

ANNUAL
REPORT

20
22



future bilong yu





Building Partnerships & Strengthening Relationships

PAGE OF **CONTENTS**

01



ncsl brief

02



Vision and Mission Statement

05



Board of Directors

07



Chairman's Statement

09



Corporate Governance

13



Corporate Information

16



Management

18



CEO's Statement

24



Director's Report

PAGE OF **CONTENTS**

25

— ○ —
Directors' Declaration

26

— ○ —
Independent Auditor's Report

31

— ○ —
Statement Of Financial Position

32

— ○ —
**Statement of Profit or Loss and Other
Comprehensive Income**

34

— ○ —
Statement of Changes in Equity

35

— ○ —
Statement of Cash Flows

37

— ○ —
Notes to the Financial Statements

79

— ○ —
Our Products

81

— ○ —
Corporate Directory



WHY CHOOSE ncsl?

ncsl now has over 20 branch locations nationwide and has over 143,000 members with a total of K312 million gross assets.

ncsl continues to focus on growing the electronic banking footprint and will continue investing to upgrade its information technology environment to ensure that it's system is able to maintain optimum performance.

The Society has maintained a reputation of delivering sound returns on funds under it's management with another record breaking financial result in 2022 and continues to deliver a convenient service for it's valued members throughout the country.



Our Vision

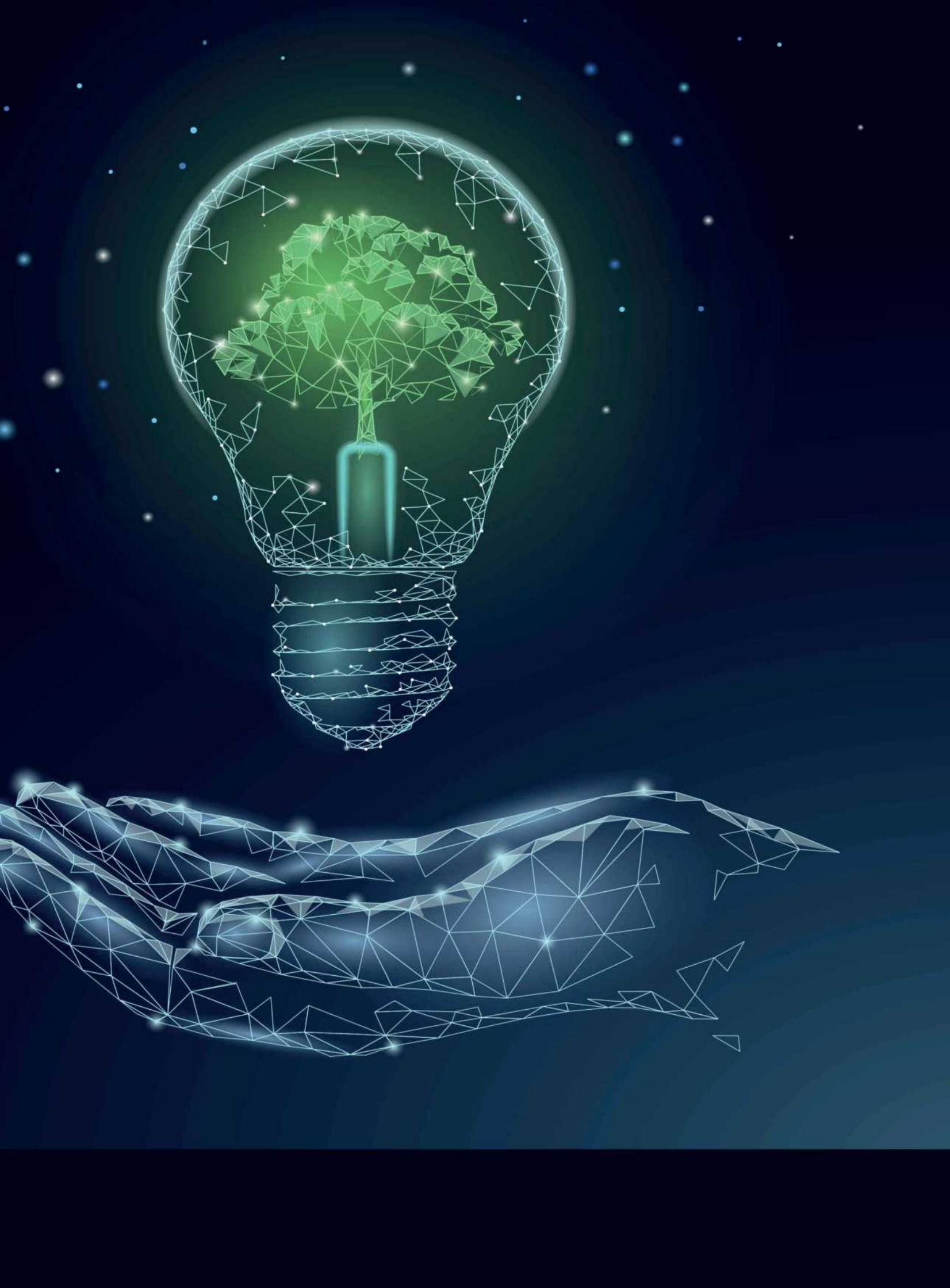
To be the best provider of e-Banking services in Papua New Guinea

Our Mission

To improve the quality of life through e-innovation, security, returns, services and the product range we offer.

**Nurture &
Proactively develop
into the future.**





OUR BOARD OF DIRECTORS



**Ian A
Tarutia, OBE**

Chairman



**Christopher
Elphick**

Deputy Chairman



**Hulala
Tokome, MBE**

Director



**Vera
Raga**

Director




**Sundar
Ramarmurthy**

Director



**Troy
Stubbings**

Director

A portrait of Ian A Tarutia, OBE, Board Chairman. He is a middle-aged Black man with short, dark hair and a mustache. He is wearing a dark blue suit jacket over a white shirt and a dark blue tie with thin gold stripes. He is looking directly at the camera with a serious expression. The background is a plain, light grey. A large, semi-transparent green shape is overlaid on the right side of the image, containing text.

Providing quality customer service remains our top priority and the Board will continue to look at opportunities to enhance service delivery with greater consistency.

***Ian A Tarutia, OBE
Board Chairman***

CHAIRMAN'S STATEMENT

It is my pleasure to present the Chairmans' statement for the 2022 financial year. Despite challenges we encountered during 2022 which included the ongoing challenges of COVID-19, your Society delivered another strong financial performance and maintained services to you all via our electronic channels.

Net profit increased by 16.4% to K16.1 million, total assets grew by 9% to K 312 million, membership grew to over 143,000 members, member savings grew by 8 % to K267 million and the loan book grew by 9.6% to K139 million. As a consequence total interest equating to K14.9 million was paid to member savings. I am certain members will be pleased with these results.

During the year, the Board undertook another review of our strategy and based on extensive discussions, decided to make a subtle change to our vision to become the provider of the best eBanking services in PNG without necessarily becoming a bank. Furthermore, the recent 45% new tax on banks announced by Government has triggered a rethink of our aspiration to become a bank and prompted a focus on strengthening our current retail offerings. The Board has agreed on a number of key initiatives which our management will implement over the course of 2023 and beyond.

In order to continue the growth of the Society, the Board will continue to support initiatives that will grow our membership base right across the country, enabled by technology that will allow greater efficiency in the on boarding process. We have opened membership to the public, outside of Nasfund members, paving the way for anyone to become a member and enjoy all the benefits and services that ncsl provides.

Risk management is an integral part of our governance framework and the board continues to maintain close oversight of this responsibility.

We continue to maintain our focus on observing and complying with regulatory requirements of the Bank of Papua New Guinea. More recently, international requirements on Anti-Money Laundering and Counter-Terrorism Funding (AML/CTF) is now applicable to other licensed financial institutions like savings and loan societies.

The Board continues to view its people as the most important asset of the Society and will continue to invest in the learning and development of its staff to ensure the ongoing success of the Society.

With the recruitment of C-suite positions, the Society now has greater depth in the management team, allowing career path opportunities for the staff and having in place a succession plan for key risk positions.

The Board strongly believes that the Society will continue to be successful if we look after our staff and ensure we have the right people in the right places to drive the aspirations of the Society.

We maintain a regular review staff remuneration and benefits to ensure retention of good quality and experienced staff parity to drive ncsl's aspirations into the future.

Board Changes

We are continuing the implementation of the Board Transition Plan approved by the Bank of PNG.

As part of the change, we are looking forward to having more qualified and skilled directors to complement the knowledge and experience of the current board in driving the Society towards achieving its Vision.

Future

The implementation of the revised strategic plan and vision will see the introduction of new initiatives which will enable greater efficiency in the way we do things and hopefully further improve the turnaround times on member applications, enhance our value proposition and reduce the level of risk within the business.

In all of these, providing quality customer service remains our top priority and the Board will continue to look at opportunities to enhance service delivery with greater consistency.

I take this opportunity to thank my fellow board members for their hard work, counsel, and leadership during the year. I also want to thank the CEO Vari Lahui, management and staff throughout the country for their hard work and commitment to delivering yet another record performance over 2022.

Ian A. Tarutia, OBE
Board Chairman

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 to 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

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.

The Board of Directors receive a sitting fee of K1,000 per board meeting.

Name	Designation	Year Joined ncsL Board	Tenancy (Years)	Board Meeting Attendance in 2022	ARC Meeting Attendance in 2022	IITOC Board Meeting Attendance in 2022
Ian Tarutia, OBE	Chairman	2003	18	8	-	-
Christopher Elphick	Deputy Chairman	2016	5	8	5	5
Hulala Tokome, MBE	Director	2009	12	7	-	5
Vera Raga	Director	2011	10	7	4	-
Sundar Ramamurthy, ML	Director	2020	2	8	-	2
Troy Stubbings	Director	2021	1	6	5	-

- The Chairman receives K50,000 per annum.
- The Chairman of IITOC receives K40,000 per annum, Chairman of ARC receives K35,000 per annum, and other Directors receive K33,000 per annum.
- In 2022, the Board met on 8 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.

