

2014 ANNUAL REPORT

**TOGETHER WE BUILT THIS INSTITUTION
FOR YOU**



Contents

Chairman's Report	2 - 4
Chief Executive Officer's Report	5 - 6
Corporate Governance Statement	7 - 12
Annual Report of the Directors to the Members	13 - 14
Independent Auditor's Report	15 - 16
Directors' Declaration	16
Profit or Loss and Other Comprehensive Income	17
Statement of Changes in Equity	18
Statement of Financial Position	19
Statement of Cash Flows	20
Notes to the Financial Statements	21 - 43
Photographs	44 - 48

Chairman's Report

On behalf of the Board of Directors and Management of Teachers Savings and Loan Society Ltd, 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, 2014.

Our Society has seen 2014 as a year of progress. Our Society continues in its efforts to reach out to members and seek to empower our people through the provision of affordable financial services. This has come about through the continued support and perseverance from you as members of TISA.

With this support from members, management and stakeholders, I am as 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 2014. This is highlighted as follows:

- Our Society recorded a net audited profit of K7.7m (2013: K29.7m)
- Total assets grew from K518.3m in 2013 to K544.8m in 2014, a growth of 5% (K26m)



- Additional interest of K11.5 (7%) was credited to members' S1 accounts (2013: K9.76m)

Service Facilities - Reaching Out

Opening up of Provincial offices is both strategic and a service oriented move in bringing our Society's services to members domiciled in these areas of the country. Living up to our vision statement of ***Not for Profit, Not for Charity, But for Service*** is what your Board and Management aspire to achieve.

TISA now operates in 15 Provinces as full Branches. I am proud to say that Vanimo now has a full Branch with better office space and a complement of 4

staff members. This should bring tangible service improvement to our members in Sandaun Province.

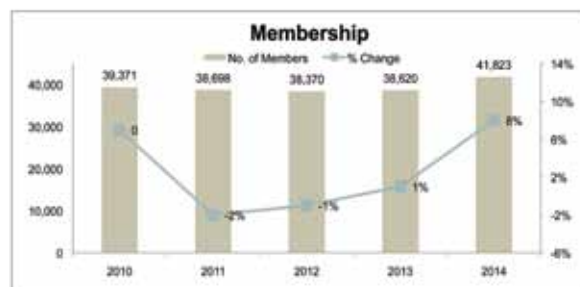
Popondetta Sub-Branch in the Oro Province will be upgraded to a full Branch later in the year (2015) and suitable office space has been identified.

TISA will build its own Branch office building in Alotau and work has already progressed this year.

It is now a policy decision that all future Provincial offices are to be built as full Branches only. The challenge in locating suitable properties for lease or land to purchase is real and this is where Provincial Authorities can assist TISA to bring this needed service to our members.

Membership

Teachers Savings and Loan Society Ltd now has over 42,000 members on its membership register, and is growing as more teachers, public servants and employees of various SOEs 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 through 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 there to attract suitable local candidates for these key positions. Our strategy is to seek suitable expertise within the region and emerging markets.

Additional Interest Reserve Fund

The Board created a new Reserve called Additional Interest Reserve Fund, which now has a balance of K57,363,463. The funds in this Reserve were transferred from:

- Capital Improvement Reserve which is now closed
- Excess funds from General Reserve Fund where the Act requires only 10% of total liability can be maintained
- The Statutory requirement of 20% transfer from net profit

Information Technology

We continue to invest in information technology not only to develop and deliver products and services, but more importantly to 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 needs of our members are changing and this is evidenced in a number of Annual General Meetings (AGM) and Annual Financial Report Presentation meetings in the Provinces. Our members have been calling upon, and challenging the Teachers Savings and Loan Society Ltd to deliver added products, for instance;

Provide additional and upgraded services and products such as:

- Home mortgage loans
- Personal loans over and above savings balances
- Full banking facilities
- Other similar banking services

However, Teachers Savings and Loan Society Ltd is being restricted from providing such additional services by the Savings and Loan Society Act, established in 1962, and amended in 1995.

The Registrar of Savings and Loan Societies and the Governor of the Bank of Papua New Guinea is aware of this situation, and he is already in the process of having the Savings and Loan Society Act reviewed. However, the proposed Act will not address all of our Society's goals and aspirations.

Therefore, out of necessity, your Board of Directors in 2010, proposed to a 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. The decision at this special General Meeting in Kavieng was unanimously in support of the proposal.

There were unanimous resolutions in support of the 2010 Kavieng SGM resolution in the 2010 Annual General Meeting (AGM) in Kimbe, followed by 2011 AGM in Goroka, and the 2012 AGM in Alotau, and more recently, the 2013 AGM in Port Moresby.

