has been working on various initiatives on the path towards becoming a one-stop-shop bank and we are looking to introduce a debit card offering to our members in 2019. This is expected to change the way we manage the transactional needs of our members and significantly reduce the need to transfer funds to commercial banks and in the process save us on bank fees.

In all of these, providing quality customer service and offering of value adding products and benefits remains our top priority while making sure that we continue to grow our membership base

I take this opportunity to thank my fellow board members for their hard work, counsel and leadership in 2018. I also want to thank the NCSL management and staff throughout the country for their hard work and commitment towards delivering this year's results for the members.

Importantly, we also acknowledge and thank you our valued members for your confidence and support over 2018 and assure you of our commitment.

We wish you well for 2019 and beyond.

Thank you

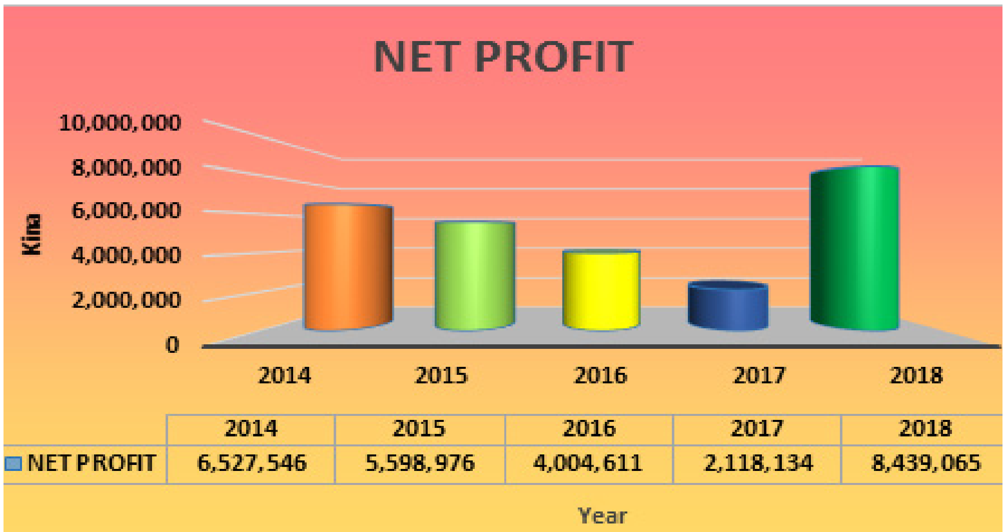
Ian A. Tarutia, OBE
Chairman

Dear Members,

I am pleased to report on the 2018 activities and results of your Society which saw another successful year for NCSL with growth experienced in all aspects of the business. As I have done in the past years, I will cover the cover the activities under the four (4) key pillars of Financial, Member, Risk / Processes and People

Financial

I am happy to report that your Society posted a Net Income (after all expenses) of K8.4 Million which is a significant increase on the result of K2.1 Million recorded in 2017.



The graph shows the results of 2018 against that recorded in the prior years going back to 2014. It should also be noted that the Net Income in 2018 is the best ever recorded by your Society since inception and this was achieved on the back of the following;

- 32% net growth in the loan portfolio – from K61.47 million to K81.48 million
- 85% growth in the number of loan applications – from 39,452 to 72,993

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	2018	2017	Movement
Loan Interest	8,743	6,543	2,200 (+34%)
Investments	8,994	8,445	549 (+7%)
Fees	2,225	1,446	779 (+54%)
Rental / Dividend	427	388	39 (+10%)
*Other	54	-979	1,033 (+105%)
Total	20,443	15,843	4,600 (+29%)

** Other represents movements in the valuation of properties and share investments as well as Account Keeping Fee (+K478k) which we started collecting during the year*

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 increase in loan write-offs which are ongoing legacy issues in the loan portfolio which we continue to address.

We continued the payment of monthly interest to members that we began in 2016. In the course of 2018, we paid a total of just over K1.78 million in interim interest to members which was topped up by another K7.0 million after the auditing of our year-end 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 2017.

Below are the comparative figures for the last five (5) years;

STATISTICAL INFORMATION	2014	2015	2016	2017	2018
ASSETS & LIABILITIES					
Loans to Members	30,264,292	46,052,923	50,145,426	61,473,676	81,161,927
Gross Assets	123,606,310	129,618,081	145,066,824	157,897,415	185,495,475
Growth in Gross Assets	13.8%	4.9%	11.9%	8.8%	17.5%
Member Savings	107,201,046	112,628,736	127,173,195	142,802,558	159,185,825
Net Assets	15,574,108	15,933,798	14,410,474	13,414,566	20,180,300
PROFITABILITY					
Loan Interest Income	3,115,995	4,252,834	5,505,159	6,543,034	8,743,390
Total Income	11,983,332	12,510,381	14,896,043	15,843,220	20,442,723
INTEREST PAID TO MEMBERS					
Net Profit	6,527,546	5,598,976	4,004,611	2,118,134	8,439,065
Interest Paid to Members	4,954,151	5,535,306	4,540,657	5,684,708	8,787,212
Interest Crediting Rate	5.5%	5.2%	3.9%	4.2%	5.8%
ACTIVE MEMBERS / STAFF					
New Members registered	8,844	9,007	7,869	16,160	20,725
Total Members	72,355	76,344	83,715	98,833	106,159
No. of fulltime staff	53	64	69	69	69

Member Services

Maintaining a consistent and good quality service 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.

As part of the ongoing review of all our touch points, we automated the loan approval process during the year which enables members to access funds much more quickly than ever before which also resulted in the significant increase in the number of loans processed during the year.

We continue to see a greater increase in the number of transactions via the electronic channels and the number of paper applications over the counter at our branches continues to reduce which is very pleasing to see.

During the year, we also began the installation of our Biometric Identification System (BIS) touchscreen service at offsite locations with higher foot traffic around National Capital District (NCD) and we will closely monitor the uptake on this with a view to rolling this out in the other centres outside NCD.

We managed to expand the participation of our partners in our Value-Back program during the year and we now have more than 100 locations that our members can go to for discounted purchases and will continue seeking participation from partners in other centres so that our members in these centres can also enjoy this benefit.

In terms of our membership base, we reached the milestone of exceeding 100,000 members and this confirms NCSL's position as the largest savings and loan society by membership size in the country.

Process / Risk

As part of our risk management framework, we continue the internal audit program which has resulted in the identification of some areas that require 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 oversight of our business operation and we maintain close dialogue on the management of matters identified for our attention.

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, such as IT hardware and communication links.