There are two (2) Board committees;

Audit and Risk Committee (ARC)

The ARC is appointed and authorized by the Board. The objectives of ARC are to assist the Board in discharging its statutory, fiduciary, governance and regulatory responsibilities in relation to audit and risk matters. There are three (3) members on the ARC who are appointed by the Board for a term of two (2) years. In 2022, the ARC met on five occasions.

Members of Audit and Risk Committee (ARC)

- Vera Raga - Chairman
- Christopher Elphick - Director
- Troy Stubbings - Director

Innovation, IT & Organization Development Committee (IITOC)

The IITOC is appointed and authorized by the Board in discharging its statutory, fiduciary, governance and regulatory responsibilities in relation to all other matters. There are three (3) members on the IITOC who are appointed by the Board for a term of two (2) years. In 2022, the IITOC met on five occasions.

Members of Innovation, IT & Organization Development Committee (IITOC)

- Christopher Elphick - Chairman
- Hulala Tokome - Director
- Sundar Ramamurthy - Director

Codes of Conduct & Ethical Standards

ncsl recognizes the need for directors and employers 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 employee 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 31st December 2022, there were no contingent liabilities.

Crediting Rate Policy

Crediting of interest to members' accounts for 2022 was 4.8% equating to K11,932,645 which is in addition to the 1.2% (equating to K3,028,512) paid during the course of 2022 financial year. 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 2022, the provision for bad and doubtful debts was K2,978,568

Donations

There were no donations by the Society over 2022.

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 2022 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 BSP Haus, Harbour City, Konedobu on written request and appointment.

The Risk Appetite Statement (RAS)

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.

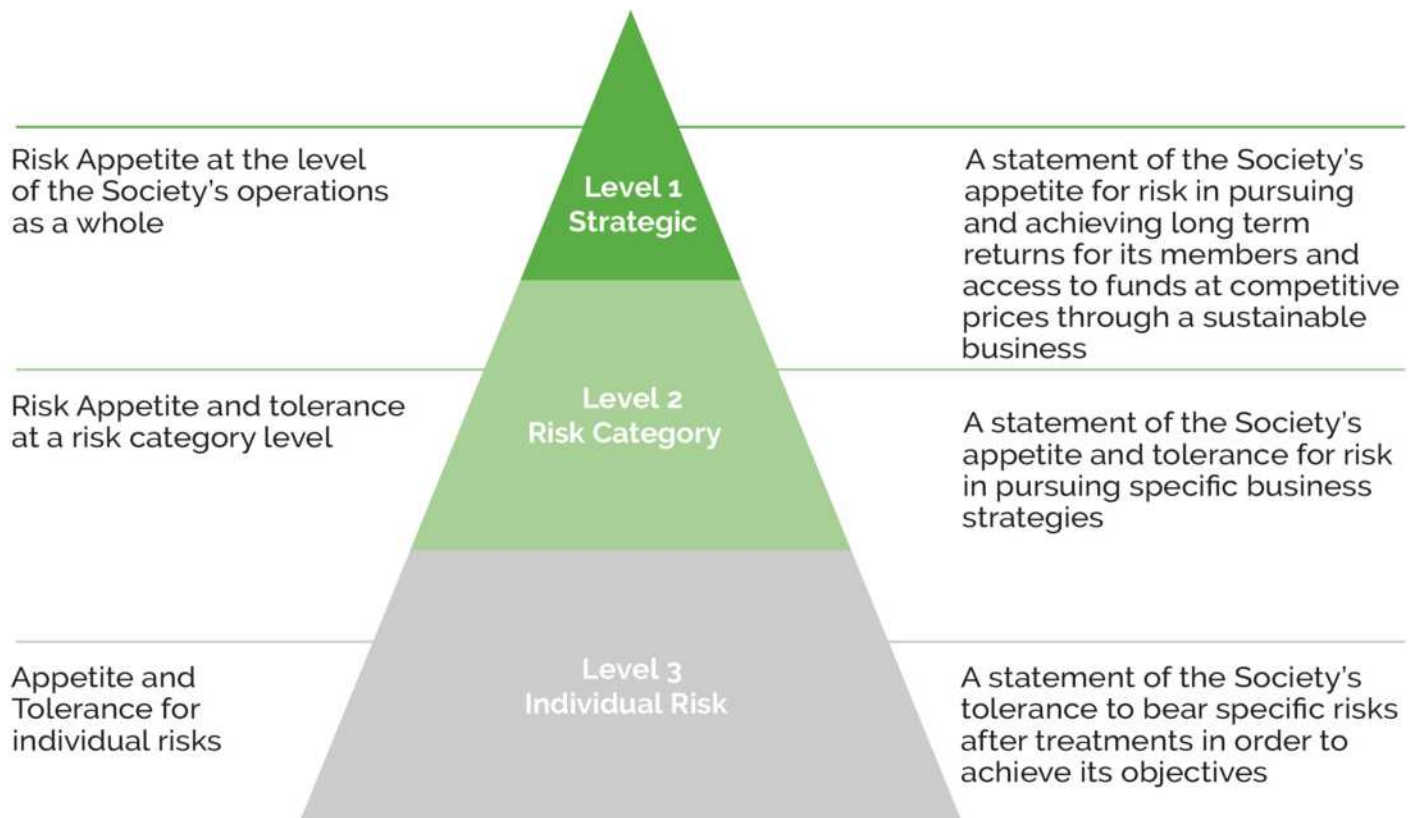
Key definitions relevant to the Risk Appetite Statement are as follows:

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 control of desired tolerance 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 measurers 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.

CORPORATE INFORMATION

Principal Place of Business

BSP Haus, Level 2
Harbour City, Konedobu
Port Moresby, NCD
Papua New Guinea

Auditors

PricewaterhouseCoopers PNG
Level 6, PwC Haus
Harbour City, Konedobu
Port Moresby, NCD
Papua New Guinea

Bankers

BSP Financial Group Limited
ANZ PNG Limited
Westpac PNG Limited
Kina Bank

Lawyer

Ms. Venessa Vee

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.

Interest

Interest was credited to Members; Savings Accounts on the 5th day May 2023.

Directors

The directors of the Society at the date of the report of the Society are listed on page 3. 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 2022 save for deposits and loans. Directors' deposits and loans as at 31 December 2022 amount to K432,359 and K466,109 respectively.

Results

The net profit for the year
ended 31 December 2022

K16,117,019

Net profit for 2021

K13,848,746



**Re-strategize
is key on how
we evolve.**

OUR MANAGEMENT



**Vari
Lahui**

Chief Executive Officer



**Presley
Semi**

Chief Operating Officer



**Keith
Raimo**

Chief Financial Officer



**Henry
Pupu**

Manager Human
Resource



**Venessa
Vee**

Manager Legal &
Board Secretary



**Nosuau
Kini**

Manager Risk &
Compliance

OUR MANAGEMENT



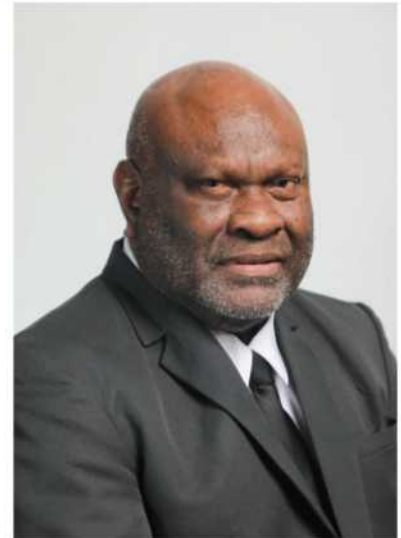
**Evelyn
Buseh**

Acting Manager Finance



**Kini
Vali**

Manager Credit



**Bernard
Matlaun**

Manager Lending



**Vavine
Iamo**

Manager E-Banking




**Lionel
Dwight Kapus**

Head of ICT & PMO



**Noel
Keyala**

Manager Member
Services

A portrait of Vari Lahui, CEO, wearing a dark suit, white shirt, and glasses. He is smiling slightly and looking towards the camera. A large green graphic element, resembling a stylized 'C' or a speech bubble, is overlaid on the right side of the image, containing text.

Our focus remains on maintaining stable and consistent returns that you have come to expect from the Society and assure you of our firm commitment to delivering the best returns and member experience in the years to come.