I appeal to all our valued members to give your support for Teachers Savings & Loan Society to migrate to a licensed Bank under the Banks and Financial Institutions Act.

Please be assured that we will together continue to uphold our vision, philosophy, principles and values. These are our roots, our anchor, come rain or sunshine.

In any growing organisation or development, there are 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

Corporate Governance

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.

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 42 years of development and progress, sometimes through very challenging environments. Without your loyalty and support the Society would not have come this far.

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 at the National, Regional and Provincial levels.

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 2014.

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
Board Chairman

EXECUTIVE MANAGEMENT



[Left - Right]: Mr **Maranuf Tataeng** - Head of Sales; Mr **Poni Korua** - General Manager Corporate Services, Mr **Luke Kaul** - Head of Lending; Mr **Francis Pahun** - Lending Operations Manager; Mr **Igimu Momo** - Special Projects Manager; Mr **Edward Toliman** - Manager IT Operations; Mr **Anania Jonathan** - Manager Internal Audit; Mr **Michael Koisen** - Chief Executive Officer; Ms **Naomi Koe** - Acting Manager Finance and Accounting; Mr **Geoff Ryan** - General Manager IT; Ms **Grace Bayak** - Head of Human Resources; Mr **Michael Aldan** - Manager Security; Mr **Russell Tato** - Head of Audit and Risk; Mr **Morgan Sehuri** - Head of Marketing.

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, 2014.

Overview of Operational and Financial Performance

The 2014 financial year has been a year of revisiting business strategies; revising the key business structures and strategically aligning these structures to strengthen the core business of serving members. This exercise allowed us to address operational challenges.

TISA achieved the following:

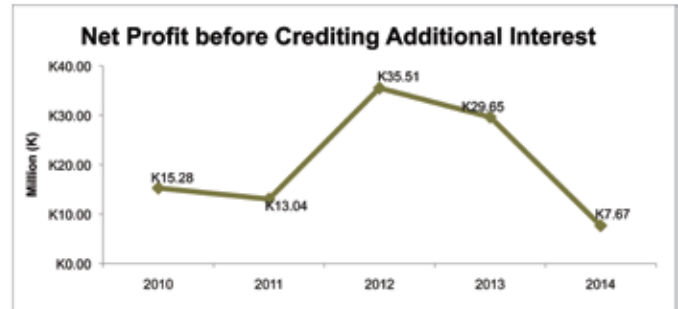
- Restructure of the TISA operational structure that included the review of lending functions and retail financial services to address operational risks.
- Reviewed the governance structure with an appropriate holding structure, resulting in a review of the business plan, further resulting in an investment proposal to invest in a new subsidiary Licensed Financial Institution.
- Sought approval from Bank of Papua New Guinea to introduce new products including, L3 loans, pikinini savings account, and extension of common bond to include current members' immediate family members and retired members, and their immediate family members.

The financial performance of TISA continued against the backdrop of a vibrant economy but declining activity in some sectors, including the retail and finance and banking sector.

- An Additional Interest Reserve Fund was created by your Board of Directors and an excess of **K51 Million** in the Statutory General Reserve Fund was transferred into this Reserve. The Institutional Capital Improvement Reserve Fund was closed and its balance of account of **K15.9 Million** was transferred to the Additional Interest

Reserve Fund as well. A **20% contribution of K1.5 Million** was made from net profit to the Additional Interest Reserve Fund bringing the balance of this reserve to **K68.4 Million**.

- A Net profit of **K7.67m** (2013: **K29.65m**) was achieved.

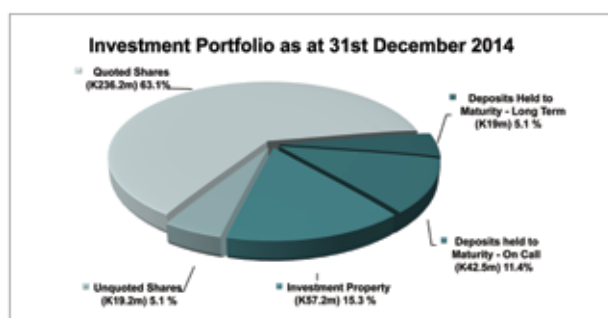


- Additional interest of **K11.5 Million**, which is a 7% crediting rate on general savings account, was paid to members from Additional Interest Reserve Fund. This brought the balance of the Additional Interest Reserve Fund to **K57.4 Million** at financial year end. This Reserve and future credits to it from net profits guarantees members of TISA additional interest payouts for the next 5 years.
- 7% is the statutory limit on savings account interest.
- Additional interest of **K11.52m** (2013: **K9.7m**) an 18.8% increase from prior year was paid to members' accounts in addition to **K4.02m** (2013: **K3.59m**) paid on monthly basis.
- Cash portfolio, consisting liquid cash, 30 days, >90 days and fixed term deposits totalled **K57.84m**, (2013: **K46.82m**) a 23.5% increase from last year.
- Loan portfolio, increased by 40%, to **K116.82m** (2013: **K83.46m**) on the back of new products and a more focused marketing campaign.

