ANNUAL REPORT 2015

Securing Today,

SHAPING TOMORROW

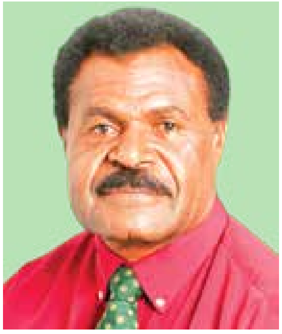
TISA

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE

TABLE OF CONTENTS

Chairman's Report



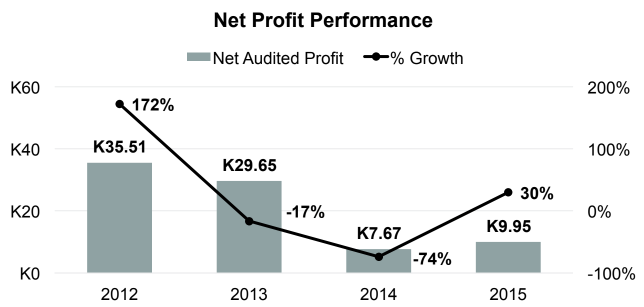
On behalf of the Board of Directors and Management of Teachers Savings & Loan Society Limited, I have the pleasure of presenting the Annual Report, which covers the affairs of Teachers Savings and Loan Society Ltd for the year ended 31st December, 2015.

Our Society continues to grow each year. We continue in our efforts to reach out to members and seek to empower our people through the provision of affordable financial services. Our members' support is paramount to our continued growth.

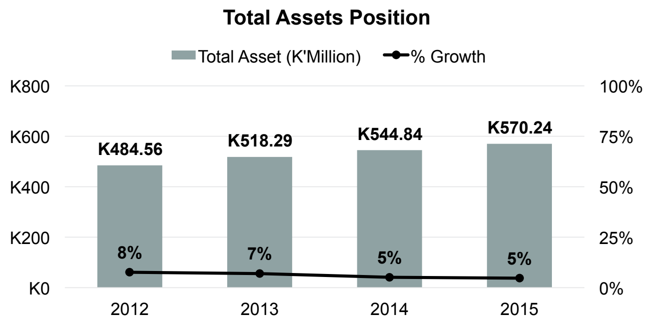
With this support from members, management and stakeholders, I am delighted as ever to inform you on behalf of the Board of Directors, that your Society has continued to report a positive financial performance and progressive position in the financial year 2015.

This is highlighted as follows:

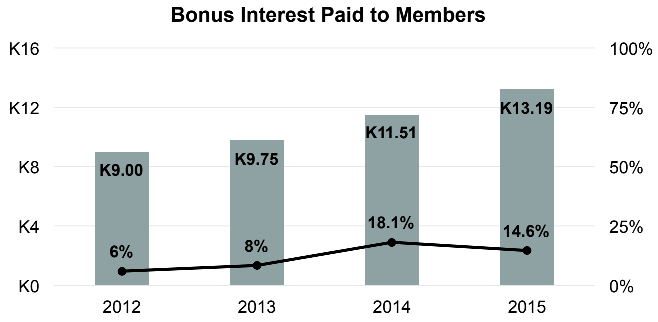
- Our Society recorded a net audited profit of **K9.95m (2014: K7.7m)**



- Total assets grew from **K544.8m** in 2014 to **K570.2m** in 2015, a growth of **4.7% (K25.4m)**



- Additional interest of **K13.2 (7% rate)** was credited to members' S1 accounts **(2014: K11.5m)**



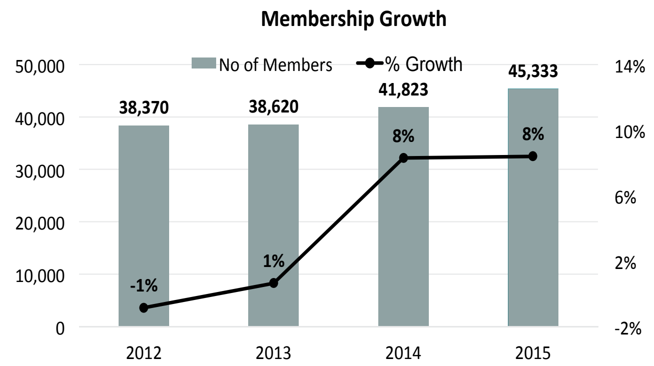
Service Facilities - Reaching Out

We continue to live up to our vision statement of 'Not for Profit, Not for Charity, But for Service" and reach out to our members as we upgraded 2 sub - branches to full branches in Vanimo and Popondetta and established Kiunga Branch.

TISA now operates in 16 Provinces as full branches. The challenge in locating suitable properties for lease or land to purchase is real and this is where Provincial Authorities can be able to assist TISA bring this needed service to our members, by providing land.

Membership

Teachers Savings and Loan Society Ltd now on its membership register, has over 45,000 members and is growing as more teachers, public servants and employees of various SOE's are joining. The Commission Program for recruiting new members has been revived. I encourage all members to recruit new members and earn a commission of K20.00 for every new member introduced.



Human Resources

The Society's strength and success can only be as good as its staff members behind the organisation. It is important to note that TISA employs the strategy of identifying champions and encourages progress. These are people with talent, work ethics and promise that the Society invests in, in terms of training and development for career progression.

Our business has become complex and diversified, which means that we need specialists in the fields of Banking, IT (Information Technology), HR, Legal, Properties and Security Management. The challenge is to attract suitable local candidates for these key positions. Our strategy is to seek suitable expertise within the region and emerging markets.

Information Technology

We continue to invest in Information Technology not only to develop and deliver products and services, but more importantly keep up with the ever changing IT environment. The Society's website has been upgraded and Internet Banking is now available on our website. SMS Alerts are also now available. We are currently working on introducing other banking products.

Project Upscale

The Special General Meeting (SGM) in Kavieng, to restructure and demutualise Teachers Savings and Loan Society Ltd, and apply for a licence under the Banks and Financial Institutions Act continues to be further confirmed by subsequent Annual General Meetings (AGM) since 2010.

I appeal to all our valued members to continue to support this initiative.

Please be assured that we will together continue to uphold our vision, philosophy, principles and values. These are our roots and our differentiation.

Corporate Governance

In any growing organisation or developments, there is always increasing risks. Your Board has policies, plans and strategies put in place to mitigate such risks.

The Board and the organisation will continue to have zero tolerance for fraud and overall corruption. Robust internal control measures are being maintained and regularly reviewed.

Your Board fully realises its impending increasing and growing level of responsibility, accountability and liability as custodians of members' money, by providing sound governance, and ensuring prudent management of members' funds and the overall affairs of the Society.

We have established a Board Audit Risk and Compliance Committee (BARCC) and resourced it with a Risk and Audit professional team, who provide a high standard of excellence, resulting in the introduction and embedding of best practice in Audit and Risk Management.

We continue to progress despite many challenges, and will continue to strive for excellence in value and service for the benefit of our members. This is because of the support, encouragement and the guidance we have received from all of our stakeholders.

New Savings And Loan Societies Legislation

I am pleased to report that Parliament passed the new Savings and Loan Societies Act in October 2015. Among other things, this Act now removes the common bond restrictions on membership. This means others including your relatives and friends can become members as well.

It also now makes it possible for demutualisation. The new legislation now allows us to determine how to issue shares and distribute unappropriated surplus from previous years to our members, through a proper demutualisation process.

This further validates our General Meeting resolutions since 2010 to restructure and demutualise Teachers Savings and Loan Society Ltd.

Acknowledgements

May I, on behalf of the Board and Management of Teachers Savings and Loan Society Ltd, acknowledge and commend our members nationwide for their confidence, loyalty and overall support to the Society over the last 43 years of development and progress, sometimes through very challenging environments. Your loyalty and support provides courage and conviction for your Board to continue to push for change for the betterment of the membership and their families.

We appreciate the support we received throughout the year from our regulators, the Bank of Papua New Guinea, the Teaching Service Commission, the Education Department, and the respective Provincial Education Boards.

Thank you for your on-going support towards the cause of the Teachers Savings and Loan Society Ltd and its endeavours to better serve you.

Thank you to the management team, and to all of our valued members nationwide. Thank you so much for your contributions to complete one more chapter of our Society's successful operations and growth in 2015.

With divine guidance and strength, we pledge to continue to provide you quality, affordable financial services towards peoples' empowerment in the environment of mutual trust and unity, as we move forward to the next level.

Remember, let us stand,
'Not for Profit, Not for Charity, But for Service'.

Thank you

Gabriel Tai
Chairman – Board of Directors

EXECUTIVE MANAGEMENT

Back Row: Mr Tabu Airi – Acting Head of HR, Mr Igimu Momo – Manager Special Projects, Mr Michael Koisen – Chief Executive Officer, Mr Morgan Sehuri – Head of Marketing, Mr Luke Kaul – Head of Retail Financial Services

Front Row: Mr Anania Jonathan – Acting Head of Audit & Risk, Mr Michael Malara – Manager Finance & Accounting, Mr Francis Pahun – Manager Lending Operations, Mr Poni Korua – Head of Corporate Services, Mr Michael Aldan – Security Manager

Absent: Mr Maranuf Tataeng – Head of Sales, Mr Edward Toliman – Acting Head of IT

CHIEF EXECUTIVE OFFICER'S REPORT

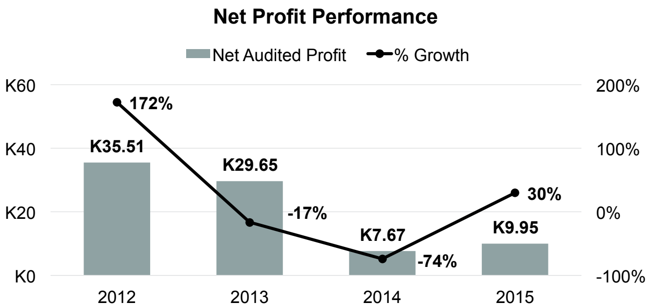
I have the pleasure of presenting the operational and financial affairs of Teachers Savings and loan Society Ltd for the year ended 31st December, 2015.