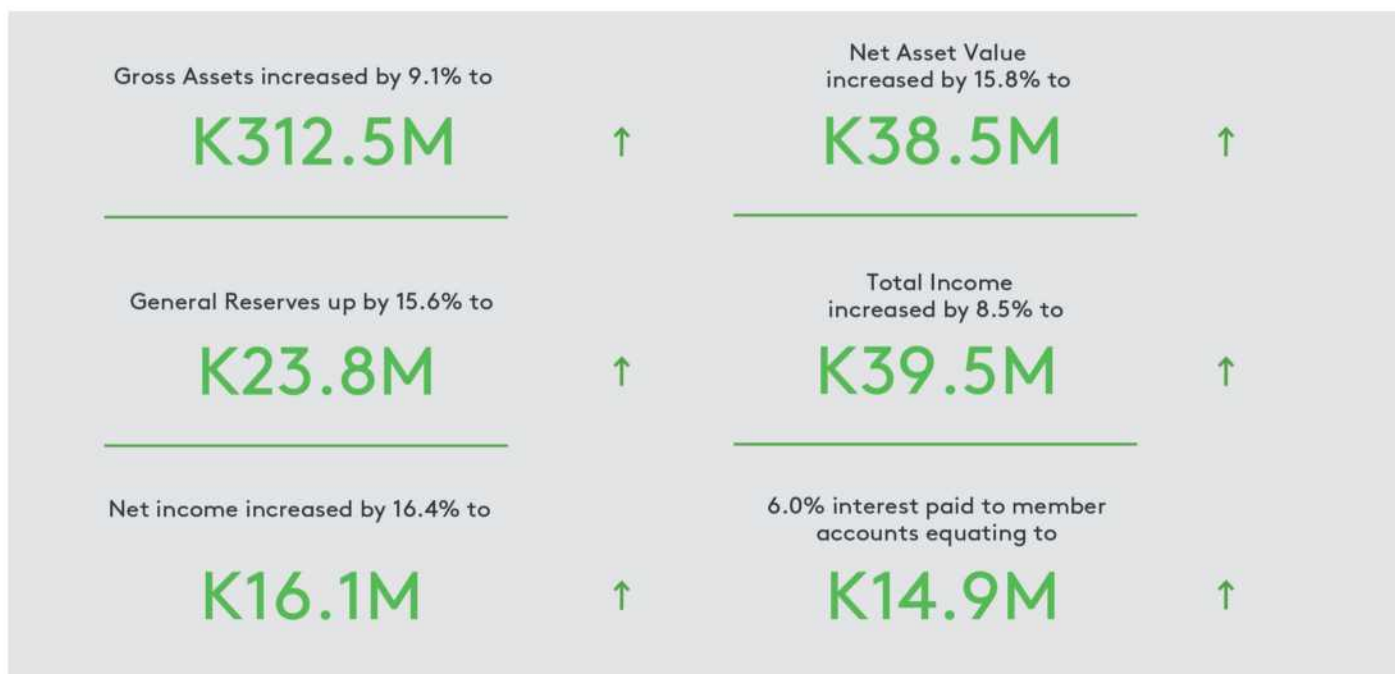
Vari Lahui
CEO

CEO's STATEMENT

Dear Valued Members,

I would like to, firstly, thank you all for the continued support that you have showed to us in 2022. ncsl has continued to improve on our performance year on year. We could not have achieved another record-breaking year without the continued support and participation of all our members. With that, I am pleased to present the 2022 Annual Report to you, our valued members.

ncsl continues to provide consistent healthy returns on funds under management and the Board is looking to ensure that this continues into the future.



Lending revenue has increased marginally during the year compared to prior year results. Main increase related to other income. The increase in revenue has resulted in a Net Income (after all expenses) of K16.1M which is a 16.4% increase in net income from the prior year (FY21: K13.8M).

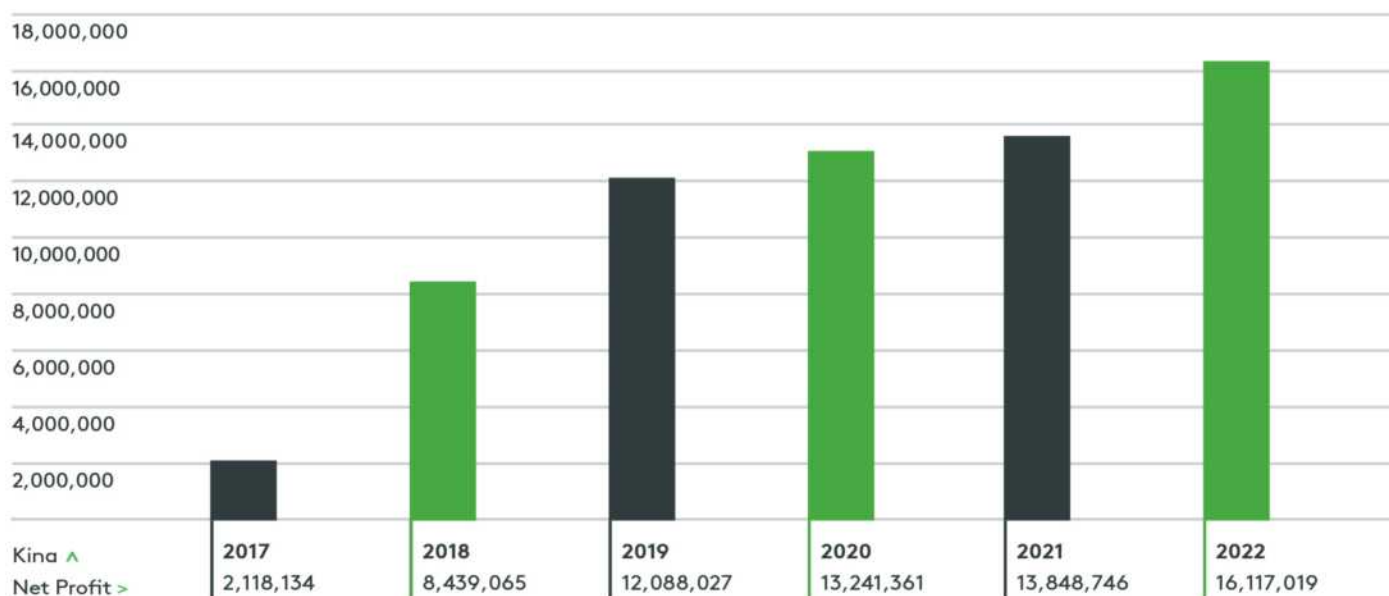
Breakdown of the Total Income is as follows;

	2022 PGK	2021 PGK
Lending (Interest & Fees)	20.0M	19.0M
Investments (including rental and dividend)	13.1M	12.2M
Fee Income	0.2M	0.3M
Others	6.2M	4.9M
Total	39.5M	36.4M

Financial

We are pleased to report another year of record-breaking performance. The society is reporting a 16.4% increase in Net Income.

Net Income



Looking at the table, you will note that the Society has almost doubled all key indicator balances over a 5-year period. The Society has consistently provided an average of 5.7% in returns and grown net assets to K38.5M.

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

Statistical Information	2018	2019	2020	2021	2022
Assets & Liabilities					
Loans to Members	81,161,927	111,387,206	121,970,555	127,185,233	139,393,159
Gross Assets	185,495,475	230,644,382	256,796,282	286,458,805	312,454,808
Growth in Gross Assets	17.5%	24.3%	11.3%	11.5%	9.1%
Member Savings	159,185,825	197,473,045	219,540,756	247,648,185	267,859,287
Net Assets	20,180,300	25,576,656	29,243,891	33,273,337	38,524,935
Profitability					
Loan Interest Income	8,743,390	11,843,686	14,167,571	15,363,635	16,254,286
Total Income	20,442,723	28,247,618	32,179,562	36,446,390	39,535,954
Interest Paid to Members	8,494,156	11,716,065	12,086,356	13,630,099	14,961,157
Net Profit	8,439,065	12,088,027	13,241,361	13,848,746	16,117,019
Interest Crediting Rate	5.8%	6.7%	6.0%	6.0%	6.0%
Active Members/Staff					
New Members registered	20,725	16,457	11,253	14,796	554
Total Members	106,159	122,616	133,869	141,786	142,340
No. of fulltime staff	69	77	75	75	84

Member Services

During the year, our overall strategy was slightly adjusted to re-align ncsl with an amended view to be the provider of the best e-banking services in the country. With the re-alignment in vision, we believe that we can provide better value to our members in terms of services, product offerings and member experience.

We continue to embrace technology to enable greater efficiency in the way we do things and we will be looking at further opportunities which will allow members to have a wonderful experience when accessing our products and services. An example of these innovations are the Biometric (BIS) Kiosks at each of our branches allowing for real time access to member accounts and services. We believe that using innovative technology such as this to improve on operational efficiencies will lead to long term member satisfaction and improvements in the onboarding of new members.

With the employment of our new Member Services Manager, we envision a more employer focused approach to onboarding in 2023. We have learned from our experiences in 2022 that our members require a more focused approach to service delivery. By focusing our efforts on large employer engagements, we believe that we can reach more of our current and future members by going directly to their employers. We plan on launching our employer engagement conferences in 2023 to achieve these results.

Growing our membership is a key focus for us year on year. We are happy to note that we have maintained our membership above 142,000 in 2022 which clearly outlines our members trust and confidence in the Society.

Our member savings have grown to K267.9M in 2022. This is an increase of K20.3M in 2022 or an 8.2% year on year increase from 2021. This growth is further indication of the members' belief in ncsl's ability to provide stable and consistent growth to members savings. A large portion of the membership base are long-time members.

We continue to see a steady growth in membership which demonstrates the trust and confidence of our members, and we will endeavour to continue delivering on your expectations.

Processes/Risk

The Board and Management of ncsl continue to review all identified risks on a monthly basis and discuss inherent risks in all areas of the business. Risk management is top priority for all departments within the business.

NCSL is looking at proactively building the risk culture. We will be reviewing our Risk Management Framework and Risk Appetite Statement to ensure that we are consistently and effectively addressing the risks faced by the Society. The review, as well as the upskilling of our risk department staff will ensure that we are building internal capacity to focus on specific risk areas in credit, cybersecurity, operations, Anti-Money Laundering (AML) & Counter-Terrorism Funding (CTF) compliance. These are just some of the initiatives being taken by ncsl to build and strengthen the risk culture within the business.

We have also undertaken multiple initiatives to better manage credit risk in the society.

- * The risk grading system which allows ncsl to price loans according to risk profile.
- * Industry classification system which allows the society to monitor the portfolio exposure in different industries in the economy.
- * Monitoring processes implemented to ensure more focused reviews on delinquent loans.
- * Improvements to recovery/legal process

In relation to regulatory requirements, ncsl had an external review performed by the Bank of PNG in 2022 to review our controls over our credit, operational and cybersecurity risk. The matters identified by the regulator are being addressed accordingly. ncsl maintains a good working relationship with the regulators and provides monthly reporting on the performance of the Society.

People

Our people are the backbone of the Society. In line with the importance that we place on our staff, we have established learning and development programs to ensure that our staff are adequately trained and up to the task of providing quality service for our members. We ensure that we develop the internal talent pool to the current trends in finance, operations, customer service and risk management. Our focus for our people is to ensure that we develop future leaders to take our Society to the next level.