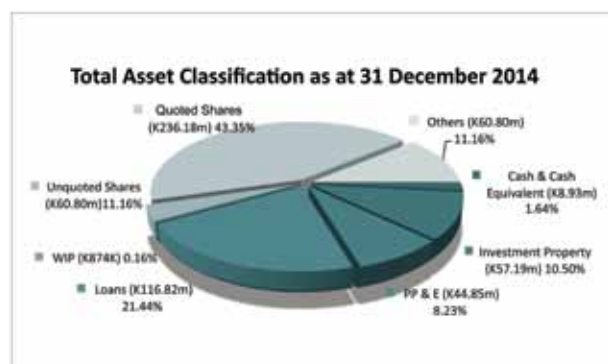


- Equities held by the Society, both quoted and unquoted equities were K274.37m (2013: K276.69m). This consisted 77% of total investment portfolio. The BSP share price took a significant downward turn in 2014 resulting in your Society accounting for a negative write down in fair value of K11.2 Million.

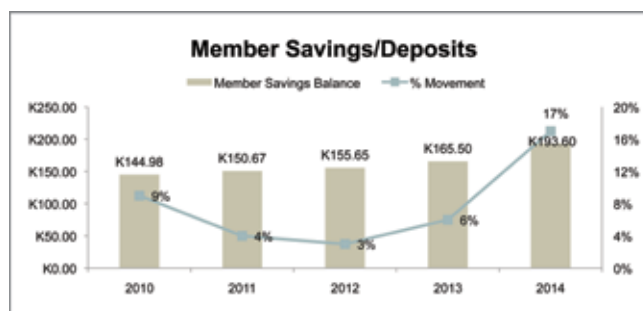
- Property investments appreciated by 5.8% to K57.19m (2013: K54.70m) that consisted of TISA Haus Waigani, TISA Haus Lae, and Kouaka Residential Apartments.



- Total Assets position increased by 4.87% to K544.84m (2013: K518.30m).



- Member Savings increased to K193.60m (2013: K165.50m), a 16.98% increase from last year.



- Total members equity was K345.77m (2013: K349.61m).
- Membership increased to 42,000 (2013: 39,000) a 7% increase. A positive trend in an ever increasing competitive market.

31 December 2014 was a relatively slow year for business in general. TISA's financial results are affected too by this slowdown in the economy. TISA profitability is subject to market volatility and therefore we should not expect positive returns every year. While we have paid out the highest additional interest to members 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 5 years. For sustainability of returns to members beyond the next 5 years, profits are essential.

I thank all the members of TISA for your continued support, the Board of Directors for their trust and confidence, my management team and staff, the Governor of the Bank of Papua New Guinea 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 2014

The relationship between the Board and Senior Management is critical to the Society's long term success. The Directors are responsible to the members for the performance of the Society in both the short and the longer term. Being a mandatory role of the Board, the Directors seek to balance sometimes-competing objectives by setting sound governance frameworks. These governance frameworks which include, administrative guidelines, policies, procedures and governance structures are devised and delegated by the Board and administered by the management to achieve the best results for the members.

The governance framework also provides a platform for the day to day management of the Society's affairs and the implementation of the Society's strategy and policy initiatives which are formally delegated by the Board to the Chief Executive Officer and Senior Executives to implement.

Essentially TISA's Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that Society's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

To achieve "Sound Corporate Governance", business practices and policies are continually reviewed and adopted by the Board and cascaded throughout all levels of the organisation. We strive to ensure that our governance "in action" is of the highest standard, consistent with our mutual underpinnings, while at the same time our governance systems are practical and transparent to our members.

As a mandatory function, the Board will continue to work to improve our governance policies and practices both at the Board level and throughout the Society's business units. While our mutual values remain constant, we know we must adapt our business practices to ensure we meet our obligations in a changing world, where the challenges of doing business are constantly changing in retrospect to our

local and global market conditions.