Overview Of Operational And Financial Performance

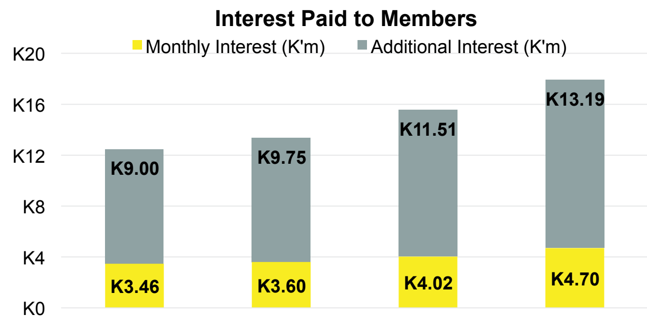
The 2015 financial year has been a year of confirming business strategies, business structures and further strategically aligning these structures to strengthen the core business of serving members. This exercise allowed us to address operational challenges.

Positive financial performance of TISA continued against the backdrop of an economic downturn and declining activity in business, including Retail and the Finance and Banking Sector. Despite this slowdown, your Board approved to payout **K13.2 Million** in additional interest to members. This translates to a **7% rate**, which is the maximum allowed under the Savings and Loan Societies (Amendment) Act 1995.

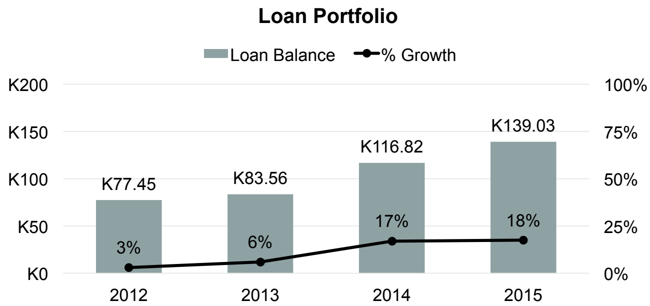
- A Net profit of **K9.95m (2014: K7.67m)** was achieved. An increase of **30%**.



- Additional interest of **K13.2m, (2014: K11.5m)** a **15%** increase from prior year was paid to members accounts in addition to **K4.7m (2014: K4.02m)** paid on a monthly basis. In total, **K17.89m (2014: K15.53m)** was paid to members in 2015.



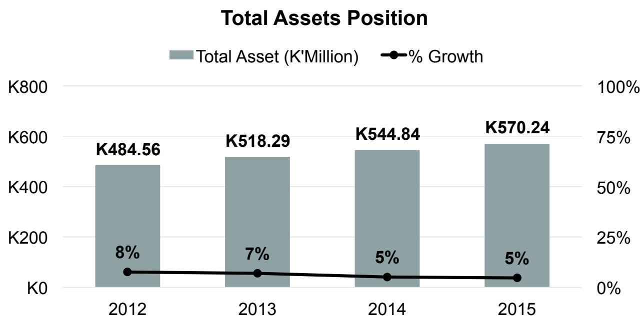
- Loan Portfolio, increased by **18%**, to **K139.03m (2014: K116.82m)** on the back of new products and a more focused marketing campaign.

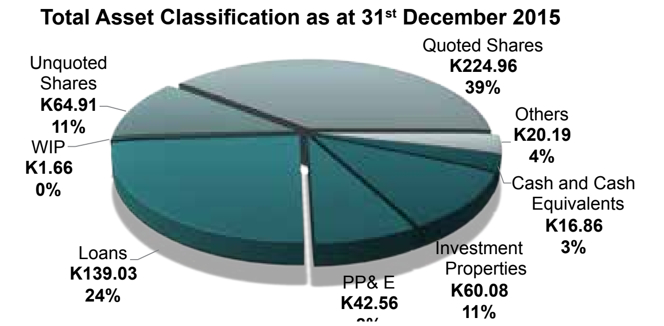


- Equities held by the Society, both Quoted and Unquoted were **K224.96m (2014: K236.18m).** BSP and Credit Corporation share price continued their downward trend in 2015 resulting in your Society accounting for a negative write down in fair value of **K11.2 Million.**

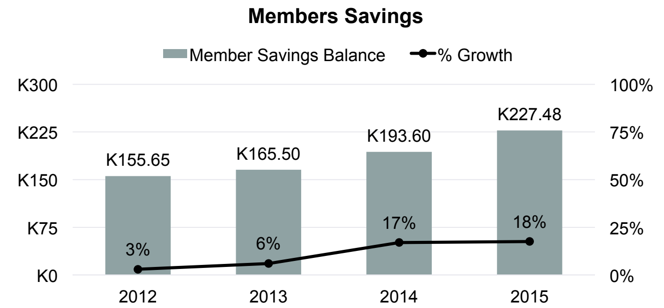
- Property Investments appreciated by **5%** to **K60.07m, (2014: K57.19m)** that consisted of TISA Haus Waigani, TISA Haus Lae, Kouka Residential Apartments and Haus TISA Madang.

- Total Assets position increased by **4.7%** to **K570.24m (2014: K544.84m).**





- Member Savings increased **to K221.95m (2014: K193.60m)**, a **16.98%** increase from last year.



- Membership increased to **45,000 (2014: 42,000)** an **8%** increase. A positive trend in an ever increasing competitive market.

31 December 2015 was a relatively slow year for business in general. TISA's financial results are affected by this prevalent slowdown in the economy. TISA's profitability is subject to market volatility and therefore we should not expect positive returns every year. While we have paid out another peak in additional interest rate under statutory limits, this was achieved from prior accumulation of reserves over the regulatory limits during times of positive returns. Members are guaranteed additional interest payouts at least for the next 4 years. To ensure sustainability of returns to members beyond the next 4 years, profits are essential.

I thank all the members of TISA for your continued support, the Board of Directors for their trust and support, my management team and staff, the Governor of the Bank of PNG and his staff, Education Department, Divisions, Provincial Authorities, Public Servants, for your continued support of TISA.

Michael O Koisen **FAICD, FAMI, SA Fin**
Chief Executive Officer

Corporate Governance Statement
For the year ended 31 December 2015

This Corporate Governance Statement describes the principles and obligations entailed in the governance of Teachers Savings and Loan Society Ltd (the "Society"). It defines the roles and relationship between the Board of Directors (including Board committees) and management of the Society.

In 2015, the Board and management have ensured that the Society's corporate governance supports our core values of delivering best possible customer service, empowering our staff, maintaining and upholding ethical practice, timely processing of applications, promote and value continuous learning, and accountability.

The Board and management have demonstrated its commitment to act responsibly, ethically and with the highest standard of integrity to ensure that the Society is managed prudently. The Society continues to maintain and develop good corporate governance standards and practices, by closely monitoring developments in corporate governance principles and practice (standards) globally.

The Board and management is pleased to announce that the Society's Standard Operating Procedures (SOP) was fully updated, consolidated and endorsed by the Board in 2015 for implementation. The SOP is now fully operational and is a working document which will be reviewed on an annual basis.

The Society expects the Directors and employees at all levels to observe the highest standards of ethical behaviour while being a director or an employee of the Society.

The Board of Directors and their Roles

The Board is responsible and accountable to its members for the overall governance and management of the Society's activities and performance. The Board operates in accordance with the powers and functions set out in Sections 28 and 28A of the Savings and Loan Societies (Amendment) Act 1995 and carries out its powers and objective by performing the following functions:

- Develop and implement the overall business strategy of the Society, including asset and investment management, risk management and operational matters.
- Provide proper oversight to accounting, fiduciary, regulatory and operational practices of the Society.
- On an ongoing basis, critically monitor the effectiveness of the business strategies and the effectiveness of management in delivering those strategies.
- Appoint, assess performance and if necessary, remove the Chief Executive Officer
- Develop and set policies covering lending, investment, procurement and capital expenditure.
- Develop and set policies covering essential human resources issues such as hiring and dismissal, terms of employment, minimum standards of conduct, performance expectations, occupational health and safety, training and development.

The Board has delegated the responsibility of administering the Society's day-to-day business operations to the Chief Executive Officer and has ensured that it does not encroach upon those areas of day-to-day operational activities that are clearly the responsibility of management.

Board Composition and Eligibility

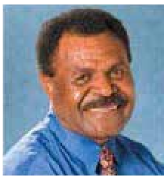
The size and composition of the Board is determined by the Rules of the Society, which requires Directors who are members, elected as Directors representing Momase Region, NGI Region, Highlands Region, Southern Region, and NCD.

A person appointed as a Director on the Board must be a financially sound member of the Society and is appointed for a term of three (3) years with eligibility for re-appointment.

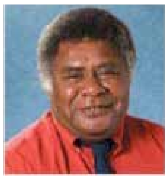
The Board is also committed to following the World Council of Credit Unions Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

Further, the Board has carefully considered and has complied to the "fit and proper" framework in accordance with the Bank of Papua New Guinea issued regulatory instructions. The Savings and Loan Societies (Amended Act) 1995, endeavours to ensure that Directors and Senior Management of the Society are appropriate persons to lead the organisation. The "fit and proper" framework deals with matters such as minimum competencies, Director Development, Independence, Director Refreshment and Renewal, and Performance.

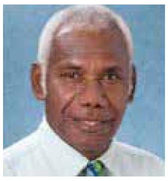
The Directors of the Board as at 31st December 2015 were:



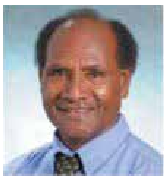
Gabriel Tai
Chairman / Director Highlands



Sam Nalong
Deputy Chairman / Director Momase



William Varmari
Director NGI



Francis Samoak
Director Southern

There was a vacancy for Director NCD in the 2015 year.