We also ensure reviews are performed on remuneration regularly to ensure our people are well compensated for the efforts that they bring to the society. All our benchmarking is reflective of market rates and are comparable with other financial institutions within the country.

In 2022, we employed the talents of a new Chief Financial Officer with the aim to assist the Society build and develop internal capacity in the finance department. This is just a first step in guaranteeing that we have a succession plan in place for all key areas in the business. Our long-term focus is to ensure that all staff are given the opportunity to develop their respective skillsets and move into higher positions within the business. Our Society can only grow if we ensure that our people are nurtured and proactively developed to take this Society into the future.

Future

The re-alignment of ncsI's vision to be the provider of the best e-banking services in the country has provided the Society with new opportunities to better define the focus of the Society and re-strategize on how we will evolve as a Society. We believe that this will allow us to better focus on providing automation and better e-services to our members. 2023 will be a year of change for the Society with a focus on moving to a new normal. We have performed exceptionally well with our current systems, processes, and technologies, however, as stated previously, we are looking at providing services that are second to none in PNG. With this vision, we are constantly looking at how we can better serve our members.

I would like to thank the Chairman and respective Board members for their continued guidance over the Society's strategy both short-term and long-term. We have been able to report these good results due to their commitment to overseeing operations in their capacity as Directors for the Society.

To the staff of ncsI, thank you for your tireless efforts during the year. Your continued efforts are greatly appreciated, and I look forward to your contributions in 2023 leading to another record-breaking year for the Society.

Though we have made great progress and reported record-breaking results for the Society, there is still so much more we can do for our members. As such, we look forward to your continued support in the coming year and would like to thank you for your continued patronage. The ncsI Board and Management will endeavour to keep providing the stable and consistent returns that you have come to expect from the Society and assure you of our firm commitment to delivering the best returns and member experience in the years to come.

Vari Lahui
Chief Executive Officer

DIRECTORS' REPORT

The Directors have presenting their report together with the financial statements of NASFUND Contributors Savings and Loan Society Limited (the Society) for the year ended 31 December 2022 and the auditor's report thereon.

Directors' remuneration


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

Directors' name	2022 PGK		2021 PGK	
	Directors fees	Sitting allowance	Directors fees	Sitting allowance
Mr. Murray Woo, OBE (Resigned 2021)	-	-	16,500	3,500
Mr. Hulala Tokome, MBE	28,143	12,000	30,000	7,500
Mr. Vera Raga	28,903	11,000	31,003	8,500
Mr. Christopher Elphick	32,222	18,000	33,000	12,000
Mr. Sundar Ramarmurthy	28,143	10,000	30,000	8,500
Mr. Troy Stubbings	28,143	11,000	15,000	3,000
	145,554	62,000	155,503	43,000
Chairman of the Society				
Mr. Ian Tarutia, OBE	37,648	8,000	35,000	5,000
	183,202	70,000	190,503	48,000

Directors' Report

Signed at Port Moresby
For and on behalf of the Board of Directors

Chairman: 
Ian Tarutia, OBE

Director: 
Christopher Elphick

Date at PORT MORESBY on this 31st day of MARCH 2023

DIRECTORS' DECLARATION

The Directors of the Society declare that:

In our opinion, the financial statements set out on pages 31 to 77 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2022 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 Papua New Guinea Companies Act 1997 as amended and the requirements of NASFUND Contributors Savings and Loan Society Limited's Board policies.

Directors' Report

Signed at Port Moresby
For and on behalf of the Board of Directors

Chairman:



Ian Tarutia, OBE

Director:



Christopher Elphick

Date at **PORT MORESBY** on this **31st** day of **MARCH** 2023

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

To the shareholders of Nasfund Contributors Savings and Loan Society Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Nasfund Contributors Savings and Loan Society Limited (the Society), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Society as at 31 December 2022, and its financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Society.

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Declaration but does not include the financial statements and the auditor's report thereon), which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available after that date. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT



When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Society, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea, the Companies Act 1997 and the Savings and Loans Societies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the ISAs, we exercise professional judgement 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 the directors.
- Conclude on the appropriateness of the directors' 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 auditor's 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 auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT



- 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 findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2022:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Society as far as appears from an examination of those records.

Who we report to

This report is made solely to the Society's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Society's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Society and the Society's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that appears to read 'J Grasso'.

Jonathan Grasso
Partner
Registered under the Accountants Act 1996

Port Moresby
31 March 2023

**We produce
positive results.**



STATEMENT OF FINANCIAL POSITION

As At 31 December 2022

Assets	Note	2022 PGK	2021 PGK
Cash and cash equivalents	22	17,402,030	17,077,569
Prepayments and other receivables	9	4,260,663	3,520,233
Term deposits	7(d)	32,977,022	37,799,216
Quoted equity investments at FVTPL	7(b)	2,867,500	2,604,000
Unquoted equity investments at FVTPL	7(c)	160,000	160,000
Government inscribed stock at amortised cost	7(a)	102,468,032	85,252,097
Loans due from members	8	139,393,159	127,185,233
Investment properties	6	1,100,000	831,591
Property and equipment	5	11,826,402	12,028,866
Total Assets		312,454,808	286,458,805

Liabilities	Note	2022 PGK	2021 PGK
Trade and other payables	11	3,703,276	3,373,858
Rental bond payable		2,167	2,167
Employee provisions	10	1,150,203	1,236,990
Lease liabilities	13	1,214,940	924,268
Member savings	12	267,859,287	247,648,185
Total Liabilities		273,929,873	253,185,468
Net Assets		38,524,935	33,273,337

Equity	Note	2022 PGK	2021 PGK
Issued capital	14	142,340	141,786
Reserves	15	23,819,516	20,596,112
Retained earnings		14,563,079	12,535,439
Total Equity		38,524,935	33,273,337

The accompanying notes form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2022

Income from lending	Note	2022 PGK	2021 PGK
Interest income from lending		16,254,286	15,363,635
		16,254,286	15,363,635

Income from investments	Note	2022 PGK	2021 PGK
(Loss)/gain on fair valuation of investments	7	531,909	(31,000)
Interest income		12,202,255	11,739,094
Rental income		33,540	33,540
Dividend income		365,800	452,300
		13,133,504	12,193,934

Other income	Note	2022 PGK	2021 PGK
Loan fees		3,559,465	3,597,750
New membership fees		133,228	280,872
Withdrawal fees		52,035	53,758
Recoveries of previously written-off debts		165,702	68,347
Sundry income		6,237,734	4,888,094
		10,148,164	8,888,821
Total Income		39,535,954	36,446,390

The accompanying notes form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2022

Expenditure	Note	2022 PGK	2021 PGK
Administration expenses	16	(6,445,799)	(6,646,702)
Employee benefits expense	17	(7,941,341)	(6,878,123)
Provision for doubtful debts and bad debts written off		(2,623,321)	(3,541,927)
Depreciation	5	(3,368,792)	(2,767,175)
Property repairs and maintenance		(11,170)	-
Interest to members		(3,028,512)	(2,763,717)
Total expenses		(23,418,935)	(22,597,644)
Profit from operations before interest and tax		16,117,019	13,848,746
Income tax expense	4(e)	-	-
Profit for the year		16,117,019	13,848,746
Other comprehensive income		-	-
Total comprehensive income for the year		16,117,019	13,848,746

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

2021	Ordinary Shares	Statutory Reserve	Retained Earnings	Total PGK
Balance at 1 January 2021	133,869	17,826,363	11,283,659	29,243,891
Total comprehensive income for the year	-	-	13,848,746	13,848,746
Net member contributions received	7,917	-	-	7,917
Net transfer between reserves	-	2,769,749	(2,769,749)	-
Interest credited to member savings deposits relating to 2020 Profits	-	-	(9,827,217)	(9,827,217)
Balance at 31 December 2021	141,786	20,596,112	12,535,439	33,273,337

2022	Ordinary Shares	Statutory Reserve	Retained Earnings
Balance at 1 January 2022	141,786	20,596,112	12,535,439
Total comprehensive income for the year	-	-	16,117,019
Net member contributions received	554	-	-
Net transfer between reserves	-	3,223,404	(3,223,404)
Interest credited to member savings deposits relating to 2021 profits	-	-	(10,865,975)
Balance at 31 December 2022	142,340	23,819,516	14,563,079

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2022

Cash Flows From Operating Activities	2022 PGK	2021 PGK
Interest received from members' loans	16,254,286	15,363,635
Interest received from government debt securities and term deposits	10,065,058	11,073,979
Rental income received	33,540	33,540
Dividend income received	365,800	452,300
Fee income received	8,020,281	8,820,475
Expenses paid to suppliers	(2,941,508)	(9,336,620)
Interest paid to members	(3,028,512)	(2,763,717)
Expenses paid to staff	(8,028,128)	(6,426,369)
Operating cash flow before changes in operating assets	20,740,817	17,217,223
Loans issued to members	(34,225,858)	(25,716,886)
Loan repayments by members	19,394,612	17,610,798
Investment in interest-bearing deposits	(32,977,022)	(37,799,216)
Redemption of interest-bearing deposits	37,799,216	10,255,738
Purchase debt investments	(23,126,337)	(10,957,477)
Redemption of debt investments	5,750,000	-
Net member savings and deposits received	9,345,127	18,280,213
Lease payments - interest on lease liability	(49,248)	(77,251)
Net cash provided by/(used in) operating activities	2,651,307	(11,186,858)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2022

Cash Flows From Investing Activities	Note	2022 PGK	2021 PGK
Acquisition of property and equipment		(2,275,568)	(1,047,318)
Proceeds from sale of investment property		500,000	-
Net cash used in investing activities		(1,775,568)	(1,047,318)

Cash Flows From Financing Activities	Note	2022 PGK	2021 PGK
Lease payments - lease liability principal		(551,832)	(570,101)
Net member capital contribution received		554	7,917
Net cash used in financing activities		(551,278)	(562,184)
Net increase in cash and cash equivalents held		324,461	(12,796,360)
Cash and cash equivalents at beginning of year		17,077,569	29,873,929
Cash and cash equivalents at end of financial year	22	17,402,030	17,077,569

The accompanying notes form part of these financial statements.