The Society in 2014 is further reviewing its policies and procedures; a project is already under way with the establishment of a Risk Unit within the Audits, Risks and Compliance Department together with a Consultant to document outstanding policies and procedures or policies and procedures that are needed with changing business focus and operations. The Risk unit has embarked on a strategic approach to fully embed an Enterprise Wide Risk Management Plan. This process is ongoing and is fully expected to be embedded and matured by 2017.

The Board of Directors

The Board operates in accordance with the powers and functions set out in Sections 28 and 28A of the Savings and Loan Society's (Amendment Act) 1995.

The Bank of Papua New Guinea's regulatory instructions and directives sets out the minimum competencies regarding personal attributes, skills and knowledge that each Director should bring to Teacher Savings and Loans Society. The Governor Bank of PNG may undertake relevant skills gap analysis to ensure that the Board has the right mix of skills. The Governor Bank of PNG is also required to assess all elected candidates with regard to these minimum competencies.

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 Loans (Amended Act) 1995, endeavours to ensure that Directors and Senior Management of Teachers Savings and Loans 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.

Further, Board Audit Risk and Compliance Charters were developed and endorsed this year. Further Board process of managing the audit and risk and compliance functions will be monitored within the framework.

Risk Appetite Statement

General Statement of Appetite

The Society faces a broad range of risks reflecting its responsibilities as a financial institution. These risks include those resulting from its responsibilities in the areas of financing of member loans, investing members savings, providing membership advisory services, adhering to regulatory policy directives, as well as its day-to-day operational activities.

The risks arising from the Society's internal and regulatory policy responsibilities are significant. These risks are managed through detailed processes that emphasise the importance of integrity, intelligent inquiry, maintaining high quality staff, and public accountability.

The Society is also exposed to some significant financial risks, largely due to it holding of investment assets in shares. It accepts that the balance sheet risks are large, and manages these risks carefully, but not at the expense of its policy responsibilities.

In terms of operational issues, the Society has a low appetite for risk. The Society makes resources available to control operational risks to acceptable levels. The Society recognises that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation within business practices.

The Risk Management Framework

The Society's risk management framework seeks to

ensure that there is an effective process in place to manage risk across the Society. Risk management is integral to all aspects of the Society's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasises careful analysis and management of risk in all business processes.

Risks are identified, assessed and managed at both an enterprise level ('top-down') and business level ('bottom-up'). The Board's Audit Risk & Compliance Committee (the "BARCC"), which is chaired by a Board Member, has oversight of the Risk Management process at the Board level.

The Operational Risk & Compliance Committee (the "ORCC") has oversight of these processes at the management level. The ORCC meets quarterly and provides a report to the BARCC who meets at least four (4) times a year and provides a report on its activities to the Board

Responsibilities

The Board comprises a majority of Non-Executive Directors, who together with the Chief Executive Officer are required to have extensive business acumen to bring accountability and sound judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community.

The responsibilities of the Board include:

- Providing strategic guidance to the Society including contributing to the development and approval of the corporate strategy.
- Reviewing and approving business plans, the annual budget and investment plans, including capital resources procurement and major capital expenditure initiatives
- Overseeing and monitoring.
- Organisational performance and the achievement of the Society's strategic goals and objectives.

- Compliance with the Society's Code of Conduct.
- Progress of major capital expenditures and other significant corporate projects including any acquisitions or investments.
- Monitoring financial performance, treasury operations including approval of the annual reports.
- Appointment, performance assessment and if necessary removal of the Chief Executive Officer.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhance and protect the reputation of the organisation.
- Report to members and monitors that all Bank of PNG regulatory requirements are met.
- Oversee internal controls and processes for identifying areas of significant business risk.
- Ensure that Teachers Savings and Loans Society's business is conducted ethically and transparently.

The responsibility for administering the day-to-day activities is delegated to the Chief Executive Officer by the Board.

Term of Office

The Savings and Loan Societies Act specifies that all Directors and BARCC members must retire from office after expiry of three (3) years from the date of their last election. Where eligible, a Director may stand for re-election.

Chairman and Chief Executive Officer (CEO)

The Chairman is responsible for leading the Board; ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Society's senior executives.

The CEO is responsible for implementing the

Society's strategies and policies. The Savings and Loan Society's Act specifies that these are separate roles to be undertaken by separate people.

Commitment

The Board held four (4) meetings in the financial year 2014.