All Directors were members of the Society for the purpose of eligibility of being a Director of the Society. No Director had any material interest in any contract or arrangement with the Society or any related entity during the year.

Secretary of the Board

The position of Secretary to the Board remains vacant. The Chief Executive Officer of the Society currently assumes the role of the Secretary during Board meetings.

Board Committee and Membership

The Board currently has one committee established to strengthen the effectiveness of its operations and deliberations. The Board, Audit, Risk & Compliance Committee (BARCC) is established to review and monitor the following areas;

- Integrity of Financial Statements and the Independent Audit thereof,
- Adherence to the BPNG's Financial Reporting Requirements (Monthly and Quarterly Returns),
- The Society's Internal Audit Processes
- The effectiveness of internal controls and management of all risks (Operational, Credit, Market risk, etc.)
- The processes involving approval and monitoring of expenditures, including capital expenditures
- The processes for monitoring the implementation of Board decisions by Management
- Compliance to BPNG's Prudential Standards (Savings & Loans Act 1995 and the various directives).

The function and powers of BARCC are governed and empowered by the Savings and Loans Societies (Amendment) Act 1995 under Section 25, (1) b, as the Supervisory Committee.

The BARCC's Committee Charter was endorsed by the Board in 2013 and covers Purpose, Authority, Organisation, Roles and Responsibilities, including;

- Risk management
- Financial reporting
- Internal audit
- External audit
- Compliance with laws and regulations

- Operational efficiency and cost control
- Reporting responsibilities and
- Other responsibilities

The membership of the committee consists of two Directors, Mr William Varmari (Chairman) and Mr Sam Nalong. The Society's Audit & Risk Department provides the secretarial function to this committee.

Board and Board Committee Meetings

The Board usually meets as it resolves or when the Chairman determines, provided it meets at least once in each period of three calendar months. A minimum of four (4) meetings shall be held in one financial year.

A total of four (4) meetings were held by the Board in the financial year 2015. Directors' record of attendance is indicated below:

Director	Meetings in 2015	Attended in 2015
Gabriel Tai **Chairman**	4	4
Sam Nalong	4	4
William Varmari	4	4
Francis Samoak	4	4
Vacant	NA	NA

The Board, Audit, Risk & Compliance Committee also held four (4) meetings in the financial year 2015. A record of attendance is indicated in the table below.

Director	Meetings in 2015	Attended in 2015
Mr. William Varmari **Chairman**	4	4
Mr. Sam Nalong	4	4

Board Access to Information and Advice

All Directors have unrestricted access to the Society's records and information and receive quarterly detailed financial and operational reports to enable them to carry out their duties.

The Heads of Business Units (Departments) make quarterly presentations to the Board on their areas of responsibilities. The Chairman and Directors do have the opportunity to meet with the Chief Executive Officer and the managers for further consultation in scheduled quarterly meetings to discuss issues associated with the fulfilment of their roles as Directors.

Disclosure of Material Interests by Directors

A Director of the Society is required to provide information to the Board disclosing any material interest in order for the Board to determine if a Director has a direct or indirect material interest in a matter under consideration, or about to be considered, by the Board at a duly constituted Board meeting.

This disclosure must be recorded in the Minutes and the Director shall physically absent himself from any deliberations or decisions by the Board on this matter. The Director shall also be disregarded for purposes of constituting a quorum of the Board in regard to the deliberations or decisions by the Board on this matter.

A material interest exists, without limitation, where a Director;

a. is a party to, or will or may derive a material financial benefit from, a transaction involving the Society or a business enterprise in which the Society has an interest; or

b. has a material financial interest in another party to a transaction involving the Society or a business enterprise in which the Society has an interest; or

c. has a close relative who is such a party or who will or may derive a material financial benefit, or has such a material financial interest.

The Society has developed a "Conflict of Interest Policy", which was approved by the Board in 2015. This Policy complements the Code of Conduct for Directors and Executive Management and related prudential standards issued by the Registrar of Savings and Loan Societies.

The Policy is designed to protect the Society's interest when it is contemplating entering into a contract or transaction that might benefit any personal interest of a member of the Board, Management, Staff and Service Providers of the Society or might result in a possible excess benefit transaction.

The Policy requires that in connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence of all interest or circumstances that may give rise to a Conflict of Interest and be given the opportunity to disclose all material facts to the Board and Management of the Society which would influence his/her role considering a proposed Contract or Transaction.

The duty to disclose is carried out by way of completing a Conflict of Interest Disclosure Form on an annual basis or as a requirement of participating in a meeting. This form is filled out by all members of the Board, Management and Staff.

External Auditor

The Society's policy is to appoint external auditors who can clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually in which external auditors are requested to submit a proposal for a three-year term of external audit services. Selection of the external auditor is based on the assessment of their performance in other entities, existing value, experience, knowledge of the sector and the industry and tender costs.

Deloittes were appointed as the external auditors in 2013 and the appointment has expired in 2015. A new Notice for External Audit services has been prepared and will be advertised in the media for applications from qualified audit service providers.

Internal Audit

The Internal Audit and Risk Management Department is established to assist the Board to manage governance, risk management and control process of the Society. The internal audit unit is responsible for conducting financial and compliance audits on performance and systems of the Society. The unit's function is supported by the Audit Charter which ensures no unjustified restrictions or limitations have been placed upon the Internal Audit and Risk Management Department.

The BARCC meets quarterly and separately with the Internal Auditors to discuss any matters that the Committee or the Internal Auditors believe should be discussed privately. The Internal Auditor has direct access to the BARCC while the Chairman of the BARCC has direct access to the full Board. The Committee ensures that significant findings and recommendations made by the Internal Auditors are received and discussed promptly, and that management responds to recommendations by the Internal Auditors, on timely basis.

Compliance

The BARCC is responsible for ensuring that the Society complies with all legal and regulatory obligations as well as the Rules and Standard Operating Procedures of the Society.

The BARCC, together with management, ensures that any prudential and compliance issues that may be raised by the Registrar of Savings and Loan Societies and the Society's Compliance Program, are promptly addressed.

Risk Management

The Board is responsible for the overall risk management of the Society and ensures that risks are monitored and managed on a regular basis. The Board has delegated the risk management function to the BARCC, which is responsible for providing quarterly reports and recommendations to the Board on the risk management activities of the Society. The Executive Management is responsible for risk identification, analysis, evaluation and remediation and provides quarterly reports to BARCC.

The Board and management have ensured that efficient and effective risk management framework and adequate reporting systems, operational and financial internal controls and their associated review functions (including internal audit) are in place to effectively monitor and manage the broad risk areas of strategic, financial and operational risks. The specific risk areas identified and monitored in 2015 include credit risk, liquidity risk, interest rate risk, market risk and operational risk.

The Board has also established a Risk Appetite Statement, which describes the *"amount and types of risk,* on a broad level, that the Society is *willing* to take in order to achieve its Strategic Objectives". In general, the Society accepts a low to moderate risk appetite for all its risk categories. The Risk Appetite Statement aligns the risk profile of the Society to its business and capital management plans by identifying the potential risks that the Society is exposed to and determines the appropriate level of appetite to each risk category. A risk management framework is in place to ensure these initiatives are prioritised appropriately and are managed and reported at monthly management and quarterly Board meetings.

Code of Conduct

The Society's Vision, Mission and Values contain principles that guide all employees in the day to day discharge of their individual functions within the Society. The Board has adopted a statement of values and a Code of Conduct (the code) which has been incorporated into the Society's Standard Operating Procedure and applies to all Directors and employees.

The Code requires that, at all times all Society personnel should act with the highest integrity, objectivity and in compliance with the related regulations governing the Society. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standard of behaviour and professionalism and the practices necessary to maintain a reputable institution.

Executive Management and Remuneration

The disclosure has been made at Note 24 of the Audited Financial Statements as at 31st December 2015.

Related Party Transactions

The Society also provides loans to Staff and Directors in the ordinary course of business in accordance with the Society's Rules. The total value of these loans at 31 December 2015 is **K1,863,648.56 (2014: K1,653,713).** The interest rate, security and repayment terms on these loans are similar to the terms offered to members who are not either Directors or Staff.

Shareholder Communications

The Society publishes a bi-annual newsletter together with the release of annual reports for members' interests. The newsletter provides for the members' interest, among other things, a communication channel to continuously disclose any information concerning the Society and its controlled entities. The Society promotes communication with members and encourages effective participation at Annual General Meetings (AGM).

Legal Matters And Society Lawyers

The Society does not have an in-house legal unit. All legal matters are outsourced and legal firms are engaged as and when required. The Society used Albatross Lawyers for most of its legal assistance in the 2015 year.

Annual Report of the Directors to the Members

Directors Report

The Directors of Teachers Savings & Loan Society Limited (the Society) submit herewith the Annual Financial Reports of the Society for the financial year ended 31 December 2015.

In order to comply with the provisions of the Companies Act 1997 and Savings and Loan Societies (Amendment) Act 1995, the directors report as follows:

Principal Activities

The nature of operations and principal activities of the Society are maintaining membership of teachers and public service officers for the purpose of a Savings and Loan Society, processing member contributions and loans, and managing the investments of the Society.

Registered Office

The Society is a limited liability company incorporated and domiciled in Papua New Guinea. The address of its registered office is Level 1, TISA Haus, Sir John Guise Drive, Waigani, NCD, Papua New Guinea.

Review of Operations

The Society has recorded an operating surplus for the year of **K9,950,671 (2014: K7,672,927)**. Surplus before additional interest paid was **K9,950,671 (2014: K7,672,927)**.

Payments to Members

Additional interest of **K13,191,381** was credited to the members savings (S1 Accounts) for the year ended 31 December 2015 **(2014: K11, 515,253)**.