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.

The financial statements were authorised for issue by the directors on 31 March 2022. The directors have the power to amend and reissue the financial statements.

2 Basis of preparation of financial statements

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.

(a) 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, which is also the

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

(b) Statement of Compliance

The financial statements of the Society have been prepared in accordance with the accounting provisions of the IFRS and the Papua New Guinea Companies Act 1997. IFRS are Standards and Interpretations adopted by the International Accounting Standards Board (IASB).

3 New standards and interpretations

(3.1) New and amended standards, and interpretations mandatory for the first time for the financial year ended 31 December 2022

- * A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- * Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions (extension of time period).
- * IFRIC Agenda Decision - Lessor forgiveness of lease payments

3 New standards and interpretations (continued)

These changes did not have any material impact on the company.

(3.2) New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2022 and not early adopted

- * Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- * Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- * Amendment to IFRS 16 – Sale and leaseback transactions
- * Amendment to IAS 1 – Non current liabilities subject to covenants
- * IFRS 17: 'Insurance contracts'.

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

4 Accounting policies

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Society and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- * the gross carrying amount of the financial asset; or
- * the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. If loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fees including account servicing fees are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Society's financial statements may be partially in the scope of IFRS 15, Revenue from contracts with customers. If this is the case, then the Society first applies IFRS 9, Financial Instruments to separate and measure the part of the contract that is in the scope of IFRS 9, Financial Instruments and then applies IFRS 15, Revenue from contracts with customers to the residual.

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

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instrument at FVTPL or other revenue based on the underlying classification of the equity investment.

(b) Leases

At inception of a contract, the Society assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract

conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Society uses the definition of a lease in IFRS 16, Leases.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Society recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Society by the end of the lease term or the cost of the right-of-use asset reflects that the Society will exercise a purchase option. In that case the

As a lessee (continued)

right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Society's incremental borrowing rate. Generally, the Society uses its incremental borrowing rate as the discount rate. The Society determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- * fixed payments, including in-substance payments;
- * variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- * amounts expected to be payable under a residual value guarantee; and

- * The exercise price under a purchase option that the Society is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Society is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Society's estimate of the amount expected to be payable under a residual value guarantee, if the Society changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Society presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Society has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Society recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Society allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. The Society recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

As a lessor

When the Society acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Society makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Society considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Society applies IFRS 15 to allocate the consideration in the contract. The Society recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. However, when the Society was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at the 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.

(d) 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 reliably measure the costs to

4 Accounting policies (continued)

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

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

(e) Tax exemption

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

(f) 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 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 are expected to 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 4 and 10 years. The assets' useful lives are annually reviewed and adjusted where appropriate.

(g) 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.

(h) 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.

(i) Provisions

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

(j) 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.

(k) Reserves

The Society maintains the following equity reserves:

- * 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.

Accounting Policies (continued)

(i) Recognition and initial measurement

The Society initially recognises loans and advances, deposits, debt securities and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument at initial recognition differs from the transaction price.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit & loss (FVTPL).

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

- * the asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- * the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payment for principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both conditions and it not designation as at FVTPL:

- * the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- * the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets are classified as measured at FVTPL.

In addition, 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.

Business model assessment

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

- * The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of 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 its strategy for 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 contractual cash flows collected); and
- * The frequency, volume and timing of sales in prior period, the reasons for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Society's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Society's business comprises primarily loans to members that are held for collecting contractual cash flows.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI).

For this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition.

'Interest' is defined as consideration for the time value of money and the credit risk associated with the the principal amount outstanding during a particular period and for other basic lending risks and costs e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, 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 contractual cash flows such that it would not meet this condition. In making the assessment, the Society considers contingent events that would change the amount and timing of cash flows.

Accounting Policies (continued)

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. This classification is applied to financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

(iii) Derecognition

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 retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

- i. the consideration received (including any new asset obtained less any new liability assumed) and
- ii. any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/ loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

Financial liabilities

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

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then 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.

Financial assets

In the case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- * fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- * Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Society plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Society first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Society derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Accounting Policies (continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining terms of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Society's trading activity.

(vi) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Society has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price-i.e. the fair value of the consideration given or received.

If the Society determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

(vii) Impairment

The Society recognises the loss allowances for ECL on the following financial instruments that are not measured at FVTPL.

- * Financial assets that are debt instruments.
- * Loans and lease receivables.
- * Financial guarantee contracts issued; and
- * Loan commitments issued

No impairment loss is recognised on equity investments.

Loss allowances for loans are measured at an amount equal to 12-month ECL and lifetime ECL. The Society measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12 months ECL:

- * debt investment securities that are determined to have low credit risk at the reporting date; and
- * other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Society considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Society does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are portions of lifetime ECL that result from default events on a financial instrument that are possible within the 12-months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1

Accounting Policies (continued)

financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised by those that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Credit-impaired financial assets

At each reporting date, the Society assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired (referred to as 'Stage 3 financial asset'), when one or more events have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- * Significant financial difficulty of the borrower or borrower's employer.
- * Borrower is deceased
- * Borrower is unemployed

- * a breach of contract such as a default or past-due event (past 90 days).
- * it is becoming probable that the borrower or borrower's employer will enter bankruptcy

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

(vii) Impairment

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

- * The market's assessment of creditworthiness as reflected in bond yields.
- * The rating agencies' assessment of creditworthiness.
- * The country's ability to access the capital markets for new debt issuance.
- * The probability of debt being restructured, resulting in holders suffering losses.

Measurement of ECL

ECL are 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;

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Society determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in other income in the statement of profit or loss.

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.

(m) Critical accounting and judgement 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;

a) Liquidity requirements

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 2022 the Society had an at call liquidity net deficiency of K250.3 million (2021:K230.5 million). This net deficiency is predominantly due to member deposits being fully categorised 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.

b) Impairment losses on loans and advances to customers

The measurement of the expected credit loss allowance for loans and advances to customers and lease receivables is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- * Determining criteria for significant increase in credit risk;
- * Choosing appropriate models and assumptions for the measurement of ECL;
- * Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- * Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Society in the above areas are set out in note 23.

Loan losses (write-offs) are charged against the allowances for loan losses when management believes that the principal is unlikely to be collected.

5 Property and equipment

(a) Movements in carrying amounts of property and equipment

Cost	Capital Works in Progress PGK	Furniture, Fixtures & Fittings PGK	Motor Vehicles PGK	Computer Equipment PGK	Computer Software PGK	Leasehold Improvements PGK	Right-of-Use-Property PGK	Total PGK
At 01 January 2022	739,080	333,274	2,267,446	7,702,011	6,344,368	1,415,919	3,135,450	21,937,548
Additions	1,866,572	-	-	158,467	250,528	-	1,766,771	4,042,338
Disposals	-	-	-	-	-	-	(3,135,450)	(3,135,450)
At 31 December 2022	2,605,652	333,274	2,267,446	7,860,478	6,594,896	1,415,919	1,766,771	22,844,436
Accumulated depreciation								
At 01 January 2022	-	141,861	997,758	3,561,168	2,441,618	506,837	2,259,440	9,908,682
Disposals	-	-	-	-	-	-	(2,259,440)	(2,259,440)
Charges for the year	-	24,669	546,839	1,467,386	634,782	106,192	588,924	3,368,792
At 31 December 2022	-	166,530	1,544,597	5,028,554	3,076,400	613,029	1,177,847	11,018,034
Carrying amount at 31 December 2022	2,605,652	166,744	722,849	2,831,924	3,518,496	802,890	1,177,847	11,826,402

Cost	Capital Works in Progress PGK	Furniture, Fixtures & Fittings PGK	Motor Vehicles PGK	Computer Equipment PGK	Computer Software PGK	Leasehold Improvements PGK	Right-of-Use-Property PGK	Total PGK
At 01 January 2021	3,379,694	330,704	2,012,770	4,520,332	6,239,461	1,415,919	3,408,357	21,307,237
Additions	-	2,570	398,776	541,065	104,907	-	-	1,047,318
Disposals	-	-	(144,100)	-	-	-	-	(144,100)
Reclassification	(2,640,614)	-	-	2,640,614	-	-	-	-
Modification of lease	-	-	-	-	-	-	(272,907)	(272,907)
At 31 December 2021	739,080	333,274	2,267,446	7,702,011	6,344,368	1,415,919	3,135,450	21,937,548
Accumulated depreciation								
At 01 January 2021	-	117,217	561,750	2,747,301	1,817,616	400,643	1,641,080	7,285,607
Disposals	-	-	(144,100)	-	-	-	-	(144,100)
Charges for the year	-	24,644	580,108	813,867	624,002	106,194	618,360	2,767,175
At 31 December 2021	-	141,861	997,758	3,561,168	2,441,618	506,837	2,259,440	9,908,682
Carrying amount at 31 December 2021	739,080	191,413	1,269,688	4,140,843	3,902,750	909,082	876,010	12,028,866

6 Investment Properties

Investment properties	2022 PGK	2021 PGK
Opening balance	831,591	831,591
Net movement	268,409	-
	1,100,000	831,591

(a) Investment Properties (at fair value)

Summary of movement in revaluation of investment properties as follows:

Residential properties	Valuation model	Capitalisation rates	2021 PGK	Revaluation PGK	2022 PGK
Sec 57 Lot 35 Alotau	Third party offer	12%	831,591	268,409	1,100,000
			831,591	268,409	1,100,000

Residential properties	Valuation model	Capitalisation rates	2020 PGK	Revaluation PGK	2021 PGK
Sec 57 Lot 35 Alotau	Third party offer	12%	831,591	-	831,591
			831,591	-	831,591

Investment property is residential property that is leased to a third party.