The Board and the Audit Committee's records of their attendance during 2014 financial year are indicated below:

Board of Directors (BOD)

Board members' commitments to governance indicated the following;

Director	Position	2014 Meetings	
		Held	Attended
Mr. Gabriel Tai	Chairman	4	4
Mr. Sam Nalong	Deputy Chairman	4	4
Mr. Alex Peter	Director	4	2
Mr. William Varmari	Director	4	4
Mr. Francis Samoak	Director	4	4
Mr. Michael Koisen	CEO	4	4

Board Audit Risk and Compliance Committee (BARCC)

BARCC members' commitment to governance indicated the following;

Member	Position	2014 Meetings	
		Held	Attended
Mr. William Varmari	Chairman	4	3
Mr. Sam Nalong	Member	4	4
Mr. Alex Peter	Member	4	3

Structure of the Board

The size and composition of the Board is determined by the Board subject to the limits set out in the Bank of PNG Regulations and Instructions, which requires a minimum of 5 Directors who are members elected as Directors, representing the Mamose Region, NGI Region, Highlands Region, Southern

Region, and NCD. At all times, members elected Directors always constitute a majority of Directors, a requirement which protects our mutuality.

All Directors are members of Teachers Savings and Loans Society. Board members are elected by the members and appointed in accordance with the Savings and Loan Societies (Amendment) Act 1995 and Bank of PNG requirements. All elected Directors hold a term of three years upon election. The Chairman of the Board is a member elected Non-Executive Director. If a Board appointed Non-Executive Director is appointed as Chairman, they must stand for election at the election which immediately follows their appointment as Chairman.

It is important that the above framework is maintained at Teachers Savings and Loans Society to ensure that the Board is able to operate independently of Executive Management. Each of the Non-Executive Directors is independent of Management. This means that they are free from any relationship (for example, a business interest in a supplier or competitor of Teachers Savings and Loans Society) which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of Teachers Savings and Loans Society.

In the event that a potential conflict of interest arises, involved Directors are required to withdraw from all debate and decisions concerning the matter unless the Board resolves that the interest should not disqualify the Director from being present and/or voting.

Corporate Reporting

The CEO has made the following certifications to the Board:

- That the Society's financial reports are complete and present a true and fair view, in all material respects of the financial condition and operational results of the Society and is in accordance with relevant accounting standards.

- That the above statement is based on a sound system of risk management in which the CEO is required to implement the policies adopted by the board and that Society's risk management and internal control and compliance systems are operating efficiently and effectively in all material respects.

Board Audit Risk and Compliance Committee (BARCC)

The Committee consists of the following financial members: Mr William Varmari (Chairman) Mr Sam Nalong, Mr Alex Peter and Mr. Russell Tato (Head of Audit and Risks). The Audit Committee has the appropriate financial and audit expertise and all members are financially literate and have an appropriate understanding of the industry in which the Society operates.

The Audit Committee operates in accordance with Section 20 of the Savings and Loan (amended) Act 1995. The responsibilities of the Committee include:

- Review the organisation's internal control environment covering:
 - Effectiveness and efficiency of operations.
 - Compliance with applicable laws and regulations.
- Determine the scope of internal audit function and ensure that its resources are adequate and used effectively and assess its performance including independence.
- Ratify appointment and/or removal and contribute to the performance assessment of the Manager.
- Audit and Business Assurance.
- Oversee the effective operation of the risk management framework.
- Appointment, removal and remuneration of the external auditors and review the terms of their engagement, the scope and quality of the audit services and assess the performance of audit.

- Consider the independence and competence of the external auditor on an ongoing basis.
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on the auditor's independence.
- Review and monitor related party transactions and assess their propriety.
- Report to general meetings on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee: Receives regular reports from management, the internal and external auditors.

- Meets with the internal and external auditors at least twice a year or more frequently if necessary.
- Reviews the business processes, operating systems, and management systems that are in place to support their assurance to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Meets separately with external auditors and the Manager Audit Risk and Compliance at least twice a year without the presence of the management.
- Provides the internal and external auditors with a clear line or direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.
- Conducts an examination of the Society's affairs and audit its books at least quarterly; and
- May discipline, suspend or dismiss any Officer, Director or Management in the interests of the Society.

Risk Assessment and Management

The BARCC is responsible for ensuring there are adequate policies in relation to risk management,

compliance and internal control systems. In summary, the Society's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, measured and assessed.

A Strategic Risk Management plan has been developed to implement risk management process, monitor and manage the Society's risk profile. The plan is being used as a basis for monitoring and implementing risk mitigation processes to enable the achievement of the Society's business objectives.

The Board and Audit Committee also ensure that Teachers Savings and Loans Society adopt an integrated approach to risk management including:

- Treasury risk management and capital management dealing with all risks of the portfolio including those to do with the balance sheet and interest rates.
- Credit risk that arises in the credits and the loan book portfolio.
- Operational risk management, including regulatory risk management, as part of the day to day conduct of the business.
- Alignment with prudential standards and related directives issued by the Registrar.