During the year, the revised Savings and Loan Societies Act finally came in operation and NCSL was pleased to be identified as one (1) of only five (5) societies which fully complied with the requirements of the revised Act during the industry consultative meeting facilitated by Bank of BPNG. We have commenced the process of fully complying with the requirements of the revised Act under a transition period which ends in August 2019.

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.

We continue to have a committee, made of staff from the different departments, 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. A lot of work has been progressed to date and we are looking forward to offering this payment service to our members as well as other payment services during 2019 and beyond.

We are also looking to further enhance functionalities available on mobile phone services during 2019 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 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 2019.

Vari Lahui
General Manager

Corporate Governance

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 Societies Act 2015 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 2015
- Review of human resources, information technology and the resources of the business

Name of Director	Designation	Year Joined NCSL Board	Tenancy (Years)	Board Meeting Attendance in 2018	ARRC Meeting Attendance in 2018
Ian Tarutia (Chairman)	Chairman	2003	16	4	-
Christopher Elphick	Deputy Chairman	2016	3	4	4
Hulala Tokome	Director	2009	10	2	3
Vera Raga	Director	2011	8	4	4
Murray Woo	Director	2011	8	3	-
William Lamur	Director	2003	16	2	-

Members of Audit, Risk and Remuneration Committee (ARRC)

- Christopher Elphick - Deputy Chairman
- Hulala Tokome - Director
- Vera Raga - Director

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 2018, the Board met on four occasions. Prior to each meeting, all available information on matters to be discussed at the meeting was provided to each director and senior officers at least 7 days in advance.

Audit Risk & Remuneration Committee (ARRC)
The ARRC is appointed and authorized by the Board. The objectives of the ARRC are to assist the Board in discharging its statutory, fiduciary, governance and regulatory responsibilities in relation to audit risk and remuneration matters. There are three (3) members on the ARRC who are appointed by the Board for a term of two (2) years. In 2018, the ARRC met on four occassions.

Codes of Conduct & Ethical Standards
NCSL recognizes the need for directors and employees to observe the highest standards of behavior 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 2018, there were no contingent liabilities.

Crediting Rate Policy
Crediting of interest to members' accounts for 2018 was 5.8 % with 4.6 % paid in March 2019 and 1.2% was paid during the course of 2018. The interest is determined on a time-weighted basis on member balances throughout the year. This is in accordance with international standards on return accreditation.

Bad and Doubtful Debts
At the end of 2018, the provision for bad and doubtful debts was K1,990,036

Donations
There were no donations by the Society over 2018.

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 2018 by the Chairman.

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

Member Statements
Member Statements are available to members upon request.

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

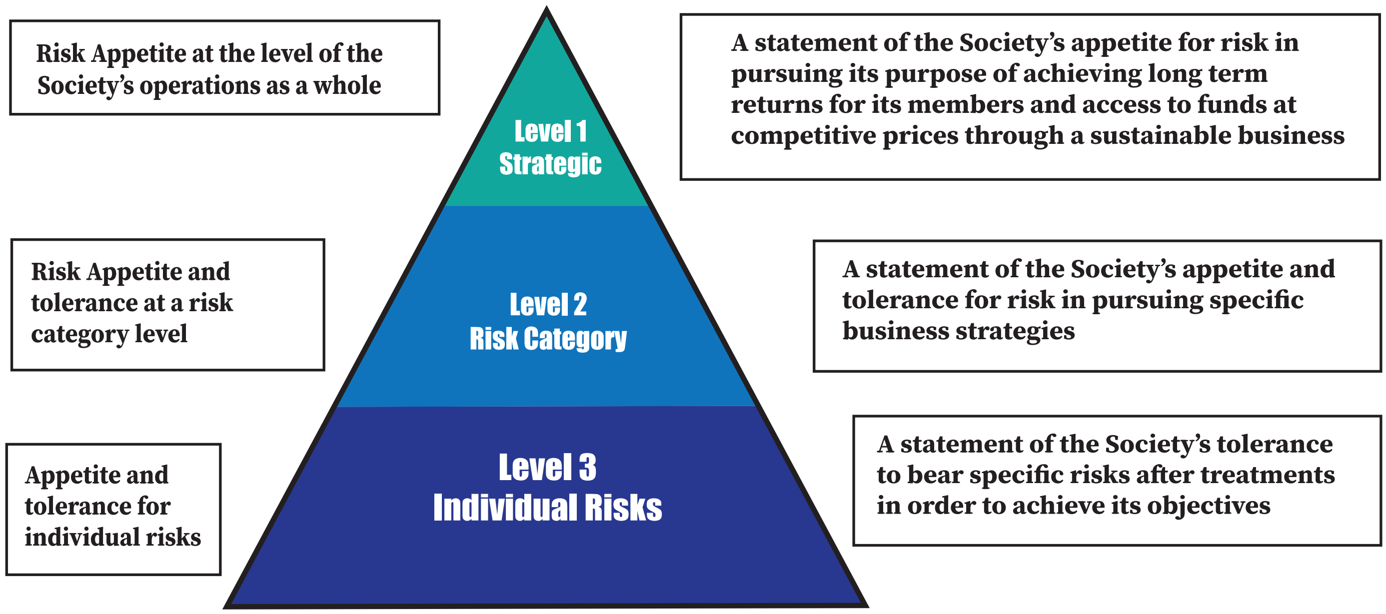
1. The Risk Appetite Statement (RAS)

1.1 The RAS is an integral part of the Risk Management Framework and represents the type and degree of risk that the Society is willing to accept in pursuit of its business objectives, considering its capacity to bear risk and philosophy on risk taking.

Key definitions relevant to the Risk Appetite Statement are as follows:

- Risk capacity: means the amount and type of risk an organisation is able to support in pursuit of its business objectives.
- Risk appetite: means the amount and type of risk an organisation is willing to accept in pursuit of its business objectives, having regard to its risk capacity.
- Risk tolerance: means the specific maximum risk that an organisation is willing to take regarding each relevant risk.

In developing the risk appetite the Board has expressed the risk appetite at three levels which are interlinked:



All three levels of risk appetite are interlinked as the:

- Risk appetite at the strategic level (Level 1) expresses an appetite for activity in the context of the strategic direction and organizational purpose of the Society;
- Risk appetite at the risk category level (Level 2) expresses risk appetite in the context of operational activities or functions of the Society undertaken to achieve business strategies;
- Risk appetite at the individual risk level (Level 3) expresses risk appetite in the context of desired tolerances for each material risk encompassing both strategic and operational risks.