7 Investment securities, government inscribed stock and term deposits

	Notes	2022 PGK	2021 PGK
Government inscribed stock at amortised cost	(a)	102,468,032	85,252,097
Quoted equity investments at FVTPL	(b)	2,867,500	2,604,000
Unquoted equity investments at FVTPL	(c)	160,000	160,000
Term deposits - maturity periods of greater than 90 days	(d)	32,977,022	37,799,216
		138,472,554	125,815,313

(a) Government inscribed stock at amortised cost

The book value comprises of:

	2022 PGK	2021 PGK
Face value of Government inscribed stock (i)	100,600,000	72,660,000
Unamortised premiums	2,578,551	1,698,365
Unamortised discounts	(60,001)	(78,342)
	103,118,550	85,902,615
Less provision for doubtful debt	(650,518)	(650,518)
	102,468,032	85,252,097

7 Investment securities, government inscribed stock and term deposits (cont)

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 5% to 14% and yield rates ranging from 4.5% to 15.4%.

(i) Reconciliation of the Face Value of Government Inscribed stock

Maturity Year	2022 Coupon rates %	2022 Yield rates %	2022 Face value PGK	2021 Coupon rates %	2021 Yield rates %	2021 Face value PGK
2022	-	-	-	7.2 to 10.0	7.2 to 8.5	5,750,000
2023	9.0 to 12.0	9.0 to 11.5	11,000,000	9.0 to 12.0	9.0 to 11.5	11,000,000
2024	5.0	4.5	1,000,000	-	-	-
2025	11.5 to 12.5	11.45 to 12.5	6,000,000	11.5 to 12.5	11.45 to 12.5	6,000,000
2026	5.35	5.09	2,000,000	-	-	-
2027	5.6 to 14.0	5.27 to 14.0	29,160,000	14.0	11.2 to 14.0	18,000,000
2028	12.5	12.5	18,000,000	12.5	12.5	10,750,000
2029	6.0 to 12.00	5.9 to 11.5	15,250,000	11.0 to 12.0	10.5 to 11.5	8,190,000
2030	6.5 to 7.2	6.15 to 6.9	3,000,000	-	-	-
2031	6.75 to 12.5	6.3 to 15.4	11,690,000	11.5 to 12.5	11.5 to 15.4	8,190,000
2032	7.00 to 7.5	6.6 to 7.0	3,500,000	-	-	-
			100,600,000			83,850,000

(b) Quoted equity investments at FVTPL

	2021 PGK	Fair value movement PGK	Disposal PGK	2022 PGK
Credit Corporation (PNG) Limited	2,604,000	263,500	-	2,867,500
PNG Air Limited	-	-	-	-
	2,604,000	263,500	-	2,867,500

Reconciliation of movement in quoted investments is as follows:

	2022 PGK	2021 PGK
Balance at 01 January	2,604,000	2,635,000
Net gain on financial assets at FVTPL	263,500	(31,000)
Balance at 31 December	2,867,500	2,604,000

(c) Unquoted equity investments at FVTPL

	2022 PGK	2021 PGK
Investment in CloudApp	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 material changes in the fair value for 2022.

(d) Term deposits

	2022 PGK	2021 PGK
Term deposits - maturity periods of greater than 90 days	32,977,022	37,799,216
	32,977,022	37,799,216

8 Loans due from members

	2022 PGK	2021 PGK
Loans due from members	142,371,727	129,890,824
Less: provision for doubtful debt	(2,978,568)	(2,705,591)
	139,393,159	127,185,233

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. The movements in the provision for doubtful debts was as follows:

	2022 PGK	2021 PGK
Balance at 01 January	2,705,591	1,584,526
Provision charges to profit and loss	2,623,321	2,891,409
Bad debts written off during the year	(2,350,344)	(1,770,344)
Net movement in provision for bad debts	272,977	1,121,065
Balance at 31 December	2,978,568	2,705,591

The unsecured exposure on overdue balance as at 31 December 2022 is K8,344,628 (2021: K7,221,974). The ageing of the unsecured exposure on overdue balances is as follows:

	2022 PGK	2021 PGK
1 - 29 days overdue	4,226,305	2,501,954
30 - 59 days overdue	1,340,799	2,400,075
60 - 89 days overdue	630,559	368,216
90+ days overdue	2,146,965	1,951,729
	8,344,628	7,221,974

9 Prepayments and other receivables

	2022 PGK	2021 PGK
Accrued interest	2,658,788	2,300,789
Staff related receivables	648,128	148,483
Rent receivable	-	12,026
Security deposits	46,250	46,250
Prepayments	907,497	1,012,685
	4,260,663	3,520,233

Accrued interest represents interest accrued on Government inscribed stock (Note 7) and interest-bearing deposits (Note 22). Accrued interest on loans is captured in the loan balance.

10 Employee provisions

	2022 PGK	2021 PGK
Provision for annual leave	430,754	508,513
Provision for long service leave	719,449	728,477
	1,150,203	1,236,990

11 Trade and other payables

	2022 PGK	2021 PGK
Creditors and accruals	2,624,240	3,152,758
Amounts payable to NASFUND	562,745	203,322
Other payables	516,291	17,778
	3,703,276	3,373,858

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

12 Members' savings

	2022 PGK	2021 PGK
Members' savings	267,711,641	247,547,546
Unallocated contributions	1147,646	100,639
	267,859,287	247,648,185

12 Members' savings (continued)

The Society commenced payment of monthly interest to members in prior years. This interest differs from the year end distributions declared by the Society, as its purpose is to attract and retain member savings and capital. The interest was also paid during the year ended 31 December 2022. As at 22 March 2022, the Board of Directors declared and distributed to members interest at a rate of 6.0% (2021: 6%) totalling K10,865,975 (2021 K9,827,217). The distribution made in 2022 was out of 2021 year end profits.

This profit distribution is apportioned based on the daily savings balance of the members' accounts for the year. This distribution differs from the monthly interest payments and is equity in nature. The Society has a policy of actively identifying the details of unallocated deposits. It is not always possible to obtain these if the appropriate details have not been included in the transactions.

13 Leases and Right of use assets

(a) Leases as lessee

The property leases represents leases of land and buildings. The leases provide for rent increments at 8% annually. The Society is restricted from entering into any sub-lease arrangements. Information about leases for which the Society is a lessee is presented below:

(i) Right-of-use assets

	2022 PGK	2021 PGK
Balance at 01 January	876,010	1,767,277
Additions/(Lease modifications)	1,766,771	-
Lease modifications	(876,010)	(272,907)
Depreciation charge for the year	(588,924)	(618,360)
Balance at 31 December	1,117,847	876,010

13 Leases and Right of use assets (continued)

	2022 PGK	2021 PGK
Balance at 01 January	924,268	1,986,251
Additions	1,766,771	-
Lease payments	(601,080)	(647,352)
Lease modifications	(924,268)	(491,882)
Finance Cost	49,249	77,251
Balance at 31 December	1,214,940	924,268

Lease liabilities included in statement of financial position	2022 PGK	2021 PGK
Current	588,340	637,457
Non-current	626,600	286,811
Balance at 31 December	1,214,940	924,268

Maturity analysis - Contractual undiscounted cash flow	2022 PGK	2021 PGK
Less than one year	619,112	677,562
Between one and five years	637,686	291,308
More than five years	-	-
Total undiscounted lease liabilities at 31 December	1,256,798	968,870
Unearned interest on lease liabilities	(41,858)	(44,602)
	1,214,940	924,268

(ii) Amount recognised in profit or loss	2022 PGK	2021 PGK
Depreciation expense on right of use assets	588,924	618,360
Interest on lease liabilities	49,248	77,251

(ii) Amounts recognised in statement of cash flows	2022 PGK	2021 PGK
Total cash out flow for leases	(601,080)	(647,352)

The property lease contains extension option exercisable by the Society before the end of the lease period. The Society have considered all extension option in the lease calculation.

(b) Leases as lessor

The Society leases out its investment property consisting of its owned commercial properties as well as leased property. All leases are classified as operating leases from a lessor perspective.

(i) Operating lease

Rental income recognised by the Society during 2022 was K33,540 (2021: K33,540).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2022 PGK	2021 PGK
Less than one year	33,540	33,540
One to two years	-	33,540
Total	33,540	67,080

14 Share Capital

	2022 PGK	2021 PGK
Issued ordinary share capital		
Share on issue at 01 January	141,786	133,869
Net movement in share capital	554	7,917
	142,340	141,786

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.

15 Statutory reserve

	2022 PGK	2021 PGK
Balance at 01 January	20,596,112	17,826,363
Statutory transfer of net profit for the year	3,223,404	2,769,749
	23,819,516	20,596,112

15 Statutory reserve (continued)

The Savings and Loan Societies (Amendment) Act 2015, 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.

16 Administration expense

	2022 PGK	2021 PGK
Advertising and marketing	425,953	214,072
Auditors remuneration	194,000	161,000
Bank charges	217,585	220,067
Computer, software support and communication	2,491,592	3,057,326
Directors fees	290,470	244,406
Directors sitting fees and expenses	74,891	42,219
Motor vehicle expenses	295,794	262,486
Printing and postage	40,324	69,992
Professional and consulting fees	236,157	230,228
Rental expenses	429,417	170,181
Security charges	108,300	92,026
Travel	151,126	100,897
Insurance	22,594	169,382
Telecommunication	512,585	551,594
Promotion and merchandising	40,198	108,586
Other office expenses	914,813	952,702
	6,445,799	6,646,702

17 Employee benefit expense

	2022 PGK	2021 PGK
Base	4,598,301	4,002,855
Superannuation	458,138	367,068
Long service leave	219,878	421,529
Other benefits and expenses	2,665,024	2,086,671
	7,941,341	6,878,123

18 Employee benefits 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 2022, the Society expensed K458,138 in contributions (2021: K367,068).