Financial and operational risks are timely managed through internal audit with regular monitoring of control activities. Appropriately, the findings are made available to relevant Business Unit Managers, the BARCC and CEO for redress, improvement and mitigation of known risks.

External Auditors

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, external auditors are requested to submit proposal for annual external audit services, and 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.

Deloitte were appointed as the external auditors in 2013 and the appointment will expire in 2015.

It is also the policy of the external auditors to provide an annual declaration of their independence to the BARCC Committee. The external auditor is required to attend the Annual General Meeting and be available to answer member questions about the conduct of the audit and the preparation and content of the audit report.

Legal Matters and Society Lawyers

All legal matters are addressed by the General Manager Corporate Services reporting regularly and updating all legal issues to the CEO and the Board of Directors.

Lawyers for the Society for the year were the following.

Albatross Lawyers
O'Briens Lawyers

Continuous Disclosure and Shareholder Communication

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 communications with members and encourages effective participation at annual general meetings (AGM).

A copy of the full audited financial statements is made available to each member at each and every AGM as part of the Board's reporting function.

Code of Conduct

The Society has adopted a statement of values and a Code of Conduct (The Code) which has been fully endorsed by the Board and incorporated into the Society's Standard Operating Procedure. The code applies to all Directors, Audit Committee, and Employees. 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.

In summary, 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.

Annual Report of the Directors to the Members

Accordingly, your Directors take pleasure in presenting the 2014 Annual Report on the affairs of the Society, including the financial statements for the year ended 31 December 2014:

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 savings 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, and Papua New Guinea.

Review of Operations

The Society has recorded an operating Profit for the year of **K7, 672,927 (2013: K19, 891,600)**. Profit before additional interest paid was **K7,672,927 (2013:K29, 651,051)**.

Directors

The Directors for the 2014 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
Mr. Alex Peter (Dismissed 10 July 2014)		Director NCD
Mr. Michael Koisen	(CEO)	

a) Related Party Transactions

1. Interest Register

- The Directors of the Society had an aggregate savings balance of **K713,687** and aggregate loan

balance of **K89,744**. The Directors are subject to normal lending policy requirements of the Society.

- The Executive Management members of the Society had an aggregate savings balance of **K396,260**. The combined loans of the Management team totalled **K520,429**.

11. Remuneration of Directors

Director fees are paid on their commitments and disclosed with the notes to the financial report as at December 31st 2014. The specified Directors received fee aggregates indicated below;

11.1. Board Fees Aggregates

The Aggregate of fees paid during the year indicated the following;

Director	Position	2014 K	2013 K
Mr. Gabriel Tai	Chairman	3,045	3,045
Mr. Sam Nalong	Deputy Chairman	2,742	2,742
Mr. Alex Peter	Director	1,279	2,438
Mr. William Varmari	Director	4,000	4,000
Mr. Francis Samoak	Director	2,438	2,438
Total		10,460	11,619

IV. BARCC Fee Aggregates

Mr. William Varmari	Chairman	3,750	2,500
Mr. Sam Nalong	Director (D.Chairman)	3,000	-
Mr. Alex Peter	Director	1,000	1,159
Total		7,750	3,659

b) Key Management Executives

1. Remuneration of Key Executive Employees

Disclosure has been made at note 24.

2. Remuneration Above K100,000 per annum

Disclosure has been made at note 24.

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 were appointed in 2013 and retained as auditors for the year ended 31 December 2014 and will expire at end 2015. Details of amounts paid to the auditors for audits and other services are shown in notes to the financial statements.

On behalf of the Directors



Mr. Sam Nalong
Director

Dated, 13th March 2015.



Mr. Gabriel Tai
Director

Dated, 13th March 2015.

BOARD OF DIRECTORS



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

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

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.

Audit Opinion

In our opinion, the financial statements give a true and fair view of Teachers Savings and Loan Society Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial report of Teachers Savings & Loan Society Limited is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Company. During the year ended 31 December 2014 we provided corporate finance advisory services to Teachers Savings & Loan Society Limited.