During the year **K4,696,268 (2014: K 4,016,501)** interest on members savings was paid.

Directors

The Directors for the 2015 year were:

Mr. Gabriel Tai	Chairman	Director Highlands
Mr. Sam Nalong	(D/Chairman)	Director Momase
Mr. William Varmari		Director NGI
Mr. Francis Samoak		Director Southern

Directors Remuneration

Disclosure has been made at Note 24.1

Remuneration above K100,000 Per Annum

Disclosure has been made at Note 24.1

Society Secretary

The position of Secretary of the Society is currently vacant.

Directors Eligibility

All Directors were members of the Society for the purpose of eligibility of being a Director of the Society. No Director had any material interest in any contract or arrangement with the Society or any related entity during the year.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Society other than that referred to in the Financial Statements or Notes thereto.

Changes in Accounting Policies

No changes in accounting policies occurred during the current year.

Events after Balance Date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Society, the results of those operations, or the state of affairs of the Society in future financial years.

Auditors

Deloitte Touche Tohmatsu was appointed as auditors for the year ended 31 December 2015. Details of amounts paid to the auditors for audit and other services are shown in Note 3 to the Financial Statements.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Mr. Gabriel Tai
Director

Dated 24th February 2016

Mr. Sam Nalong
Director

Dated 24th February 2016

Left to right: **Sam Nalong** (Director - Momase Region), **William Varmari** (Director - Islands Region), **Gabriel Tai** (Chairman & Director - Highlands Region), **Francis Samoak** (Director - Southern Region)
Vacancy: (Director - NCD)

Deloitte Tower, Level 12
Douglas Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea

Tel: +675 308 7000
Fax: +675 308 7001
www.deloitte.com.pg

Independent auditor's report to the Members of Teachers Savings and Loan Society Limited

Report on the Financial Report

We have audited the accompanying financial report of Teachers Savings and Loan Society Limited which comprises the statement of financial position as at 31 December 2015, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Teachers Savings and Loan Society Limited are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and Companies Act 1997 and with the requirements of the Savings and Loan Societies (Amendment) Act 1995. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Opinion

In our opinion, the financial report of Teachers Savings and Loan Society Limited is in accordance with the Companies Act 1997, including giving a true and fair view of the Company's financial position as at 31 December 2015, and of its performance for the year then ended; and complying with International Financial Reporting Standards and requirements of the Savings and Loan Societies (Amendment) Act 1995;

Report on Other Legal and Regulatory Requirements

The financial report of Teachers Savings & Loans Society Limited is in accordance with Savings & Loans Societies (Amendment) Act 1995 and proper accounting records have been kept by the Society. During the year ended 31 December 2015, we did not provide any other services to Teachers Savings & Loans Society Limited

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Suzaan Theron
Registered under the Accountants Act 1996
Partner, Chartered Accountant

Port Moresby, 29th day of February 2016

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable; and

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Companies Act 1997, including compliance with Savings and Loan Societies (Amendment) Act 1995 and International Financial Reporting Standards and giving a true and fair view of the financial position and performance of the Society.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Mr. Gabriel Tai
Director

Dated 24th February 2016

Mr. Sam Nalong
Director

Dated 24th February 2016

Teachers Savings & Loan Society Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	Note	2015 K	2014 K
Interest and similar income	**2**	20,634,503	13,515,636
Rental income		7,214,246	7,167,913
Dividend income		18,343,887	17,349,217
Loss arising on financial assets – fair value through profit or loss	**5**	(11,220,473)	(11,195,238)
Change in fair value of investment properties	**7**	-	-
Other income	**2.2,6**	7,602,105	10,204,775
Total Income		**42,574,268**	**37,042,303**
Staff Costs		(12,135,122)	(8,662,172)
Operating expenses	**3**	(15,792,207)	(16,690,703)
Total Expenses		**(27,927,329)**	**(25,352,875)**
Operating surplus before income tax		**14,646,939**	**11,689,428**
Interest credited to member's account – Monthly	**2.1**	(4,696,268)	(4,016,501)
– Additional		-	-
		(4,696,268)	**(4,016,501)**
Surplus/(deficit) for the year after crediting members' accounts		**9,950,671**	**7,672,927**
Other comprehensive income			
Increment on revaluation of land and buildings	**4**	-	-
		-	-
Total comprehensive income/(loss) for the year is attributed to: Members of Teachers Savings and Loan Society Limited		**9,950,671**	**7,672,927**

This Statement is to be read in conjunction with the accompanying Notes to the Financial Statements

Teachers Savings & Loan Society Limited
Statement of Changes in Equity
For the year ended 31 December 2015

	Note	General Reserve K	Capital Improvement Reserve* K	Asset Revaluation Reserve K	Additional Interest Reserve K	Retained Earnings K	Total
Balance at 1 January 2014		**71,308,673**	**15,939,381**	**21,526,515**	**-**	**240,836,551**	**349,611,120**
Other comprehensive income		-	-	-	-	-	-
Net surplus for the year		-	-	-	-	7,672,927	**7,672,927**
Transfer from Retained Earnings /to Additional Interest Reserve Fund		-	-	-	1,534,585	(1,534,585)	-
Transfer to members from Additional Interest Reserve Fund		-	-	-	(11,515,253)	-	**(11,515,253)**
Transfer from Capital Improvement Reserve/ to Additional Interest Reserve	**18,19**	-	(15,939,381)	-	15,939,381	-	-
Transfer from General Reserve/ to Additional Interest Reserve	**17,19**	(51,401,750)	-	-	51,401,750	-	-
Balance at 31 December 2014		**19,906,923**	**-**	**21,526,515**	**57,360,463**	**246,974,893**	**345,768,794**
Other comprehensive income		-	-	-	-	-	-
Net surplus for the year		-	-	-	-	9,950,671	**9,950,671**
Transfer from Retained Earnings /to General Reserve	**17**	1,995,333	-	-	-	(1,995,333)	-
Transfer to members from Additional Interest Reserve Fund	**19**	-	-	-	(13,191,381)	-	**(13,191,381)**
True-up of equity investment		-	-	-	-	(933,625)	**(933,625)**
Transfer from General Reserve/ to Additional Interest Reserve	**16**	-	-	-	-	-	-
Balance at 31 December 2015		**21,902,256**	**-**	**21,526,515**	**44,169,082**	**253,996,607**	**341,594,459**

***(previously known as Special Reserve)**

This Statement is to be read in conjunction with the accompanying Notes to the Financial Statements

Teachers Savings & Loan Society Limited
Statement of Financial Position
As at 31 December 2015

	Note	2015 K	2014 K
ASSETS			
Current			
Cash and cash equivalents	**9**	16,864,988	8,935,371
Rental and other receivables	**11**	3,102,450	2,852,657
Net loans to members	**8**	32,496,060	15,956,121
Other financial assets	**10**	34,803,418	38,944,870
Total Current Assets		**87,266,916**	**66,689,019**
Non-Current			
Property, plant and equipment	**4**	42,558,708	44,854,551
Capital work in progress	**4.1**	1,657,461	873,857
Investment properties	**7**	60,079,727	57,194,268
Net loans to members	**8**	106,533,733	100,861,057
Other financial assets	**5,6,10**	272,145,811	274,365,272
Total Non - Current Assets		**482,975,441**	**478,149,005**
TOTAL ASSETS		**570,242,357**	**544,838,024**
LIABILITIES			
Current			
Members Savings	**13**	221,954,985	193,601,523
Creditors and accruals	**14**	5,180,789	4,294,434
Employee provisions	**12**	343,872	376,900
Total Current Liabilities		**227,479,646**	**198,272,857**
Non-Current			
Employee provisions	**12**	1,168,252	796,373
Total Non - Current Liabilities		**1,168,252**	**796,373**
TOTAL LIABILITIES		**228,647,898**	**199,069,230**
NET ASSETS		**341,594,459**	**345,768,794**
EQUITY			
Asset revaluation reserve	**18**	21,526,515	21,526,515
General reserve	**16**	21,902,256	19,906,923
Capital improvement reserve	**17**	-	-
Additional interest reserve	**19**	44,169,081	57,360,463
Retained earnings		253,996,607	246,974,893
TOTAL EQUITY		**341,594,459**	**345,768,794**

This Statement is to be read in conjunction with the accompanying Notes to the Financial Statements

Teachers Savings & Loan Society Limited
Statement of Cash Flows
For the year ended 31 December 2015

	Note	2015 K	2014 K
Cash Flows from Operating Activities			
Net loans to members		(21,300,911)	(28,910,256)
Interest received on loans	2	15,687,863	11,957,109
Payments to employees and suppliers		(26,702,123)	(21,615,260)
Net Cash Flows from/used in Operating Activities		**(32,315,172)**	**(38,568,407)**
Cash Flows from Investing Activities			
Interest on term deposits	2	4,946,641	1,558,527
Dividends received		18,343,887	17,349,217
Net rental and other income		6,379,900	7,671,702
Net proceeds on disposal/ acquisition of investments		(4,301,312)	14,800,000
Payments for investment in property, plant and equipment	4	(1,562,511)	(3,360,403)
Proceeds from disposal of property, plant and equipment		490,858	-
Payment for additional shares in associate		-	(3,913,000)
Dividends received from investment in associate		290,133	-
Net purchase of government securities		(8,000,000)	(11,139,410)
Net Cash Flows from/used in Investing Activities		**16,587,595**	**22,966,633**
Cash Flows from Financing Activities			
Net members savings deposited		23,657,194	12,568,496
Net Cash Flows from Financing Activities		**23,657,194**	**12,568,496**
Net decrease in cash and cash equivalents		7,929,617	(3,033,278)
Cash & cash equivalents at the beginning of the year		8,935,371	11,968,649
Cash and Cash Equivalents at the end of the year		**16,864,988**	**8,935,371**

This Statement is to be read in conjunction with the accompanying Notes to the Financial Statements

1. Statement of Significant Accounting Policies

The Teachers Savings and Loan Society Limited (the Society) is a co-operative financial services organisation domiciled in Papua New Guinea. These financial statements are presented in accordance with the requirements of the Savings & Loan Societies (Amendment) Act 1995, the Teachers Savings and Loan Society Ltd Rules and the Papua New Guinea Companies Act 1997 and prepared in accordance with International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea.