19 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 ncsf 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 2021 was as follows:

	2022 PGK	2021 PGK
Loans to related parties	1,536,727	1,268,122
	1,536,727	1,268,122

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

(b) National Superannuation Fund (NASFUND)

NASFUND is a related party due to common Directors between NASFUND and the Society.

	2022 PGK	2021 PGK
Amount payable to NASFUND (Note 11)	562,745	203,322
	562,745	203,322

19 Related party transactions (continued)

Rent of K661,188 (2021: K712,087) was charged to the Society by NASFUND.

(c) CloudApp Limited

CloudApp Limited 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 2016, the Society purchased a Core Banking System valued K3.5 million from CloudApp Limited, which was further enhanced throughout 2018 and 2019 after being launched in late 2016.

(d) Compensation of key management personnel

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

	2022 PGK	2021 PGK
Salaries, wages and other short-term benefits	2,196,859	2,625,266
Long-service leave	219,878	254,749
Superannuation	144,399	168,713
	2,561,136	3,048,728

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

	2022 PGK	2021 PGK
K100,000 - K149,999	4	2
K150,000 - K199,999	9	6
K200,000 - K249,999	-	1
K250,000 - K299,999	-	1
K300,000 - K349,999	-	-
K350,000 - K399,999	2	1
K400,000 - K449,000	-	-
K500,000 and above	1	1
	16	12

Directors during the year	Executives during the year
Mr. Ian Tarutia, OBE (Chairman)	Vari Lahui (Chief Executive Officer)
Mr. Christopher Elphick (Deputy Chairman)	Presley Semi (Chief Operating Officer)
Mr. Hulala Tokome, MBE (Board)	Keith Raimo (Chief Financial Officer) (appointed 2022)
Mr. Sundar Ramarmuthy (Board)	Bernard Geita (Lending Manager) (resigned 2022)
Mr. Troy Stubbings (Board)	Bernard Matlaun (Lending Manager) (appointed 2022)
Mr. Vera Raga (Board)	Jackraho Morea (Finance Manager) (resigned 2022)
	Henry Pupu (HR Manager)
	Kini Vali (Credit Manager)
	Lionel Dwight Kapus (IT Manager) (appointed 2021)
	Noel Keyala (Member Services Manager) (appointed 2022)
	Nosuau Kini (Risk and Compliance Manager) (resigned 2022)
	Vavine Iamo (E-Banking Manager)
	Venessa Vee (Board Secretary & Legal Manager)

20 Contingencies and commitments

The Society did not have any material commitments or contingencies at the year-end (2021: nil).

21 Subsequent events

No material subsequent events have occurred between the end of the financial year and the date of signing of the financial statements other than below:

- (a) NCSL identified a threat in our IT systems on the 1st of March 2023. Due to the nature of this threat, NCSL voluntarily suspended services to members and performed immediate remediation work on the IT system infrastructure and applications. During the outage, all server infrastructure was scanned and software for the business was updated in preparation for the systems to be brought back online. We were able to have the system partially restored on the 17th of March with ERP's transactions suspended until further notice. NCSL has taken a proactive approach to the cybersecurity treat by pre-approving infrastructure capex spend of K800,000 related to server upgrades, licensing and storage boxes. Additional spend to ensure full compliance with industry standard is expected to cost an additional K1,000,000.

NCSL has also made the decision to waive all arrears on members loan during the outage period.

NCSL is undertaking a post event review to determine the financial impact of the system outage on the 2023 financial year result and any impact to be quantified. The main concerns are around reputational damages and loss of business during the outage period.

- (b). On the 5 March 2023, the Society's Board of Directors declared and distributed to members interest at a rate of 6.0% totalling K16,117,019.

22 Cash and cash equivalents

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

	2022 PGK	2021 PGK
Cash at bank	17,402,030	13,037,435
Term deposits with maturity of less than 3 months	-	4,040,134
	17,402,030	17,077,569

23 Financial instruments

Risk management framework

The Society's board of directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Society's risk management policies. The committee reports regularly to the board of directors on its activities. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk**(i) Credit risk management**

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. Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's receivables from customers and investments in debt securities. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The Society structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, the limit is the member savings available when the financial asset is issued. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved quarterly by the Credit Manager.

The Society measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Society also uses the ageing of loans to manage and measure credit risk. The ageing is matched to the IFRS 9 Staging as noted on the next page.

Ageing Analysis	Description	Description
Less than 30 days	Average risk	Standard Monitoring (Stage 1)
31 - 90 days	Special mention	Special Monitoring (Stage 2)
More than 91 days	Substandard, Doubtful & Loss	Default (Stage 3)

Credit Risk Concentrations

The Society only provides loans to individuals who are members of the Society.

(ii) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment of financial assets based on changes in credit quality since initial recognition, as summarised:

23 Financial instruments (continued)

- * A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Society;
- * If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired;
- * If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3';
- * Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis; and
- * A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.

The key judgements and assumptions adopted by the Society in addressing the requirements of the standard are discussed below:

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on the financial instrument has increased significantly since initial recognition, the Society considers both quantitative and qualitative information and analysis, based on the Society's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure to comparing the remaining lifetime probability of default (PD) as at the reporting date; with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

Significant increase in credit risk (continued)

The Society uses three criteria for determining whether there has been a significant increase in credit risk:

- * **a quantitative test based on movement in PD**
 - The financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
- * **qualitative indicators**
 - Early signs of cash flow/liquidity problems such as delay in submitting repayments and savings by the members employer
 - Significant adverse changes in financial and/or economic conditions in which the member and members employer operates.
 - Actual or expected forbearance or restructuring by the member or members employer
- * **a backstop of 30 days past due.**

The criteria above have been applied to all financial instruments held by the Society and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Society's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria at the reporting date.

Definition of default

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

- * the borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to action such as realising security;
- * the borrower is more than 90 days past due on any material credit obligation to the Society; and
- * it is becoming probable that the borrower's employer's business is under distress.

23 Financial instruments (continued)

Definition of default (continued)

In assessing whether a borrower is in default, the Society considers indicators that are:

- * Qualitative: breaches of covenants;
- * Quantitative: overdue status and non-payment on another obligation of the same issuer to the Society; and
- * based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is a default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Society incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Society formulates three economic scenarios: a base case, which is the central scenario developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Society for other purposes such as strategic planning and budgeting.

2022	Upside PGK	Central PGK	Downside PGK	Upside PGK	2021 Central PGK	Downside PGK
Scenario probability weighting	10%	80%	10%	10%	80%	10%
ECL impact	2,266,200	2,819,840	4,866,996	1,970,317	2,557,879	4,622,560

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

23 Financial Instruments (continued)

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and how much scenarios are incorporated into the calculations. Management performs a sensitivity analysis of significant assumptions by considering impact of their possible changes in different scenarios and concluded that changes in GDP growth rate and unemployment rate do not significantly affect the level of impairment provision given the following:

- * If weight of downside scenario would increase to 20% (i.e. weight of central scenario would decrease to 70%), as a result of higher GDP growth rate and lower unemployment rate, impairment provision would decrease by K354 thousand;
- * If weight of downside scenario would increase to 20% (i.e. weight of central scenario would decrease to 70%), as a result of lower GDP growth rate and higher unemployment rate, impairment provision would increase by K94 thousand;

Loss allowance

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses is the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- * The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- * EAD is based on the amounts the Society expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The Society derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.
- * Loss Given Default (LGD) represents the Society's expectation of the extent of loss on a defaulted exposure. LGD is the magnitude of the likely loss if there is a default. The Society estimates LGD parameters based on the history of cure of defaulted counterparties and the savings deposits held against defaulted counterparties. The LGD models consider the structure, collateral, cure rates achieved in past periods, member savings held and recovery costs of any collateral that is integral to the financial asset.

23 Financial Instruments (continued)

Loss allowance (continued)

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Society measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Society considers a longer period. The maximum contractual period extends to the date at which the Society has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The provision for impairment losses recognised in the period is impacted by a variety of factors, as described below:

- * Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- * Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- * Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- * Impacts on the measurement of ECL due to changes made to models and assumptions; and
- * Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy:

Reconciliation of ECL and EAD on Loans:

2022 Reconciliation	Stage 1		Stage 2		Stage 3		Total PGK	
	EAD	ECL	EAD	ECL	EAD	ECL	EAD	ECL
Balance at 1 January 2022	118,923,321	813,131	8,595,436	1,021,325	2,372,067	871,135	129,890,824	2,705,591
Transfer to Stage 1	6,294,634	1,054,147	(4,523,537)	(407,463)	(1,771,097)	(646,684)	-	-
Transfer to Stage 2	(6,094,379)	(72,746)	6,550,509	252,716	(456,130)	(179,970)	-	-
Transfer to Stage 3	(4,467,296)	(78,697)	(1,487,627)	(218,297)	5,954,923	296,994	-	-
Net remeasurement of loss allowance	-	(155,880)	-	(171,979)	-	(7,996)	-	(335,855)
New financial assets originated, paid and matured	31,826,169	632,965	1,747,200	262,355	652,489	83,732	34,225,858	979,052
Financial assets paid and matured	(11,805,006)	-	(1,494,062)	-	(40,967)	-	(13,340,035)	-
Net remeasurement on transfers between Stages	(4,470,937)	(1,026,522)	(2,843,379)	108,560	(1,090,604)	547,742	(8,404,920)	(370,220)
Balance at 31 December 2022	130,206,506	1,166,398	6,544,540	847,217	5,620,681	964,953	142,371,727	2,978,568