DELOITTE TOUCHE TOHMATSU



Suzaan Theron
Registered under the Accountants Act 1996
Partner, Chartered Accountant
Port Moresby, 13th day of March 2015

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
- (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. Sam Nalong
Director
Dated, 13th March 2015



Mr. Gabriel Tai
Director
Dated, 13th March 2015

Teachers Savings & Loan Society Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 K	2013 K
Interest and similar income	2	13,515,636	11,321,332
Rental income		7,167,913	6,669,320
Dividend income		17,349,217	15,877,692
Gain arising on financial assets – fair value through profit or loss	5	(11,195,238)	13,128,661
Change in fair value of investment properties	7	-	2,145,152
Other income	2.2,6	10,204,775	6,953,451
Total Income		37,042,303	56,095,608
Staff costs		(8,662,172)	(7,349,405)
Operating expenses	3	(16,690,703)	(15,501,077)
Total Expenses		(25,352,875)	(22,850,482)
Operating surplus before income tax		11,689,428	33,245,126
Interest credited to members' accounts – Monthly	2.1	(4,016,501)	(3,594,075)
- Additional	13,19	-	(9,759,451)
		(4,016,501)	(13,353,526)
Surplus/(deficit) for the year after crediting members' accounts		7,672,927	19,891,600
Other comprehensive income			
Increment on revaluation of land and buildings	4	-	3,600,842
		-	3,600,842
Total comprehensive income/(loss) for the year is attributed to: Members of Teachers Savings and Loan Society Limited		7,672,927	23,492,442

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

Teachers Savings & Loan Society Limited

Statement of Changes in Equity

For the year ended 31 December 2014

	Note	General Reserve K	Capital Improvement Reserve* K	Asset Revaluation Reserve K	Additional Interest Reserve Fund K	Retained Earnings K	Total K
Balance at 1 January 2013		71,308,673	10,009,171	17,925,673	-	226,875,161	326,118,678
Other comprehensive income		-	-	3,600,842	-	-	3,600,842
Net Surplus for the year		-	-	-	-	19,891,600	19,891,600
Transfer from Retained Earnings /to Capital Reserve		-	5,930,210	-	-	(5,930,210)	-
Balance at 31 December 2013		71,308,673	15,939,381	21,526,515	-	240,836,551	349,611,120
Other comprehensive income		-	-	-	-	-	-
Net profit for the year		-	-	-	-	7,672,927	7,672,927
Transfer from Retained Earnings to Additional Interest Reserve Fund	19	-	-	-	1,534,585	(1,534,585)	-
Transfer to Members from Additional Interest Reserve Fund	19	-	-	-	(11,515,253)	-	(11,515,253)
Transfer from Capital Improvement Reserve to Additional Interest Reserve	17	-	(15,939,381)	-	15,939,381	-	-
Transfer from General Reserve to Additional Interest Reserve	16	-	(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

*(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 2014

	Note	2014 K	2013 K
ASSETS			
Current			
Cash and cash equivalent	9	8,935,371	11,968,649
Rental and other receivables	11	2,852,657	3,356,446
Net loans to members	8	15,956,121	12,200,457
Other financial assets	10	38,944,870	41,805,460
Total Current Assets		66,689,019	69,331,012
Non-Current			
Property, plant and equipment	4	44,854,551	44,008,654
Capital work in progress	4.1	873,857	2,306,113
Investment properties	7	57,194,268	54,700,000
Net loans to members	8	100,861,057	71,263,944
Other financial assets	5,6,10	274,365,272	276,685,256
Total Non-Current Assets		478,149,005	448,963,967
TOTAL ASSETS		544,838,024	518,294,979
LIABILITIES			
Current			
Members' savings	13	193,601,523	165,501,273
Creditors and accruals	14	4,294,434	2,190,082
Employee provisions	12	376,900	316,722
Total Current Liabilities		198,272,857	168,008,077
Non-Current			
Employee provisions	12	796,373	675,782
Total Non-Current Liabilities		796,373	675,782
TOTAL LIABILITIES		199,069,230	168,683,859
NET ASSETS		345,768,794	349,611,120
EQUITY			
Revaluation reserve	18	21,526,515	21,526,515
General reserve	16	19,906,923	71,308,673
Capital improvement reserve	17	-	15,939,381
Additional interest reserve funds	19	57,360,463	-
Retained earnings		246,974,893	240,836,551
TOTAL EQUITY		345,768,794	349,611,120

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 2014

	Note	2014 K	2013 K
Cash Flows from Operating Activities			
Net loans to members		(28,910,256)	(6,617,223)
Interest received on loans	2	11,957,109	9,977,885
Payments to employees and suppliers		(21,615,260)	(22,864,082)
Net Cash Flows from/used in Operating Activities		(38,568,407)	(19,503,420)
Cash Flows from Investing Activities			
Interest on term deposits	2	1,558,527	1,261,447
Dividends received		17,349,217	15,877,692
Net rental and other income		7,671,702	7,469,422
Proceeds on disposal of investments		14,800,000	-
Payments for investment in property, plant and equipment	4	(3,360,403)	(10,941,902)
Payment for additional shares in associate		(3,913,000)	-
Net purchase of government securities		(11,139,410)	-
Net Cash Flows from/used in Investing Activities		22,966,633	13,666,659
Cash Flows from Financing Activities			
Net members savings deposited / (withdrawn)		12,568,496	(3,505,565)
Proceeds from maturity of financial assets		-	6,745,384
Net Cash Flows from Financing Activities		12,568,496	3,239,819
Net decrease in cash and cash equivalents		(3,033,278)	(2,596,942)
Cash and Cash Equivalents at the beginning of the year		11,968,649	14,565,591
Cash and cash equivalents at the end of the year		8,935,371	11,968,649

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

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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, 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 recognised when the Society's right to receive payment has been established.