1.1 Basis of Accounting

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Papua New Guinea Kina (K), unless otherwise noted.

1.2 Revenue Recognition

Revenue is stated at fair value, net of goods and services tax, rebates and discounts. Revenue is recognised as follows:

1.2.1 Interest Income

Interest income on member loans is recorded using effective interest rate (EIR), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or the shorter period, where appropriate, to the net carrying amount of the loan.

1.2.2 Dividend and Interest Income

Dividend income from investment is recognized when the Society's right to receive payment has been established.

Interest Income from a financial asset is recognized when it is probable that the economic benefits will flow to the Society and the amount can be measured reliably. Interest Income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.2.3 Fees and Services

Revenue from services is recognised on an accrual basis in the accounting period in which the services are provided.

1.2.4 Rental Income

Revenue from rentals is recognised on an accruals basis in the accounting period in which rentals on properties are due and receivable.

1.2.5 Movement in Fair Value of Investments

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

1.3 Property, Plant and Equipment and Depreciation

Land and buildings are shown at fair value, based on annual valuations undertaken by external independent valuers, less accumulated depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. Increases in the carrying amount arising on revaluation of land and buildings are credited to asset revaluation reserves. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserves; all other decreases are charged to the Statement of Comprehensive Income.

Land is not depreciated. Depreciation on other assets is calculated on a diminishing value basis to write off the cost of assets over their estimated economic lives. Depreciation commences from the date upon which an asset becomes operational. The useful lives of each class of assets are as follows:

Classes of Assets	Useful Lives
Motor Vehicles	4-5 years
Office Equipment	4-5 years
Furniture and Fittings	5-10 years
Property (excluding land)	20-40 years
Computer Software	3-5 years
Plant and Equipment	5-10 years

In the next financial year, the Society wishes to change the basis of depreciation from Diminishing Value to Straight Line basis in order to better reflect and represent the estimated useful and economic life of the assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the profit or loss and other comprehensive income.

When re-valued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1.4 Income Tax

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

1.5 Loans to Members

Loans to members are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Society provides money or services directly to a member with no intention of trading the receivable. All such loans are carried at amortised cost. The Society assesses at each balance sheet date whether there is evidence that the loans or group of loans is impaired. A specific provision is made against individual loans where recovery is considered to be in doubt. A general provision is also made where loans are considered delinquent. Interest income on members' loans is charged at 1% per month and is accrued monthly.

1.6 Receivables

Receivables are recognised initially at fair value less an allowance for doubtful debts. An allowance for doubtful debts is established when there is evidence that the company will not be able to collect amounts receivable. Any movement in the allowance for doubtful debts is recognised in the statement of profit or loss and other comprehensive income.

1.7 Financial Instruments

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.7.1 Financial Assets

The Society classifies its financial assets into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS), held-to-maturity investments and 'loans and receivables'. Management determines the appropriate classification of its investments at the time of the purchase.

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices are classified as FVTPL.

Investments are valued as at 31st December 2015 as follows:

i. Listed shares are valued as at 31st December 2015 at the bid price on that date, unless there are other market indicators when the value of shares will be based on market information.
ii. Unlisted shares are carried at fair value

The net movement on revaluation of listed shares is reflected in the statement of profit or loss and other comprehensive income.

1.7.1 Financial Assets (continued)

Financial assets at FVTPL are subsequently re-measured at fair value based on quoted bid prices. Gains or losses arising from changes in the fair value of securities classified as FVTPL are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

AFS financial assets are recognised at fair value based on an independent valuation. Gains or losses arising from the change in the fair value are recognised in the investment revaluation reserve.

Held-to-maturity investments which include treasury bills and government inscribed stock are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Society's management has the positive intention and ability to hold-to-maturity. Were the Fund to sell other than insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables), bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

1.7.2 Impairment of Financial Assets

At the end of each reporting period, the Society assesses indicators of impairment by reviewing the carrying amounts of financial assets other than those at FVTPL. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of a financial asset, the estimated future cash flows of the investments have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Society's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit of 60 days.

The amount of impairment loss for assets carried at amortised costs is recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate. Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant

1.7.2 Impairment of Financial Assets (continued)

asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7.3 Financial Liabilities and Equity Instruments

1.7.3.1 Classification as Debt or Equity

Debt and equity instruments issued by the Society are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

1.7.3.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Society after deducting all of its liabilities.

1.7.3.3 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

1.7.3.4 Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Society manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which

is managed and its performance is evaluated on a fair value basis, in accordance with the Society's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

1.7.3.5 Other Financial Liabilities

Other financial liabilities including (member's deposits, borrowings and trade and other payables) are recognised at inception at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount of the initial recognition.

1.7.3.6 Derecognition of Financial Liabilities

The Society derecognises financial liabilities, when and only when, the Society's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in profit or loss.

1.8 Investment Properties

Investment property, principally comprising freehold land and office buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open market value determined once every three years by external valuers and in some instances determined by Directors valuation. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

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

1.9 Employee Benefits

Liabilities for employees' entitlements to wages and salaries, annual leave, and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wage and salary rates. Liabilities for other employee benefits, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees.

1.10 Provisions

A provision is recognised when there is a present obligation to transfer economic benefits as a result of past events. The amount provided is the best estimate of the expenditure that would be required to settle the obligation that existed at the balance sheet date.

1.11 Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

1.12 Comparative Figures

Where necessary comparative figures have been adjusted and conform to changes in presentation in the current year.

1.13 Changes in Accounting Policies

There have been no changes in accounting policies during the year.

1.14 Going Concern Basis

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 business. As at 31st December 2015 the Society's current liabilities exceeded its current assets creating a working capital deficiency of **K140 million (2014: K132 million)**. The deficiency in working capital principally arises due to the members savings balance of **K222 million** being recognised as a current liability.

Funds received from members savings have been invested in long term investment opportunities, resulting in the apparent maturity mismatch.

Having assessed the Society's ability to generate positive cash flows as well as the likely timing of member withdrawals, the working capital deficiency as disclosed 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.

1.15 Goods and Services Tax

Revenues, expense and assets are recognised net of the amount of goods and services tax (GST), except;

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as an non-income expense; and

1.15 Goods and Services Tax (continued)

(ii) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables.

1.16 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

1.16.1 Critical Judgements in applying Accounting Policies

The following are the critical judgements, apart from those involving estimations (see Note 1.16.2 below), that the Directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.16.1.1 Held-to-Maturity Financial Assets

The Directors have reviewed the Society's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Society's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is **K62 million (31 December 2014: K58 million)**. Details of these assets are set out in Note 10.

1.16.1.2 Significant Influence over Capital Life Insurance

Note 6 describes that Capital Life Insurance Group Ltd is an associate of the Society. The Society owns a 29% ownership interest in Capital Life Insurance Group Ltd and has significant influence over CIGL by virtue of its shareholding.

1.16.1.3 Financial Assets at FVTPL – Quoted Shares with PNG Air Limited (formerly known as Airlines PNG)

As per Note 5, The Society has valued its shares with PNG Air Limited (formerly known as Airlines PNG) at K0.10 per share as at 31st December 2015 based on the last major sale transaction.

1.16.2 Key Sources of Estimation Uncertainty

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

1.16.2.1 Useful Lives of Property, Plant and Equipment

As described in Note 1.3, the Society reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

1.16.2.2 Fair Value Measurements and Valuation Processes

Some of the Society's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Society uses market-observable data to the extent where it is available. Where Level 1 inputs are not available, the Society engages third party qualified valuers to perform the valuation.

1.17 New and Revised IFRS's in Issue but not yet Effective

The Society has not applied the following new and revised IFRS's that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

1.17 New and Revised IFRS's In issue but not yet Effective

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The Directors of the Society anticipate the application of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Society's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until the Society undertakes a detailed review.

1.17 New and Revised IFRS's In issue but not yet Effective (continued)

IFRS 15 Revenue from Contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Society anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

1.17 New and Revised IFRS's In issue but not yet Effective (continued)

The Directors of the Society anticipate that the application of these amendments to IFRS 11 may have an impact on the Society's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016.

The Directors of the Society do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Society's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Society uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the Society believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors of the Society do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Society's financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

1.17 New and Revised IFRS's In issue but not yet Effective (continued)

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors of the Society anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Society's financial statements in future periods should such transactions arise.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors of the Society do not anticipate that the application of these amendments will have a material effect on the Society's financial statements.

2. Interest Income

	2015 K	2014 K
Interest income - members' loans	15,687,862	11,957,109
Interest income - short term liquid funds	4,946,641	1,558,527
	20,634,503	**13,515,636**

2.1 Interest Expense

Interest expense – members' savings	(4,696,268)	(4,016,501)
Additional Interest	-	-
Through profit and loss statement	(4,696,268)	(4,016,501)
Additional Interest from capital reserves	(13,191,381)	(11,515,253)
Total Interest paid to members	**(17,887,649)**	**(15,531,754)**

Interest expense on members' savings is accrued and credited to members' accounts at the end of each month. The interest paid for 2015 is **K4,696,268** with additional interest of **K13,191,381** credited to members account on 31 December 2015. The additional interest has been paid out from Additional Interest Reserve.