Within each level, risk appetite is expressed as qualitative statements and quantitative measures which are intended to guide decision making. Further quantitative measures are expected to be incorporated into the risk appetite statement and embedded in the organisation as risk management continues to mature throughout all levels of the organisation.

NCSL staff donates 2 manual singer sewing machines to Bomana Prison's female inmates. NCSL supports community activities without impacting on member's funds.

Directors' Declaration

The Directors have pleasure in presenting their report together with the financial statements of NASFUND Contributors Savings and Loan Society Limited (the Society) for the year ended 31 December 2018 and the auditor's report thereon.

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.

RESULTS
The net profit for the year ended 31 December 2018 was K 8,439,065 (2017: K 2,118,134).

INTEREST
Interest will be credited to Members' Savings Accounts on 27th day of March 2019.

DIRECTORS
The directors of the Society at the date of the report of the Society are listed on page 1. No director of the Society had any material interest in any contract or arrangement with the Society or any related entity during the year ended 31 December 2018.

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

Director's name	**2018**		**2017**	
	Directors' fees	**Sitting allowance**	**Directors' fees**	**Sitting allowance**
	K	**K**	**K**	**K**
Mr. William Lamur, OBE	5,000	1,500	5,000	1,500
Mr. Murray Woo	5,000	2,500	5,000	3,000
Mr. Hulala Tokome	5,000	4,500	5,000	6,000
Mr. Vera Raga	5,000	5,000	5,000	5,500
Mr. Christopher Elphick	5,000	5,000	5,000	6,000
	-	-	25,000	22,000
Chairman of the Society				
Mr. Ian Tarutia, OBE	5,500	3,000	5,500	3,500
	30,500	**21,500**	**30,500**	**25,500**

STATEMENT BY DIRECTORS
In our opinion, the financial statements set out on pages 16 to 51 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2018 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.

Signed at Port Moresby this 27th day of March 2019 For and on behalf of the Board of Directors

Mr Ian Tarutia OBE
Chairman

Mr Christopher Elphick
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 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 2018 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 2018;
- 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.

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 (ISA) 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 ISA, 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 that we identify during our audit.

KPMG
Chartered Accountants

Suzzan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby

Date: 11 April 2019

NCSL's former Marketing Officer's attend to student queries during University of Papua New Guinea's Career Exposition.

Statement of Financial Position

As at 31 December 2018

	Note	2018 K	2017 K
ASSETS			
Cash on hand and at Bank	24	8,188,442	3,475,900
Term deposits	24	-	4,515,148
Prepayments and other receivables	10	2,129,115	3,318,553
Quoted equity investments	8	2,152,500	2,617,500
Unquoted equity investments	8	160,000	160,000
Government inscribed stock	8	79,735,484	72,874,228
Loans due from members	9	81,161,927	61,473,676
Investment properties	7	2,716,591	3,959,064
Property, plant and equipment	6	9,251,415	5,503,346
TOTAL ASSETS		**185,495,475**	**157,897,417**
LIABILITIES			
Member savings	12	159,185,825	142,802,558
Trade and other payables	13	5,471,833	1,178,140
Finance lease liability		-	11,639
Rental bonds payable		11,045	11,045
Employee provisions	11	646,472	479,470
TOTAL LIABILITIES		**165,315,174**	**144,482,851**
NET ASSETS		**20,180,300**	**13,414,566**
MEMBERS FUNDS			
Share capital	16	106,159	98,833
Statutory reserve	17	12,760,485	11,072,672
Retained earnings		7,313,656	2,243,061
TOTAL EQUITY		**20,180,300**	**13,414,566**

Mr. Ian Tarutia, OBE
Chairman
Date: 9th April 2019

Mr. Christopher Elphick
Director
Date: 9th April 2019

For and on behalf of the board of directors

The notes on pages 19 to 50 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 K	2017 K
Income from lending		8,743,390	6,543,034
		8,743,390	**6,543,034**
Income from investments			
Interest income		8,994,431	8,445,061
Rental income		163,280	155,916
Dividend income		263,500	232,500
Movement in fair value of quoted equity investments	8 (b)	(465,000)	(402,500)
Movement in fair value of unquoted equity	8 (c)	-	-
investments	8 (c)	-	-
Movement in fair value of investment properties	7	(214,120)	(819,936)
		8,742,091	**7,611,040**
Other income			
Loan fees		1,830,874	983,375
New membership fees		213,157	289,120
Withdrawal fees		181,227	173,574
Reversal of provision for doubtful debts		55,491	29,458
Sundry income		676,495	213,618
		2,957,243	**1,689,144**
TOTAL INCOME		**20,442,723**	**15,843,220**
Expenses			
Administration expenses	18	4,726,390	4,054,801
Finance lease expenses		1,372	3,277
Staff expenses	19	4,411,827	3,838,637
Provision for doubtful debts and bad debts	9	285,693	992,954
Depreciation	6	786,188	809,498
Property repairs and maintenance		6,694	21,865
Interest to members		1,785,494	4,004,051
TOTAL EXPENSES		**12,003,658**	**13,725,086**
Profit from operations before interest and tax		**8,439,065**	**2,118,134**
Income tax expense		-	-
Profit for the year		**8,439,065**	**2,118,134**
Other comprehensive income		-	-
Total comprehensive income for the year		**8,439,065**	**2,118,134**

The notes on pages 19 to 50 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018

	Note	Share capital K	Statutory reserve K	Retained earnings K	Total K
At 31 December 2016		**83,715**	**12,169,350**	**2,157,409**	**14,410,475**
Net member contributions received	16	15,118	-	-	15,118
Total comprehensive income for the year		-	-	2,118,134	2,118,134
Net Transfer from(to) statutory reserve	17	-	(1,096,678)	1,096,678	-
Interest credited to member savings deposits relating to 2016 profits	12	-	-	(3,129,160)	(3,129,160)
At 31 December 2017		**98,833**	**11,072,672**	**2,243,061**	**13,414,567**
Net member contributions received	16	7,326	-	-	7,326
Total comprehensive income for the year		-	-	8,439,065	8,439,065
Net transfer between reserves	17	-	1,687,813	(1,687,813)	-
Interest credited to member savings deposits relating to 2017 profits	12	-	-	(1,680,657)	(1,680,657)
At 31 December 2018		**106,159**	**12,760,485**	**7,313,656**	**20,180,300**

The notes on pages 20 to 51 are an integral part of these financial statements

Marketing Officer Jasper Kinaram during an awareness session with drivers and staff of Comfort Taxi services in Port Moresby.

Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 K	2017 K
CASH FROM OPERATING ACTIVITIES			
Interest received from members' loans		8,623,346	6,543,034
Interest received from government debt securities		8,994,431	8,051,755
Rental income received		161,618	179,337
Dividend income received		263,500	232,500
Fee income received		2,663,399	1,659,687
Net loans issued to members		(19,688,251)	(11,570,015)
Net investment in interest bearing deposits		4,515,148	5,380,101
Net purchase of equity investments		-	-
Net purchase of debt investments		(6,861,256)	(7,858,114)
Expenses paid to suppliers		(365,941)	(3,472,467)
Interest paid to members		(1,785,494)	-
Expenses paid to staff		(4,442,656)	(3,660,923)
Net cash inflow/ (outflow) from operating activities		**(7,922,156)**	**(4,515,106)**
CASH FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(4,534,257)	(3,072,308)
Net cash inflow/(outflow) from investing activities		**(4,534,257)**	**(3,072,308)**
CASH FROM FINANCING ACTIVITIES			
Net member capital contribution received		7,326	15,118
Sale of investment property		790,000	-
Change in finance lease		(11,639)	-
Net member savings and deposits received		16,383,267	7,296,153
Net cash inflow/(outflow) from financing activities		**17,168,995**	**7,311,271**
Cash and cash equivalents at beginning of the year		**3,475,899**	**3,752,043**
Net increase/ (decrease) in cash and cash equivalents		4,712,542	(276,143)
Cash and cash equivalents at end of the year	24	**8,188,440**	**3,475,899**

The notes on pages 19 to 50 are an integral part of these financial statements.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Notes to the Financial Statements

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, NCD, Papua New Guinea. The Society is primarily involved in retail banking activities including receiving deposits and issuing loans.

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1.Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

The financial statements are presented in Kina, and 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note [3].

The Society operates as one segment and in one geographical location being Papua New Guinea.

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 IFRS and the Savings and Loans Societies (Amendments) Act 1995. IFRS are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investment in subsidiaries at fair value through profit or loss.

IFRSs form the basis of International Accounting Standards adopted by the International Accounting Standards Board ("IASB"). The preparation of financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Society's accounting policies.The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.2.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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.3. Revenue recognition

The Society has applied IFRS 15 using the cumulative effect method and therfore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Society recognises revenue when it transfers control over a product or service to a customer.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and for the consolidated financial statements, after eliminating sale transactions within the Society. Revenue was recognised as follows:

Interest income and expenses

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost and at fair value through profit or loss using the effective interest rate method. Interest income and expenses are recognised separately from other fair value movements.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and Commission

Fees and commission income and expense that relate to the creation of a financial asset are amortised over the term of the loan on an effective interest rate basis.

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.

Transaction income and expenses are recognised on an accrual basis in the period in which the services are rendered.

Dividend Income

Dividend income is recognised in the income statement when the entity's right to receive payment is established. Dividend income is recognised separately from other fair value movements.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.4. Leases

2.4.1. Where the Society is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognised as an expense in the period in which termination takes place.

2.4.2. Where the Society is the lessor

Rental from the letting of owned premises is recognised on a straight-line basis over the lease term.

2.5. Tax Exemption

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

2.6. Financial instruments

2.6.1. Recognition and initial measurment

Policy applicable from 1 January 2018

The Society recognises financial assets and liabilities on the statement of financial position once it becomes a party to the contractual terms of the particular financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NCSL staff & students of Marianville Secondary School jointly participating in 2018 Walk Against Corruption at the Sir John Guise Stadium, Port Moresby.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.6.2. Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Society changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Society may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Society may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.6.2. Classification and subsequent measurement (continues)

Financial assets: Business model assessment – Policy applicable from 1 January 2018

The Society makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Society's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Society's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Society considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Society considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Society classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

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.

Financial assets at Fair Value Through Profit or Loss (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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.6.3. De-recognition

Policy applicable after 1 January 2018

Financial assets

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Society enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Society also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Policy applicable before 1 January 2018

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Society has transferred substantially all risks and rewards of ownership.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

2.7. Identification and measurement if impairment

Policy applicable after 1 January 2018

Financial instruments

The Society recognises loss allowances for ECLs on financial assets measured at amortised cost and loan commitments issued.

No impairment loss is recognised on equity investment.
The Society measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and Society balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.7. Identification and measurement if impairment (continues)

Financial instruments (continues)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Society considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Society's historical experience and informed credit assessment and including forward-looking information.

The Society assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Society considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Society considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Society is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Society expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Society if the commitment is drawn down and the cash flows that the Society expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- it is probable that the borrower will enter bankuptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Society cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Society presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Society determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Society's procedures for recovery of amounts due.

Modifications of financial assets

If the terms of a financial asset are modified, the Society evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Society recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Policy applicable before 1 January 2018

Financial assets, other than those at FVPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the future cash flows of the investment have been affected.

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experienced.

All impaired loans and advances were reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows discounted at the original effective interest rate, compared to previous estimates, result in either a charge or release for impairment of loans and advances in the income statement.

In determining whether an impairment loss should be recorded in the income statement, the Society made judgements as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. An estimate was made for impairment associated with those assets in the statement of financial position that are impaired but for which objective evidence is not yet available, by assessing the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. An emergence period of 3 months was used for the performing loan book, with a longer emergence period used for the rescheduled loan book. This evidence might include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Society.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available for sale

For financial assets, other than AFS equity investments, objective evidence of impairment is could include:

- significant financial difficulty of the issuer/counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter Bankruptcy of financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Loans

At each balance sheet date, the Society assesses whether there is any objective evidence of impairment of its loan portfolio. An impairment charge is recognised if there is objective evidence that principal or interest repayments may not be recoverable and when the financial impact of the non-recoverable loan can be reliably measured.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Loans (continues)

Objective evidence of impairment could include a breach of contract with the Society such as default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults.

The impairment charge is measured as the difference between the loan's current carrying amount and the present value of its estimated future cash flows. The estimated future cash flows exclude any expected future credit losses which have not yet occurred and are discounted to the present value using the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate.

The impairment charge is recognised in the income statement with a corresponding reduction of the carrying value of the loan through an offsetting provision account.

In subsequent periods, objective evidence may indicate that an impairment charge should be reversed. Objective evidence could include a borrower's credit rating or financial circumstance improving. The impairment charge is reversed in the income statement of that future period and the related provision for impairment is reduced.

Uncollectable loans

A loan may become uncollectable in full or part if, after following the Society's loan recovery procedures, the Society remains unable to collect that loan's contractual repayments. Uncollectable amounts are written off against their related provision for impairment, after all possible repayments have been received.