2021 Reconciliation	Stage 1		Stage 2		Stage 3		Total PGK	
	EAD	ECL	EAD	ECL	EAD	ECL	EAD	ECL
Balance at 1 January 2021	116,703,697	598,087	5,700,868	499,217	1,150,516	487,222	123,555,081	1,584,526
Transfer to Stage 1	2,836,314	296,144	(2,439,108)	(139,714)	(397,206)	(156,430)	-	-
Transfer to Stage 2	(8,360,614)	(77,354)	9,066,385	386,896	(705,771)	(309,542)	-	-
Transfer to Stage 3	(3,447,794)	(43,958)	(1,000,963)	(124,184)	4,448,757	168,142	-	-
Net remeasurement of loss allowance	-	21,053	-	(96,623)	-	504	-	(75,066)
New financial assets originated, paid and matured	23,275,524	294,949	2,250,841	328,373	190,521	26,646	25,716,886	649,968
Financial assets paid and matured	(10,186,361)	-	(1,356,726)	-	1,583	-	(11,541,504)	-
Net remeasurement on transfers between Stages	(1,897,445)	(275,790)	(3,625,861)	167,360	(2,316,333)	654,593	(7,839,639)	546,163
Balance at 31 December 2021	118,923,321	813,131	8,595,436	1,021,325	2,372,067	871,135	129,890,824	2,705,591

23 Financial Instruments (continued)

Summary of the EAD and ECL - Loans:

2022	EAD PGK	ECL PGK	Net carrying amount PGK
Stage 1 - 12 month ECL	130,206,506	1,166,398	129,040,108
Stage 2 - Life time ECL	6,544,540	847,217	5,697,323
Stage 3 - Life time ECL	5,620,681	964,953	4,655,728
Total	142,371,727	2,978,568	139,393,159

2021	EAD PGK	ECL PGK	Net carrying amount PGK
Stage 1 - 12 month ECL	118,923,321	813,131	118,110,190
Stage 2 - Life time ECL	8,595,436	1,021,325	7,574,111
Stage 3 - Life time ECL	2,372,067	871,135	1,500,932
Total	129,890,824	2,705,591	127,185,233

Reconciliation of ECL and EAD on Government Inscribed Stocks:

	EAD	2022 Stage 1 ECL	EAD	2021 Stage 1 ECL
Balance at 1 January	85,902,615	650,518	74,280,023	-
Net remeasurement of loss allowance	-	-	-	650,518
Financial assets originated	22,500,000	-	10,957,477	-
Accrued interest and amortisation of interest	465,935	-	665,115	-
Financial assets matured during the year	(5,750,000)	-	-	-
Balance at 31 December	103,118,550	650,518	85,902,615	650,518

All Government Inscribed Stock are in stage 1, no movement was noted during the year.

(iv) Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised against the Ageing analysis used for credit risk management. The gross carrying amount of financial assets below also represents the Society's maximum exposure to credit risk on these assets.

Ageing Analysis

	Stage 1 12 month PGK	Stage 2 Lifetime PGK	Stage 3 Lifetime PGK	Total PGK
31 December 2022				
Less than 30 days	130,206,506	-	-	1130,206,506
31 - 90 days	-	6,544,540	-	6,544,540
More than 91 days	-	-	5,620,681	5,620,681
Gross carrying amount	130,206,506	6,544,540	5,620,681	142,371,727
Loss allowance	(1,166,398)	(847,217)	(964,953)	(2,978,568)
Carrying amount	129,040,108	5,697,323	4,655,728	139,393,159

	Stage 1 12 month PGK	Stage 2 Lifetime PGK	Stage 3 Lifetime PGK	Total PGK
31 December 2021				
Less than 30 days	118,923,321	-	-	118,923,321
31 - 90 days	-	8,595,436	-	8,595,436
More than 91 days	-	-	2,372,067	2,372,067
Gross carrying amount	118,923,321	8,595,436	2,372,067	129,890,824
Loss allowance	(813,131)	(1,021,325)	(871,135)	(2,705,591)
Carrying amount	118,110,190	7,574,111	1,500,932	127,185,233

Collateral and other credit enhancements

The Society employs a range of policies and practices to mitigate credit risk, including matching member savings to the loan facility provided to the member. The principal collateral types for loans and advances to members are the member savings. The Society determines the fair market value of collateral obtained as a part of loan origination process.

The Society closely monitors member deposits/ savings held for financial assets considered to be credit-impaired, as it becomes more likely that the Society will take possession of the deposits /savings to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit-impaired assets	Gross Exposure	Provision for impairment losses	Carrying amount	Present value of collateral held
31 December 2022	5,620,681	(964,953)	4,655,728	3,473,716
31 December 2021	2,372,067	(871,135)	1,500,932	420,339

23 Financial Instruments (continued)

The Society is exposed to daily calls on its available cash resources from member deposits through transaction accounts offered by the Society. The Society does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of member savings maintained with the Society can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and rates of assets and liabilities is fundamental to the management of the Society. It is unusual for financial institutions to be completely matched. An unmatched position potentially enhances profitability, but also increases the risk of losses.

(i) Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Society's financial liabilities and financial assets.

31 December 2022	Carrying amount PGK	At call PGK	0-3 months PGK	Less than 1 year PGK	1-5 year PGK	More than 5 years PGK
Financial liability by type						
Non - derivative liabilities						
Member savings	267,711,641	267,711,641	-	-	-	-
Other financial liabilities - lease liabilities	1,501,751	-	316,492	558,659	626,600	-
	269,213,392	267,711,641	316,492	558,659	626,600	-
Financial asset by type						
Non - derivative assets						
Cash and cash equivalents	17,402,030	17,402,030	-	-	-	-
Term deposits	32,977,022	-	17,530,361	15,446,661	-	-
Quoted equity investments	2,867,500	-	-	-	2,867,500	-
Government inscribed stock	102,468,032	-	-	12,868,032	38,160,000	51,440,000
Loans due from members	139,393,159	-	7,797,110	22,760,433	108,835,616	-
	295,107,743	17,402,030	25,327,471	51,075,126	149,863,116	51,440,000

23 Financial instruments (continued)

31 December 2021	Carrying amount PGK	At call PGK	0-3 months PGK	Less than 1 year PGK	1-5 year PGK	More than 5 years PGK
Financial liability by type						
Non - derivative liabilities						
Member savings	247,648,185	247,648,185	-	-	-	-
Other financial liabilities - lease liabilities	968,870	-	161,838	515,724	291,308	-
	248,617,055	247,648,185	161,838	515,724	291,308	-
Financial asset by type						
Non - derivative assets						
Cash and cash equivalents	17,077,569	17,077,569	-	-	-	-
Term deposits	37,799,216	-	13,000,000	24,799,216	-	-
Quoted equity investments	2,604,000	-	-	-	2,604,000	-
Government inscribed stock	85,252,097	-	-	7,152,097	17,000,000	61,100,000
Loans due from members	127,185,233	-	8,794,986	25,008,113	93,382,134	-
	269,918,115	17,077,569	21,794,986	56,959,426	112,986,134	61,100,000

(c) Other market risk

Investments of the Society (other than cash held for liquidity purposes and investment properties) comprise fixed interest securities, term deposits and shares in listed and unlisted companies.

The valuation of financial investments at FVTPL and investment properties 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):

	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2022				
Quoted equity investments	2,867,500	-	-	2,867,500
Unquoted equity investments	-	-	160,000	160,000
Investment properties	-	-	1,100,000	1,100,000
	2,867,500	-	1,260,000	4,127,500

	Level 1 PGK	Level 2 PGK	Level 3 PGK	Total PGK
31 December 2021				
Quoted equity investments	2,604,000	-	-	2,604,000
Unquoted equity investments	-	-	160,000	160,000
Investment properties	-	-	831,591	831,591
	2,604,000	-	991,591	3,595,591

(d) Interest risk

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

(e) Foreign currency risk

The Society is not exposed to foreign currency risk, there are no contracts entered into denominated in foreign currency.

**Providing automation
& better e-services to
our members**





General
Savings



nascare



Education
Savings



1:1 Loan
Ratio



Christmas
Savings



1:2 Loan
Ratio



Kids
Savings



1:5 Loan
Ratio

**Small to
Medium
Enterprises
(SME)**



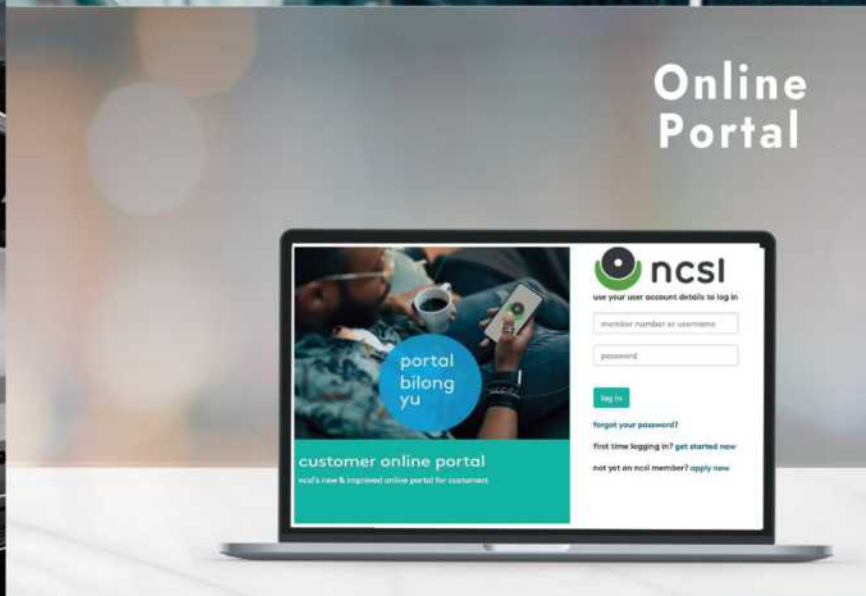
SMS Alert



**Motor Vehicle
Loan**



**Online
Portal**



Poro Card

**Biometric
Identification
System**



Term Deposit



Value Back Program



Corporate Directory

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Ian Tarutia, OBE
Chairman

Christopher Elphick
Deputy Chairman

Hulala Tokome, MBE
Director

Vera Raga
Director

Sundar Ramarmurthy
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