Teachers Savings & Loan Society Limited
Notes to and forming part of the Financial Statements
For the year ended 31 December 2015

2.2 Other income

Net Loan processing and account administration fees	5,116,081	3,495,115
Share of associates profit	2,261,935	5,763,254
TISA and LPI insurance commission, and other income	224,089	947,406
	7,602,105	**10,204,775**

3. Operating Expenses

Surplus for the year was arrived at after charging (crediting) the following items to the statement of profit or loss and other comprehensive income.

	2015 K	2014 K
Auditors remuneration - statutory audit services	141,300	163,030
Bank charges and interest	90,878	132,204
Depreciation	1,277,878	1,452,494
Doubtful Debts – loans	1,701,637	-71,975
Electricity	1,792,270	1,766,117
Insurance	449,161	493,621
Property expense	401,845	968,835
Travel, airfare and accommodation	744,949	731,321
Security costs	138,218	119,269
Data processing expenses	984,808	515,346
Printing and stationery	328,529	330,508
Establishment cost	486,038	74,757
Fuel	233,636	301,852
Advertising and promotion, Credit Union Day	1,289,736	1,457,398
Staff education	138,948	133,361
Donations	91,626	33,116
Entertainment	72,273	134,491
Telephone	267,241	283,244
Repair and maintenance	451,013	630,960
Rates and taxes	155,704	443,597
Motor vehicle expenses	159,815	153,922
Filing and legal cost	269,283	134,482
Freight	100,123	79,117
Consulting	472,917	450,219
Cleaning	276,570	322,698
General and administrative expenses	3,275,811	5,456,719
	15,792,207	**16,690,703**

Teachers Savings & Loan Society Limited
Notes to and forming part of the Financial Statements
For the year ended 31 December 2015

4. Property, Plant and Equipment

	Freehold Land K	Land & Buildings K	Furniture & Fittings K	Office Equipment K	Motor Vehicle K	Computer Software K	Plant & Equipment K	Total K
<u>**Cost or Valuation**</u>								
At 01 January 2015	**25,000,000**	**13,701,667**	**323,966**	**2,948,491**	**3,231,834**	**4,035,366**	**332,241**	**49,573,566**
Additions	648,766	-	-	218,495	409,615	33,909	251,725	1,562,511
Valuations	-	-	-	-	-	-	-	-
Disposals/Transfer	-	(2,096,905)	-	-	(1,643,774)	-	-	(3,740,679)
At 31 December 2015	**25,648,766**	**11,604,762**	**323,966**	**3,166,986**	**1,997,675**	**4,069,275**	**583,967**	**47,395,397**
<u>**Accumulated Depreciation**</u>								
At 01 January 2015	-	**335,205**	**214,707**	**724,894**	**1,730,579**	**1,576,460**	**137,170**	**4,719,015**
Charge for the year	-	325 994	10,926	227,700	409,908	249,872	46,190	1,270,590
Disposals	-	-	-	-	(1,152,916)	-	-	(1,152,916)
At 31 December 2015	-	**661,199**	**225,633**	**952,594**	**987,571**	**1,826,332**	**183,360**	**4,836,689**
<u>**Net Book Value**</u>								
At 31 December 2015	**25,648,766**	**10,943,563**	**98,333**	**2,214,392**	**1,010,105**	**2,242,943**	**400,607**	**42,558,708**
At 31 December 2014	25,000,000	13,366,462	109,259	2,223,597	1,501,255	2,458,906	195,071	44,854,551

Land and buildings are measured at fair value being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The carrying amounts are based on an independent revaluation undertaken by Yagur Property Valuations. The last valuation was done on 31st December 2014. While the fair value of land was not determined as at December 31st, 2015, the Society's management believes that there were no conditions present in 2015 that would significantly change the fair values from that determined in 2014.

4.1 Work in Progress

The Capital Work in Progress as at 31st December 2015 and 2014 pertains to costs related to major refurbishment work carried out on the air-conditioning for TISA Haus Waigani and development of a temporary car park for tenants of TISA. The air-conditioning project has been completed and transferred to the asset account whilst the temporary car park project is still continuing and is expected to be completed in the year 2016.

5. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are analysed as follows:

	2015 K	2014 K
Quoted Shares:		
Bank South Pacific Limited		
Balance at the beginning of the year	109,365,993	138,192,581
Carrying value of shares sold (2015:Nil. 2014:2,000,000 @ K7.10)	-	(14,800,000)
Market Price @ 30th June 2014 K7.40		
Fair value gain/(loss) from change in net market value	5,514,252	(14,026,588)
At Valuation (2015: 15,317,366 shares @ K7.50 per share)	**114,880,245**	
(2014: 15,317,366 shares @ K7.14 per share)		**109,365,993**
Credit Corporation (PNG) Limited		
Balance at the beginning of the year	126,395,100	121,533,750
Fair value gain/(loss) from change in net market value	(17,014,725)	4,861,350
At Valuation (2015: 48,613,500 shares @ K2.25 per share)	**109,380,375**	
(2014: 48,613,500 shares @ K2.60 per share)		**126,395,100**
PNG Air Limited (formerly known as Airlines PNG Limited)		
Balance at the beginning of the year	420,000	2,450,000
Fair value gain/(loss) from change in net market value	280,000	(2,030,000)
At Valuation (2015: 7,000,000 shares @ K0.10 per share)*	**700,000**	
(2014: 7,000,000 shares @ K0.06 per share)		**420,000**
Total Financial Assets at Fair Value through Profit or Loss	**224,960,620**	**236,181,093**

* As at 31st December 2015, the PomSox listed the share price of PNG Air to be K0.33 per share. However based on the last sale transaction that took place among the major shareholders, the Directors valued the shares at K0.10 as their best estimate of the fair value of the shares. Although, the PomSox bid price was K0.12 as at year end.

5. Financial Assets at Fair Value through Profit or Loss (continued)

The quoted shares are valued at fair value which is determined using the quoted market price per share as at 31st December 2015.

The loss recognised in relation to financial assets at fair value through profit or loss was as follows:

	2015 K	2014 K
• Bank South Pacific Limited	5,514,252	(14,026,588)
• Credit Corporation (PNG) Limited	(17,014,725)	4,861,350
• PNG Air Limited (formerly known as Airlines PNG Limited)	280,000	(2,030,000)
Unrealised Loss	**(11,220,473)**	**(11,195,238)**

6. Investment in Associate – Capital Insurance Group

	2015 K	2014 K
Balance at beginning of year	19,184,179	9,508,925
Additional investment	-	3,913,000
(Provision)/reversal for impairment of associate	-	-
Equity profits true-up	(970,790)	-
Dividend received	(290,133)	
Share of the associate's net profit	2,261,936	5,762,254
	20,185,191	**19,184,179**

At 31st December 2015, the Society's interest holding stands at 29% after the investee's share registry was reconciled and brought to account. The investment is classified as an associate for the purpose of these financial statements and the equity method of accounting has been applied.

Teachers Savings & Loan Society Limited
Notes to and forming part of the Financial Statements
For the year ended 31 December 2015

7. Investment Properties

Investment Properties – Land & Buildings

Particulars	Fair Value 31-Dec-14	Gain/(Loss) K	Additions/Transfers K	Disposals K	Fair Value 31-Dec-15
TISA Haus, Waigani	41,491,368	-	714,186	-	42,205,554
TISA Haus, Lae	7,702,900	-	74,367	-	7,777,267
TISA Haus, Madang	-	-	2,096,905	-	2,096,905
Kouaka Place, Gordons	8,000,000	-	-	-	8,000,000
Total	**57,194,268**	-	**2,885,458**	-	**60,079,726**
Particulars	**Fair 31-Dec-13**	**Gain/(Loss) K**	**Additions/Transfers K**	**Disposals K**	**Fair Value 31-Dec-14**
TISA Haus, Waigani	39,000,000	-	2,491,368	-	41,491,368
TISA Haus, Lae	7,700,000	-	2,900	-	7,702,900
Kouaka Place, Gordons	8,000,000	-	-	-	8,000,000
TOTAL	**54,700,000**	-	**2,494,268**	-	**57,194,268**

The fair value of investment properties were based on a valuation carried out by Yagur Property Valuations, independent valuers on 30 November, 2014. The Society's management believes that there were no conditions present in 2015 that would significantly change the fair values of the investment properties as at 31st December, 2015. Yagur Property Valuations are members of the Papua New Guinea Institute of Valuers and Land Administrators, and they have appropriate qualifications and vast experiences in the valuations of properties in the recent locations.

Details of the Society's investment properties and information about the fair value hierarchy as at 31st December 2015 are as follows:

Investment Properties	Level 1 K	Level 2 K	Level 3 K	Fair Value as at 31 Dec 2015 K
TISA Haus, Waigani	-	-	42,205,554	42,205,554
TISA Haus, Lae	-	-	7,777,267	7,777,267
TISA Haus, Madang*	-	-	2,096,905	2,096,905
Kouaka Place, Gordons	-	-	8,000,000	8,000,000
TOTAL	-	-	**60,079,726**	**60,079,726**

* The Madang TISA property, initially recognised under Property, Plant & Equipment has now been reclassified under Investment Properties to conform to the requirements of IAS 40. There was no revaluation difference resulting in the reclassification.

8. Loans to Members

The interest rate charged on loans to members during the year was 1% per month or 12% per annum. These loans are repayable over various periods, as fixed by the Board, but not exceeding 5 years.

	2015 K	2014 K
Current		
Balances receivable	33,048,776	16,130,337
Allowance for doubtful debts	(552,716)	(174,216)
	32,496,060	**15,956,121**
Non- Current		
Balances Receivable	110,027,250	101,962,214
Allowances for doubtful debts	(3,493,517)	(1,101,157)
	106,533,733	**100,861,057**
	139,029,793	**116,817,178**

8.1 Impairment Losses on Loans to Members

Impairment allowances on loans to members represent management's best estimate of losses incurred in the loan portfolios at the end of the reporting period. Management is required to exercise judgment in making assumptions and estimations when calculating impairment allowances on both individually and collectively assessed loans to members.