The Society may subsequently be able to recover cash flows from loans written off. In the period which these recoveries are made, they are recognised in the income statement.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Society are classified as either liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Society has not issued any equity instruments.

Financial liabilities

Other financial liabilities (including deposits and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.8. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at Society, 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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.8. Cash and cash equivalents (continues)

Cash and cash equivalents are initially and subsequently recorded at fair value in the Statement of Financial Position.

2.9. Property and equipment

Property, plant and equipment is measured on the cost basis less depreciation and impairment losses. The cost of improvements to leasehold premises is capitalised and amortised over the estimated useful life of the improvement concerned.

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 reliable measure the costs to complete the development of the capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life.

Depreciation is calculated on a straight line basis from the date of acquisition at rates appropriate to the estimated useful lives as follows:

Office equipment	4 to 10 years
Furniture and fittings	5 to 15 years
Motor vehicles	3 to 6 years
Leasehold improvements	10 to 14 years

Gains or losses on disposal (being the difference between the carrying amount at the time of sale or disposal and the proceeds of disposal) are taken to income in the year.

2.10. Computer software

Computer software licences are acquired and are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with developing and maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the creation of identifiable and systems products controlled by the Society, and that will probably generate economic benefits beyond 1 year, are recognised as intangible assets. Other development expenditures are recognised as an expense as incurred.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives which range between 3 and 5 years.

The assets' useful lives are annually reviewed and adjusted where appropriate

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

2.11. Investment property

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.

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.

2.12. Impairment of Non-Financial Assets

Equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13. Provisions

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

2.14. Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Superannuation contributions are made by the Society to defined contribution superannuation funds and are charged as expenses when incurred.

2.15. Reserves

The Society maintains the following equity positions:

- 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.
- 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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

3. Critical accounting estimates and judgements in applying accounting policies

In conformity with IFRS, the preparation of financial statements for the Society requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1. 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 2018 the Society had an at call liquidity net deficiency of K151 million (2017: K135 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

4. Changes in accounting policy

Except for the changes below, the Society has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

4.1. IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing in guidance in IAS 39 Financial Instruments: Recognition and measurements. IFRS 9 includes revised guidance on the classification and measurements of financial instruments, including a new expected credit loss model for calculating impairment in financial assets and the new general hedge accounting requirements. It also carries forwards guidance in recognition and derecognition of financial instruments from IAS 39.The Company adopted IFRS 9 with inital application at 1 January 2018.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

4. Changes in accounting policy (continue)

4.1. IFRS 9 Financial Instruments (continue)

(i) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Society classifies and measures financial assets and accounts for related gains and losses under IFRS 9. For further details please refer to Note 2.6.

The adoption of IFRS 9 has not had a significant effect on the Society's accounting policies for financial liabilities.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For further details please refer to Note 2.6.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Society assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The impact, net of tax, of transition to IFRS 9 on reserves and retained earnings at 1 January 2018 is K65,974 which was not restated in the 2017 accounts.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

4. Changes in accounting policy (continue)

4.1. IFRS 9 Financial Instruments (continue)

(iv) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Society's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				K	K
Financial assets					
Debt securities	8 (a)	Available for sale	Amortised cost	72,874,228	72,874,228
Equity securities	8 (b), (c)	Available for sale	FVOCI – equity Instrument	2,777,500	2,777,500
Loans, advances and receivables	9 and 10	Loans and receivables	Amortised cost	61,473,676	61,473,676
Cash and cash equivalents		Loans and receivables	Amortised cost	11,309,601	11,309,601
Total financial assets				**148,435,006**	**148,435,006**
Financial liabilities					
Payables	13	Other financial liabilities	Other financial liabilities	1,178,140	1,178,140
Borrowings	12 and 14	Other financial liabilities	Other financial liabilities	142,814,196	142,814,196
Total financial liabilities				**143,992,336**	**143,992,336**

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

4. Changes in accounting policy (continue)

4.1. IFRS 9 Financial Instruments (continue)

The Society's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.6. The application of these policies resulted in the reclassifications set out in the table above and explained below:

a. Debt securities that were previously classified as available-for-sale are now classified at amortisedcost. The Society intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
b. These equity securities represent investments that the Society intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Society has designated these investments at the date of initial application as measured at FVOCI; and
c. Loans, advances and receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

4.2. IFRS 15 Revenue from Contracts with Customers

The Society has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2018. As a result, the Society has changed its accounting policy for revenue recognition as detailed below.

The Society has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of changes and quantitative impact of the changes are set out below.

(i) Interest income

For financial assets measured at amortised cost, the effective interest method (EIR) is used to measure the interest income or expense recognised in the statement of comprehensive income.

(ii) 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.

(iii) Fees and commission income and expense

Fees and Commissions are generally recognised on an accrual basis when the service has been provided. All fees relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised in the period in which they are levied.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

5. 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.

5.1. IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Society has not yet commenced completed an initial assessment of the potential impact on its financial statements.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Society has not yet commenced completed an initial assessment of the potential impact on its financial statements.

The lessee applies the election consistently to all of its leases.

The Society plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Society is yet to commence its assessment of the potential impact of using these practical expedients.

The Society is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

5.2. Other standards

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

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Amendments to IAS 40 Transfers of Investment Property
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.

6. Property, plant and equipment

	2018	2017
	K	K
Software and office equipment	3,495,222	3,701,643
Furniture and fittings	236,744	283,302
Motor vehicles	17,812	41,974
Leasehold improvement	1,186,107	1,084,072
Work in progress	4,315,530	392,357
	9,251,414	**5,503,347**

During the current year, the Society invested in a new debit card project which required the upgrade of the server hardware (K1.9m) and the implementation of a new core banking technology (K2.1m). Further investments were made to ERP implementation and a disaster recovery plan under the WIP.

Additionally, during 2018, the Society purchased laptops, kiosk, and other hardware in total value of K0.3m and upgrades of K0.2m capitalized as software and office equipment.