Loans and Advances		
School fees	42,895,923	31,082,118
Medical	4,358,186	3,597,174
General purposes	95,708,004	78,995,781
Gross Loans and Advances	**143,076,026**	**118,092,551**
Less allowances for losses on loans and advances	(4,046,233)	(1,275,373)
	139,029,793	**116,817,178**
Movement in Allowances for Impairment of Loans and Advances		
Balance at the beginning of the year	1,275,373	1,417,734
Amounts written off as uncollectible during the year	(43,574)	(93,076)
Write back of provision no longer required	(34,134)	(72,911)
Amounts provided for during the year	2,848,568	23,626
Balance at the end of the year	**4,046,233**	**1,275,373**

8.2 Loans and Advances which are Past Due but not Impaired

	2015 K	2014 K
Past due 0-59 days	11,314,883	9,951,701
Past due 60-89 days	1,458,005	3,517,205
Past due 90-179 days	2,652,536	2,617,658
Past due 180-359 days	4,647,623	583,483
Past due 360 days and over	873,238	53,840
	20,946,286	**16,723,887**

A facility is considered to be past due when a contractual payment falls overdue by one or more days. When a facility is classified as past due, the entire facility balance is disclosed in the past due analysis.

The Society assesses the allowance for impairment on loans and advances on a collective basis. Any facilities where any assessment of probability of default or loss would give rise to a reasonable expectation that the facilities in question will need in the short term to be subject to a write-down or write-off, will be assessed for impairment on an individual basis. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

9. Cash and Cash Equivalents

Cash on hand and at bank	6,342,145	5,417,974
Interest bearing deposits	10,522,843	3,517,397
Net cash and cash equivalents	**16,864,988**	**8,935,371**

The Society does not have a credit facility with any bank. It operates a number of accounts with Bank of South Pacific with the main operating account used for general administration and loan payments to members. Accounts are also kept with Australia and New Zealand Banking Ltd and Westpac Port Moresby.

Short term deposits are made for varying periods up to three months depending on the immediate cash requirements of the Society and bear interest on average of 2% per annum. Included in held to maturity investments are treasury bills that have maturity of no more than 90 days from the balance date and provide a return of approximately 4% per annum.

10. Deposits Held to Maturity

Deposits held to maturity held at the balance date were as follows:

Current		
Central bank bill	-	3,970,600
Treasury bill	34,803,418	34,974,270
Total Current	**34,803,418**	**38,944,870**
Non-Current		
Inscribed stock	27,000,000	19,000,000
Total Non-Current	**27,000,000**	**19,000,000**
Total Deposits	**61,803,418**	**57,944,870**

Teachers Savings & Loan Society Limited
Notes to and forming part of the Financial Statements
For the year ended 31 December 2015

10. Deposits Held to Maturity (continued)

Investments in government inscribed stock bear interest varying between **5-12% per annum**. **(2014:5-12% per annum).** Also included in held to maturity investments are treasury bills that have maturity of no more than 90 days from the balance date and provide a return of approximately **7% per annum**.

11. Rental and other Receivables

	2015 K	2014 K
Rental debtors	1,114,884	1,281,939
Less: Allowance for rental debtors	(333,646)	(333,646)
	781,238	**948,293**
Prepayments	124,928	235,440
Interest receivable	878,313	649,474
Other debtors	1,352,560	1,054,039
Less: Allowance for other debtors	(34,589)	(34,589)
	3,102,450	**2,852,657**

12. Employee Provisions

Non-Current		
Long service leave	1,168,252	796,373
	1,168,252	**796,373**
Current		
Annual leave	343,872	376,900
	343,872	**376,900**

13. Members' Savings

Opening balance at 1 January	193,601,523	165,501,273
Net increase	15,162,080	16,584,997
Additional interest	13,191,382	11,515,253
Closing balance at 31 December	**221,954,985**	**193,601,523**

14. Creditors and Accruals

Medical claims	14,461	14,461
Rental bonds	40,487	21,529
Goods and services tax	215,900	237,824
Group tax	146,088	75,958
Accrued expenses	1,029,288	366,271
Sundry creditors	1,256,507	910,378
Rent received in advance	18,959	18,959
Unearned revenue	28,919	218,875
Inscribed stock discount	2,430,179	2,430,179
	5,180,789	**4,294,434**

15. Members' Capital

The Society has no share capital as it is a company limited by guarantee.

16. General Reserve

	2015 K	2014 K
Opening balance at 1 January	19,906,923	71,308,673
Transfer to additional interest reserve fund	1,995,333	(51,401,750)
Closing balance at 31 December	**21,902,256**	**19,906,923**

The General reserve represents a statutory minimum of twenty percent (20%) of each year's net earnings before declaring interest on deposits and dividends. Money standing to the credit of the fund shall be invested in the same manner as other monies of the Society however application of the fund shall be for the purpose of bad loans or losses and shall not be used for any other purpose except on the winding up of the Society. If the reserve is greater than 10% of total liabilities then 20% of net earnings is not required to be transferred. Excess funds for the year ended 31 December 2014 have been transferred to Additional Interest Reserve since the reserve has exceeded 10% of total liabilities. However, as at 31st December 2015 the General Reserve was less than 10% of the total liabilities, therefore no transfers from the General Reserve to the Additional Reserve were made.

17. Capital Improvement Reserve

Opening balance at 1 January	-	15,939,381
Transfer from/(to) retained earnings	-	-
Amounts transferred to additional interest reserve	-	(15,939,381)
Closing balance at 31 December	-	-

18. Asset Revaluation Reserve

Opening balance at 1 January	21,526,515	21,526,515
Adjustment	-	-
Increment on revaluation of land and buildings	-	-
Closing balance at 31 December	**21,526,515**	**21,526,515**

Management has made a decision to carry out external revaluation on all its properties after every three years from 31 December 2015 and onwards which used to be conducted every year. The increase in the fair values related to owner occupied properties from the valuation is captured in the asset revaluation reserve account.

19. Additional Interest Reserve

Opening balance at 1 January	57,360,463	-
Transfer from general reserve fund	-	51,401,750
Transfer from capital improvement fund	-	15,939,381
Transfer from 20% of net profits	-	1,534,585
Transfer of additional reserves to general savings	(13,191,381)	(11,515,253)
Closing balance at 31 December	**44,169,082**	**57,360,463**

The Board of TISA through a circular resolution approved the creation of a new account called Additional Interest Reserve.

The main purpose of this account is for the Directors to manage and ensure continued returns to members in the form of additional interest and ensure all future additional interest is paid to members from this account effective 2015, and additional interest of **K13,191,381** has been declared and paid.

20. Financial Instruments and Risk Management

The Society's activities expose it to a variety of financial risks, including the effects of changes in market prices and interest rates. The Society monitors these financial risks and seeks to minimise the potential adverse effects on the financial performance of the Society. The Society does not use any derivative financial instruments to hedge these exposures.

20.1 Maximum Credit Risk and Concentration of Credit Risk

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

	2015 **K**	**2014** **K**
Cash and cash equivalents	16,864,988	8,935,371
Rental and other receivables	3,102,450	2,852,657
Net loans to members	139,029,793	116,817,178
Quoted shares	224,960,620	236,181,093
Investment in associate	20,185,191	19,184,179
Treasury bills	34,803,418	38,944,870
Government inscribed stock	27,000,000	19,000,000
	465,946,460	**441,915,348**

20.1 Maximum Credit Risk and Concentration of Credit Risk (continued)

Loans to Members

The Society's policy requires all loans to be either fully or partially secured by members' savings. In cases where loans are partially secured, additional security may be deemed necessary in accordance with the Rules of the Society.

	2015 K	2014 K
Fully secured loans	113,408,251	93,040,876
Partially secured loans	29,667,775	25,051,675
Total loans to members	**143,076,026**	**118,092,551**

Refer to Note 8 for details regarding the aging and impairment provision for loans to members.

20.2 Liquidity Risk

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

The Society maintains a mix of investments on call and with a spread of maturity terms from 2 months to 6 months. This ensures the Society maintains liquid capability and limits its exposure to interest rate risks due to market fluctuations.

Refer to Note 20.5 for liquidity analysis.

20.3 Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At reporting date the interest rate profile of the Society's interest-bearing financial instruments was:

Fixed Rate Instruments (Financial Assets)

	2015 K	2014 K
Treasury bills	34,803,418	38,944,870
Government inscribed stock	27,000,000	19,000,000
Loans to members	139,029,793	116,817,178
	200,833,211	**174,762,048**

The above instruments are all held to maturity and are revalued on an amortised cost basis and consequently there is no interest rate risk associated with these instruments.

20.3 Interest Rate Risk (continued)

Fixed Rate Instruments (Financial Liabilities)

	2015 K	2014 K
Member savings	221,954,985	193,601,523
	221,954,985	**193,601,523**

Member Savings earn fixed interest at 2%. Directors evaluate the financial performance of the Society at the end of the year and declare bonus (additional) interest to members. Consequently, the interest paid to members is not directly affected by the movement of general market interest rates.

20.4 Other Market Price Risk

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

As the Society's financial instruments are carried at fair values with changes recognised in the statement of comprehensive income, changes in market conditions affecting fair value will be recognised.

Sensitivity Analysis:

With all other variables held constant, the Society's exposure to share price risk is measured by sensitivity analysis, as follows:

	Carrying Amount 31-Dec-2015 K	Price Risk Reduction by 5% Profit effect K	Price Risk Increase by 5% Profit effect K
Investment in Shares			
Bank of South Pacific Limited	114,880,245	(5,744,012)	5,744,012
Credit Corporation (PNG) Limited	109,380,375	(5,469,018)	5,469,018
PNG Air Limited*	700,000	(35,000)	35,000
	224,960,620	**(11,248,030)**	**11,248,030**

*(formerly known as Airlines PNG Limited)

20.5 Financial Liquidity Table

The table below summaries the maturity profile of the Society's financial assets and liabilities as at 31st December 2015 based on contractual repayment obligations.

	At Call K	0 - 3 Months K	3 - 12 Months K	1 - 5 Years K	More Than 5 Years K
2015					
Assets					
Cash and cash equivalents	16,864,988	-	-	-	
Treasury bills	-	17,748,683	17,054,735	-	
Government inscribed stock	-	-	1,000,000	10,000,000	16,000,000
Loans to members	-	7,576,606	25,472,170	110,027,250	
Total Undiscounted Cash Inflows	**16,864,988**	**25,325,289**	**43,526,905**	**120,027,250**	**16,000,000**
Liabilities					
Deposits and other borrowings*	102,619,310	3,020,619	15,989,639	100,325,416	
Trade payables	-	547,698	-	-	
Total Undiscounted Cash Outflows	**102,619,310**	**3,568,317**	**15,989,639**	**100,325,416**	
2014					
Assets					
Cash and cash equivalents	8,935,371	-	-	-	
Treasury bills	-	5,783,160	33,161,710	-	
Government inscribed stock	-	-	2,000,000	1,000,000	16,000,000
Loans to members	-	8,210,042	26,232,866	83,649,643	
Total Undiscounted Cash Inflows	**8,935,371**	**13,993,202**	**61,394,576**	**84,649,643**	**16,000,000**
Liabilities					
Deposits and other borrowings*	86,662,261	4,347,889	14,647,419	76,428,700	
Trade payables	-	1,279,109	-	-	
Total Undiscounted Cash Outflows	**86,662,261**	**5,626,998**	**14,647,419**	**76,428,700**	

* Deposits and other borrowings comprise member savings. Member Savings are secured fully or partially against loans to members (where members have taken out loans) and as such the liquidity is matched against the corresponding loan.

While member savings are at call, members are only allowed to withdraw 50% of their net savings (being any excess of member savings over loans taken out with the Society). Furthermore, there is a waiting period upon withdrawal as applications are reviewed to ensure compliance with withdrawal policies.
The Society has not had a history of significant member withdrawals.

20.6 Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments: Cash, deposits, investments and loans to members - the carrying amount of these is equivalent to their fair value. For investments refer Notes 5 and 6. Accounts payable and sundry payables are carried at fair value. Member deposits are recognised at inception at fair value and subsequently at amortised cost.

The Society uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- **Level 1:** derived from quoted prices(unadjusted) in active markets for identical assets and liabilities,
- **Level 2:** derived from inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

20.7 Fair Value of the Society's Financial Assets that are Measured at Fair Value on a Recurring Basis.

Some of the Society's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of the financial assets are determined (in particular, the valuation technique(s) and the inputs used)

Financial Assets/ Financial Liabilities	Fair Value as at 31 Dec 15 K	31 Dec 14 K	Fair Value Hierarchy	Valuation Technique(s) and Key Input(s)	Significant Unobservable Input(s)	Relationship of Unobservable Inputs to Fair Value
Listed Shares (Note 5)	224,960,620	236,181,097	Level 1	Market approach – last sale prices of the POM Stock Exchange were used to value listed shares	-	-

21. Details of Material Associates

Details of Society's material associates at the end of the reporting period are as follows:

Name of Associate	Principal Activity	Place of Incorporation and Operation	Proportion of Ownership Interest and Voting Power Held by the Society 31 Dec 2015	31 Dec 2014
Capital Insurance Group Ltd	Provider of Life and General Insurance	Port Moresby, Papua New Guinea	29%	35%

The above associate is accounted for using the equity method.

22. Employees

The number of people employed by the Society during the year was **253 (2014: 252)**.

23. Retirement Benefits

The Society participates in the National Superannuation Fund of Papua New Guinea in respect of its national employees. The employer contribution rate is 12%. Employer contribution during the year amounted to **K621,195 (2014: K499, 352)**.

24. Related Parties

Member loans are made to staff and Directors in the ordinary course of business in accordance with the Society's Rules. The total value of these loans as at 31st December 2015 is **K1,863,649 (2014: K1,653,713)**. The interest rate, security and repayment terms on these loans are consistent with the normal terms extended to members who are not either Directors or staff.

The Society has a 29% shareholding interest with Capital Insurance Group Limited (CIGL). The Society took up the rights issue offered by CIGL to raise capital for the acquisition of Dominion Insurance Fiji. This was in proportion to existing interest thus has reduced the holding from 35% to 29%.

24.1 Key Management Personnel Remuneration

The number of employees or former employees, not being Directors of the company, whose total remuneration and the value of other benefits received, exceeded K100,000, falls within each relevant K50,000 band of income as follows:

	2015	2014
K100,000 – K149,999	3	1
K150,000 – K199,999	-	2
K200,000 – K249,999	-	1
K250,000 – K299,999	-	-
K300,000 – K349,999	2	-
K350,000 – K399,999	1	1
K400,000 – K449,999	-	-
K450,000 – K499,999	-	-
K500,000 – K549,999	-	1
K550,000 – K599,999	1	1
	7	7

The specified Executives of the Society during the year were:

- Mr Michael Koisen – Chief Executive Officer
- Mr Poni Korua – Head of Corporate Services
- Mr Luke Kaul – Head of Retail Financial Services
- Mr Igumu Momo – Head of Special Projects
- Mr Anania Jonathan – Acting Head of Assets & Risks
- Mr Tabu Airi – Acting Head of Human Resources
- Mr Edward Toliman - Acting Head of Information Technology

24.1 Key Management Personnel Remuneration (continued)

The specified Directors of the Society during the year were:

- Mr. Gabriel Tai (Chairman)
- Mr. Sam Nalong (Deputy Chairman)
- Mr. Francis Samoak
- Mr. William Varmari

Specified executives and directors remuneration in aggregate

	Primary			Post-employment			Equity	Other	Total
	Salary & Fees K	Bonus K	Non - Monetary K	Super - annuation K	Prescribed Benefits K	Other K	Options K	Benefits K	K
Specified Executives									
2015	**1,752,259**	**141,124**	-	**105,135**	**499,335**	-	-	-	**2,497,853**
2014	2,142,549	82,405	-	128,553	482,950	-	-	-	2,836,457
Specified Directors									
2015	**24,250**	-	-	-	-	-	-	-	**24,250**
2014	27,250	-	-	-	-	-	-	-	27,250

24.2 Transactions with Directors

Other than remuneration, the Directors of the Society had an aggregate savings balance of **K485,307**, and aggregate loan balance of **K376,140**. The Directors are subject to the normal lending policy requirements of the Society.

25. Contingencies and Capital Commitments

The Society has received a number of claims arising in the ordinary course of business. The Society has disclaimed liability and is defending the actions. It is not practical to estimate the potential effect of these claims, however, legal advice indicates that any liability that may arise in the unlikely event the claims are successful is not expected to be significant. **(2014: Knil)**.

26. Segment Information

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

27. Events Occurring after the Reporting Period

There were no events occurring after the reporting period that would impact the financial position of the Society as at 31st December 2015 or the period then ended.

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

Not For Profit, Not For Charity, But For Service

Port Moresby Head Office
PO Box 319, Waigani
National Capital District
Tel : 300 2200
Fax : 325 9003
email: marketing@tisa.com.pg

Port Moresby Branch
PO Box 319, Waigani
National Capital District
Tel : 300 2200
Fax : 325 7679
email: pom@tisa.com.pg

Lae Branch
PO Box 1186, Lae
Morobe Province
Tel : 427 4368
Fax : 427 5819
email: lae@tisa.com.pg

Mt Hagen Branch
PO Box 787, Mt Hagen
Western Highlands Province
Tel : 542 2733
Fax : 542 1367
email: hgn@tisa.com.pg

Kokopo Branch
PO Box 1333, Kokopo
East New Britain Province
Tel : 982 8256
Fax : 982 8255
email: kpo@tisa.com.pg

Goroka Branch
PO Box 1222, Goroka
Eastern Highlands Province
Tel : 732 3511
Fax : 732 3170
email: gka@tisa.com.pg

Alotau Branch
PO Box 663, Alotau
Milne Bay Province
Tel : 641 0161
Fax : 641 1546
email: alo@tisa.com.pg

Madang Branch
PO Box 639, Madang
Madang Province
Tel : 852 2305
Fax : 852 1107
email: mdg@tisa.com.pg

Kavieng Branch
PO Box 510, Kavieng
New Ireland Province
Tel : 984 1177
Fax : 984 1178
email: kvg@tisa.com.pg

Wewak Branch
PO Box 1083, Wewak
East Sepik Province
Tel : 856 1179
Fax : 856 1140
email: wwk@tisa.com.pg

Buka Branch
PO Box 255, Buka
AROB
Tel : 973 9400
Fax : 973 9430
email: bka@tisa.com.pg

Manus Branch
PO Box 129, Lorengau
Manus Province
Tel : 470 9198
Fax : 470 9485
email: man@tisa.com.pg

Ialibu Branch
C/- Tisa Head Office, Waigani
National Capital District
Tel : 540 1758
Fax : 540 1889
email: ibu@tisa.com.pg

Kimbe Branch
PO Box 645, Kimbe
West New Britain Province
Tel : 973 8400
Fax : 973 8400
email: kbe@tisa.com.pg

Vanimo Branch
PO Box 138, Vanimo
West Sepik Province
Tel : 857 1398
Fax : 857 1398
email: vmo@tisa.com.pg

Popondetta Branch
PO Box 124, Popondetta
Oro Province
Tel : 329 7406
Fax : 329 7406
email: pop@tisa.com.pg

Kiunga Branch
PO Box 195, Kiunga
Western Province
Tel : 649 1092
email: kga@tisa.com.pg