2018

	Software and Office equipment	Furniture and fittings	Motor vehicle	Leasehold Improv.	Work in progress	Total
	K	K	K	K	K	K
Cost:						
At 1 January 2018	5,385,700	336,169	144,100	1,242,016	392,357	7,500,341
Reclassification	7,266	(49,819)	-	42,553	-	-
Additions	496,539	20,249	-	94,296	3,923,173	4,534,257
Disposals	-	-	-	-	-	-
WIP Transfers	-	-	-	-	-	-
At 31 December 2018	**5,889,505**	**306,598**	**144,100**	**1,378,865**	**4,315,530**	**12,034,598**

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

6. Property, plant and equipment (continue)

Accumulated Depreciation:

At 1 January 2018	1,684,057	52,868	102,126	157,944	-	1,996,995
Reclassification	8	(6,252)	(1)	6,245	-	-
Charge for the year	710,218	23,239	24,162	28,568	-	786,188
Disposals	-	-	-	-	-	-
At 31 December 2018	**2,394,284**	**69,855**	**126,288**	**192,757**	**-**	**2,783,183**
Carrying amounts at 31 December 2018	**3,495,222**	**236,744**	**17,812**	**1,186,107**	**4,315,530**	**9,251,415**

2017

	Software and Office equipment K	Furniture and fittings K	Motor vehicle K	Leasehold Improv. K	Work in progress K	Total K
Cost:						
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	**5,385,700**	**336,169**	**144,100**	**1,242,016**	**392,357**	**7,500,341**

Accumulated Depreciation:

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	**1,684,057**	**52,868**	**102,126**	**157,944**	**-**	**1,996,995**
Carrying amounts at 31 December 2018	**3,701,643**	**283,302**	**41,974**	**1,084,072**	**392,357**	**5,503,346**

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

7. Investment properties

	Note	2018 K	2017 K
Investment properties - Residential	(a)	**2,716,591**	**3,959,064**
Opening balance		3,959,064	4,779,000
Changes in fair value		(214,120)	(819,936)
Asset disposal		(1,028,353)	-
Closing balance		**2,716,591**	**3,959,064**

(a) Investment properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

	Valuation model	Capitalisation rates	2017 K'000	Revaluation K'000	2018 K'000
Residential properties					
Sec 57 Lot 35 Alotau	Third party offer	12.00%	1,132	-	1,132
Sec 147 Lot 16 8 Mile	Third party offer	10.00%	1,028	sold	-
Sec 147 Lot 22 8 Mile	Third party offer	10.00%	900	(100)	800
Sec 147 Lot 26 8 Mile	Third party offer	10.00%	900	(115)	785
			3,960	**(215)**	**2,715**

	Valuation model	Capitalisation rates	2016 K'000	Revaluation K'000	2017 K'000
Residential properties					
Sec 57 Lot 35 Alotau	MC	10.50%	1,700	(568)	1,132
Sec 147 Lot 16 8 Mile	MC	11.00%	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	11.00%	1,019	(119)	900
			4,779	**(820)**	**3,960**

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

Investment properties comprise a number of residential properties that are leased to third parties.

In 2018, the Sec 147 lot 16.8 Mile was sold for a total remuneration of K790,000 generating K238,000 loss. The sale of further two properties are ongoing, but not closed yet.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

Investment properties are stated at fair value, which have been determined by the Board of Directors based on third party offers received for the properties in 2018 (with 10% deposit payments). Therefore no third party valuation was applied.

The fair value measurement for investment properties of K2,716,591 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.

8. Investment Securities and Government Inscribed Stock

	Notes	2018 K	2017 K
Government inscribed stock	(a)	9,735,484	72,874,228
Quoted equity investments	(b)	2,152,500	2,617,500
Unquoted equity investments	(c)	160,000	160,000
		82,047,984	**75,651,728**

(a) Government Inscribed Stock

The book value comprises of:

	2018 K	2017 K
Face value of Government inscribed stock	77,660,000	70,660,000
Unamortised premiums	2,336,944	2,664,613
Unamortised discounts	(261,459)	(450,385)
	79,735,484	**72,874,228**

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

Government inscribed stock have coupon rates ranging from 9% to 14% and yield rates ranging from 8.5% to 14%.

Maturity Year	Coupon rates %	Yield rates %	Face Value K
2019	9.0	12.9	8,000,000
2022	10.0	8.5	1,750,000
2023	9.0 to 12.0	9 to 11.5	11,000,000
2025	11.5	11.45 to 12.3	4,000,000
2027	14.0	11.2 to 14.0	24,160,000
2028	12.5	11.5 to 12.5	20,000,000
2029	11.0 to 12.0	10.5 to 11.0	7,750,000
2031	12.0	15.4	1,000,000
			77,660,000

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

(b) Quoted equity investments

Summary of revaluation of quoted investments is as follows:

Quoted shares domestic	2017 K	Revaluation K	Disposal K	2018 K
Credit Corporation (PNG) Limited	2,557,500	(465,000)	-	2,092,500
PNG Air Limited	60,000	-	-	60,000
	2,617,500	**(465,000)**	**-**	**2,152,500**

Reconciliation of movement in quoted investments is as follows:

	2018 K	2017 K
Balance at 1 January	2,617,500	3,020,000
Change in fair values	(465,000)	(404,500)
Share disposal	-	-
Balance at 31 December	**2, 152,500**	**2,617,500**

(c) Unquoted equity investments

	2018 K	2017 K
Investment in CloudApp Limited	160,000	160,000
	160,000	**160,000**

The Society acquired 51% of the shares in CloudApp Limited ('CloudApp') at no consideration in 2017. CloudApp is a software development and retail company. There were no changes in the fair value for 2018.

9. Loans due from members

	2018 K	2017 K
Loans due from members	83,151,963	64,010,026
Less: provision for doubtful debts	(1,990,036)	(2,536,350)
	81,161,927	**61,473,676**

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

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

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

	2018	2017
	K	K
Balance at 1 January	2,536,350	1,638,766
Provision charges to profit and loss	285,693	992,954
Bad debts written off during the year	(832,007)	(95,370)
Balance at 31 December	**1,990,036**	**2,536,350**

The exposure on overdue balance as at 31 December 2018 is K3,435,691 (2017: K3,729,699). The aging of the exposure on overdue balances is as follows:

	2018	2017
	K	K
Not due	14,734,651	8,363,509
1-29 days overdue	1,816,487	1,338,298
30-59 days overdue	484,357	453, 222
30-89 days overdue	235,567	401,793
90+ days overdue	899,280	1,536,386
	18,170,342	**12,093,208**

NCSL's General Manager Vari Lahui and Robert Thadeus Manager Member Services visits PNG Air information table after a successful AGM. Image taken at Laguna Hotel Conference Room.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

10. Prepayments and other receivables

	2018 K	2017 K
Accrued interest	1,581,316	1,461,272
Staff related receivables	104,302	73,473
Rent receivable	48,866	47,204
Security deposits	46,250	46,250
Other receivables from NASFUND(Note 25)	-	-
Prepayments	348,381	490,354
Contributions received after year end relating to year end	-	1,200,000
	2,129,115	**3,318,553**

Accrued interest represents interest accrued on Government inscribed stock (Note 8) and interest bearing deposits (Note 24). Accrued interest on loans is captured in the loan balance. Contributions received after year end predominantly relate to member contributions for 2017 December received in 2018 January. Refer to note 12 for further information.

11. Employee provisions

	2018 K	2017 K
Provision for annual leave	235,907	172,345
Provisions for long service leave	410,565	307,125
	646,472	**479,470**

12. Members' savings

	2018 K	2017 K
Members' savings	158,241,560	141,035,931
Unallocated contributions	944,265	566,626
Contributions received after year end relating to year end	-	1,200,000
	159,185,825	**142,802,558**

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

As at 27th March 2019, the Board of Directors declared and distributed to members interest at a rate of 4.8% (2017: 3.9%) totaling K7,001,718 (2017: K3,129,160). The distribution made in 2018 was out of 2017 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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

13. Trade and other payables

	2018 K	2017 K
Creditors and accruals	4,780,639	992,969
Amounts payable to NASFUND	672,081	61,369
Other payables	19,112	123,802
	5,471,833	**1,178,140**

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

14. 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 original term was 48 months and the lease was fully repaid by the end of 2018.

15. 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 these operating leases were payable as follows:

	2018 K	2017 K
Less than 1 year	815,187	740,314
Between 1 and 5 years	283,321	3,427,546
	1,098,508	**4,167,860**
(ii) Amount recognised in profit and loss		
Lease expense	820,631	105.394
	820,631	**105,394**

16. **Share Capital**

Issued ordinary share capital

	2018 K	2017 K
Shares on issue at 1 January	98,833	83,715
Net movement in share capital	7,326	15,118
Shares on issues at 31 December	**106,159**	**98,833**

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.

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

17. Statutory Reserve

	2018 K	2017 K
Balance at 1 January	11,072,672	12,169,350
Statutory transfer of net profit for the year	1,687,813	423,627
Adjustment relating to retained earnings	-	(1,520,305)
Balance at 31 December	**12,760,485**	**11,072,672**

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, only statutory reserve was only adjusted as required under the Savings and Loans Societies Act Par 47(2), to the minimum required amount per year of 20% of net earnings.

18. Administration expenses

	2018 K	2017 K
Advertising and marketing	316,540	277,734
Auditor's remuneration - statutory audit	235,863	282,867
Bad debts write off - other debtors -	955	
Bank charges	176,290	119,728
Computer, software support and communication	1,815,473	1,254,495
Directors fees	52,000	56,000
Directors sitting fees and expenses	38,839	43,879
Motor vehicle expenses	170,104	151,952
Printing and postage	48,662	68,861
Professional and consulting fees	(450)	74,800
Rental expenses	688,714	634,920
Security charges	40,763	89,745
Travel	91,054	68,483
Insurance	121,976	103,105
Telecommunication	345,340	241,932
Promotion and merchandising	60,340	75,963
Other office expenses	524,881	509,382
	4,726,390	**4,054,802**

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

19. Staff expenses

	2018	2017
	K	K
Salaries and wages	2,457,549	2,406,171
Superannuation (Note 21)	216,508	195,055
Long service leave	174,579	80,976
Other benefits and expenses	1,563,191	1,156,436
	4,411,827	**3,838,638**

As an average in 2018 the Society had 68 employees (2017: 69).

20. Employee benefit plans

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 2018, the Society expensed K216,508 in contributions (2017: K195,055).

21. 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:

(a) 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 2018 was as follows:

	2018	2017
	K	K
Loans to related parties	860,576	562,812
	860,576	**562,812**

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

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

(b) National Superannuation Fund (NASFUND)

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

	2018 K	2017 K
Amount payable to NASFUND (Note 14)	672,081	61,369
Other receivables from NASFUND (Note 12)	-	-
	672,081	**61,369**

Rent of K688,714 (2017: K634,920) 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.

(c) 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. In 2017, the Society purchased a core Banking system from CloudApp, which was under development throughout the current year. The transaction was material. Refer to note 8 for further details.

(d) Compensation of key management personnel

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

	2018 K	2017 K
Salaries, wages and other short-term benefits	2,281,227	2,281,912
Long-service leave	113,924	69,169
Superannuation	216,508	195,055
	2,611,659	**2,546,137**

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

			2018	2017
K100,000	-	K149,999	2	5
K150,000	-	K199,999	6	-
K200,000	-	K249,999	-	-
K250,000	-	K299,999	-	1
K300,000	-	K349,999	-	
K350,000	-	K399,999	1	-
			9	6

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

(d) Compensation of key management personnel (continue)

Directors during the year	**Executives during the year**
Mr. Ian Tarutia, OBE (Chairman)	Vari Lahui (General Manager)
Mr. William Lamur, OBE	Noel Larupa Ako (Legal and Compliance Manager)
Mr. Murray Woo	Bernard Geita (Manager Lending)
Mr. Hulala Tokome	Henry Pupu (HR Manager)
Mr. Vera Raga	Robert Thadeus (Member Services Manager)
Mr. Christopher Elphick	Jackraho Morea (Finance Manager)
	Richard Lesa (IT Manager)

22. Contingencies and commitments

The Society did not have any commitments or contingencies at the date of approving these financial statements (2017: nil).

23. Subsequent events

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

Term deposits comprising Interest bearing deposits andtreasury notes have a maturity of less than 90 days. Interest rates for term deposits in 2018 ranged from 1.75% to 3% (2017: 1.75% to 2.5%), there was no term deposits at 31 December 2018.

24. Notes to the Statement of Cash Flow

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:

	2018	**2017**
	K	**K**
Term deposits	-	4,515,148
Cash on hand and cash at bank	8,188,442	3,475,900
	8,188,442	**7,991,048**

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

25. Financial insturments

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk for loans and receivables at the reporting date is concentrated in Papua New Guinea.

(b) Currency risk

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

(c) Liquidity risk

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.

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.

(d) Interest risk

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 risk

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 value of investment are below 5% of the total assets. The Society's exposure therefore is limited.

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 (no transfers between levels between the periods):

NASFUND Contributors Savings and Loan Society Limited

Notes to the financial statements for the year ended 31 December 2018

	Level 1	Level 2	Level 3	Total
31 December 2018				
Quoted equity investments	2,152,500	-	-	2,152,500
Unquoted equity investments	-	160,000	-	160,000
Investment properties	-	-	2,716,591	2,716,591
	2,152,500	**160,000**	**2,716,591**	**5,029,091**
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
	2,617,500	**160,000**	**3,959,064**	**6,736,564**

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.

NCSL members speaking to Value Back Loyalty Program partners after a successful Annual General Meeting. Photo taken at Laguna Hotel, NCD.

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.

Frequently Asked Questions

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	WAIGANI	WAIGANI	WAIGANI

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, to whom will my savings be paid to?
Payment will be done according to nominations of beneficiaries on your KSA membership application form. Please ensure to always update your beneficiaries when necessary

Does NCSL pay interest on savings?
Yes. The Society pays monthly and also annual interest on savings based. 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.

Frequently Asked Questions

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 can be accepted from members.
- The member must inform NCSL of the account they wish to deposit additional savings to.
- If additional savings are deposited into the General Savings Account for the purpose of obtaining a loan, the loan request shall be considered seven days after making the additional deposit.
- 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 now 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.

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.

Loan Insurance
- NCSL's loan insurance product secures loan repayments for 1:2 loans in the event of unforseen 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.

Frequently Asked Questions

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

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.

What is the annual premium?

The premiums are based on three different plans and are paid before establishment of cover.

ANNUAL BASE PREMIUM	OPTIONAL PREMIUM FOR SPOUSE LIFE COVER & NATURAL PARENTS COVER
Single Plan - K648.00	K200.00 for Natural Parents
Couple Plan - K914.00	* K215.00 for Spouse Life Cover * K300.00 for Natural Parents Cover
Family Plan - K1021.00	* K215.00 for Spouse Life Cover * K300 for Natural Parents Cover

This premiums are renewed annually to maintain the cover. It is **NOT** a one off cost.

Who is providing Insurance?

NASCARE is arranged and administered by AON and underwritten by Capital Insurance Group. These are reputable insurance companies in Papua New Guinea

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, NASCARE provides both Medical and Life Insurance Cover. Therefore, a member cannot take out partial cover i.e.; they cannot take medical insurance and leave out life insurance or vice versa.

How can I apply and when does NASCARE cover start?

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

How can I pay my Premium?

You can pay your premiums via the following;

- Direct payment into NCSL Administration Account.
- Withdrawal from 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 18-25 years of age who are unmarried but full time students (proof of student identity is required from the relevant education institution).
- Natural Parents to 65 years.

Frequently Asked Questions

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	K1,500.00
Couple Plan	K2,000.00
Family Plan	K3,000.00
MATERNITY CARE	
Maternity	K5,000.00 *(any costs incurred relating to Maternity)*
EMERGENCY EVACUATION & OVERSEAS MEDICAL	
Within PNG Only	K50,000.00
Overseas Medical	K2,500.00
FUNERAL EXPENSES BENEFITS	
The amount of compensation payable is limited to:	
Member	K5,000.00
Spouse	K5,000.00
Dependent Child	K2,000.00
LOSS OF LIFE BENEFIT	
Member	K35,000.00
Spouse	K35,000.00

How can I claim a refund for medical expenses?
When you seek treatment from a medical institution, you must pay in full after obtaining treatment. To claim your refund you must complete the medical claim form and lodge it at any NCSL branch near you with original copies of the following:

- Medical 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's referral is obtained and the expenses are approved by the Insurer prior to travel. Outstanding claims must be submitted within 60 days from the date your cover expires.

How much will be refunded for my medical expenses?
A member will be refunded 80% of the total amount claimed. E.g. if your bill is K100.00 the refund will be K80.00.

Other Benefits;
NASCARE also provides its member the Walk-In Facility for general medical outpatient services offered by preferred medical service providers at a co-payment of 20% of the billing.

Under this arrangement, the current approved service providers are in;

National Capital District:
- Paradise Private Hospital
- Aspen Medical
- Ela Medical
- Nanga Medical

Lae:
- Lae International Hospital
- GM Flores
- Lae Wellness Medical Clinic

The upfront payment of 20% can be reduced down to 10% by paying an additional 12.5% on top of the base premium.

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 sterilization.
- 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.

Frequently Asked Questions

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.

Can I claim for my natural parents?
Yes, members can claim up to a cap of K1000.00 for medical expenses only. There is no death benefit for natural parents.

**Natural parent cover is subjected to the payment of the optional premium.*

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 than 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 Channel 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 balannce & 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 balannce & 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 into 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.

Frequently Asked Questions

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 srvice 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 directlydeposited into NCSL Administration Account number: **100947590**

KIDS SAVINGS ACCOUNT

NCSL

MY COMMITMENT TODAY, TO FEEL EMPOWERED TOMORROW

Secure your child's future with NCSL Kids Savings Account today

- Minimum deposit is K1.00
- Membership is open to children from infant to 18 years

*** Receive monthly and annual interest on savings accounts**

Get your NCSL Membership ID for only K10.00 to enjoy instant discount thru our **Value Back Loyalty Program**

Financially empowering your future

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

www.ncsl.com.pg

NASCARE

NCSL

For medical & life insurance

A comphrehensive health plan for NCSL members that covers

- PHARMACEUTICAL
- PREGNANCY
- OPTICAL
- DENTAL
- MEDICAL
- FUNERAL BENEFITS

3 premium plans

- ✓ Single plan
- ✓ Couple plan
- ✓ Family plan

YOUR HEALTH IS YOUR WEALTH

For more information call 313 2023 or email nascare@ncsl.com.pg

www.ncsl.com.pg

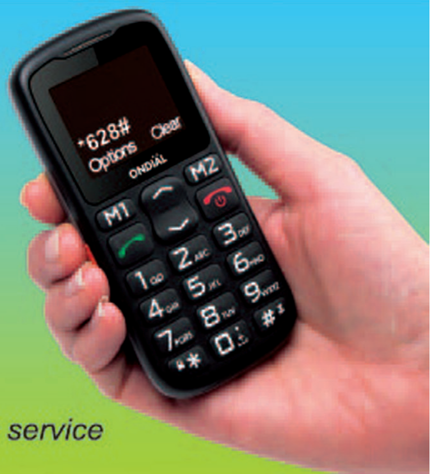
NCSL E - SERVICES

For your convenience, easily access any of the available e-services to meet your financial need.

Apply for loans, savings withdrawals, balance check & email statement.

MOBILE BANKING

Do your transactions anywhere



Dial *628# press send & follow the prompts

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

MEMBER ONLINE PORTAL

Go to NCSL website www.ncsl.com.pg & click on Member Portal link to access instant service

BIOMETRIC IDENTIFICATION TOUCH SCREEN SERVICE

BIOMETRIC IDENTIFICATION SYSTEM

Register your finger print to access this service

Available at all NCSL branches and in high foot traffic shopping centers in NCD

www.ncsl.com.pg

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

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