Interest Income from a financial asset is recognised 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 is due and receivable.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.2.5 Movement in Fair Value of Investments

Changes in fair market value of investments are recognised as income and are determined between 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 classes 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.7.1 Financial Assets (continued)

Investments are valued as at 31 December 2014 as follows:

Listed shares are valued at 31 December 2014 at the bid price on that date, unless there are other market indicators when the value of shares will be based on market information.

- i. Unlisted shares are carried at fair value
- ii. The net movement on revaluation of listed shares is reflected in the statement of profit or loss and other comprehensive income.

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 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 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 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.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.7.2 Impairment of Financial Assets (continued)

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 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.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.7.3.4 Financial Liabilities at FVTPL (continued)

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 members' 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 annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by independent and qualified valuers: Yagur Property Valuations. Changes in fair values are recorded in the statement of profit or loss and other comprehensive income.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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 31 December 2014 the Society's current liabilities exceeded its current assets creating a working capital deficiency of **K132 million (2013:K99 million)**. The deficiency in working capital principally arises due to the members' savings balance of **K194 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. Based on the actual history of the Society and timing member withdrawals, it is not expected that all members will fully withdraw their savings during the next 12 months as the timing of full withdrawal of savings is aligned with the standard government retirement age of 60 years and over.

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.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.15 Goods and Services Tax

Revenues, expense and assets are recognised net of the amount 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 a non income expense; and
- (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 consolidated 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 **K58 million** (31 December 2013: **K47 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 28% 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 Airlines PNG

As per Note 5, Society has valued its shares with Airlines PNG at K0.33 per share as at 31st December 2014 based on the share price from PomSox. However, based on an Investment Expert report available on PomSox, it was noted that a more accurate fair value of these shares will be between K0.02 – K0.10. As such, the Directors valued the shares at K0.06 based on their best estimate of the fair value of the shares.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

1.16.4 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.

1.16.5 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.

1.16.6 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 it is available. Where Level 1 inputs are not available, the Society engages third party qualified valuers to perform the valuation.

2. Interest Income

	2014 K	2013 K
Interest income – members' loans	11,957,109	9,977,885
Interest income – short term liquid funds	1,558,527	1,343,447
	13,515,636	11,321,332

2.1 Interest Expense

Interest expense – members' savings	(4,016,501)	(3,594,075)
Additional interest	-	(9,759,451)
Through profit and loss statement	(4,016,501)	(13,353,526)
Additional interest from capital reserves	(11,515,253)	-
Total Interest paid to members	(15,531,754)	(13,353,526)

Interest expense on members' savings is accrued and credited to members' accounts at the end of each month. The interest paid for 2014 is **K4,016,501** with additional interest of **K11,515,253** credited to member accounts on 31 December 2014. The additional interest was paid out from Additional Interest Reserve Fund account compared to prior years where it was paid out of profits (2013 paid out of profits: **K9,759,451**).

2.2 Other income

Net loan processing and account administration fees	3,495,115	2,002,000
Share of associates profit	5,763,254	1,165,436
TISA and LPI insurance commission, and other	947,406	786,015
Reversal of impairment provision for Capital Life Investment	-	3,000,000
	10,204,775	6,953,451

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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.

	2014 K	2013 K
Auditors remuneration-statutory audit services	163,030	121,238
Bank charges and interest	132,204	76,781
Depreciation	1,452,494	1,059,381
Doubtful debts – loans	(71,975)	(602,758)
Electricity	1,766,117	1,762,355
Insurance	493,621	425,929
Property expenses	968,835	580,967
Travel, airfares and accommodation	731,321	979,813
Security costs	119,269	120,670
Rental expenses	2,768,626	2,431,334
Data processing expenses	515,346	1,517,208
Printing and stationery	330,508	576,514
Establishment costs	74,757	293,306
Fuel	301,852	241,937
Advertising & promotion, Credit Union Day	1,457,398	1,427,039
Staff education	133,361	147,356
Donations	33,116	71,183
Entertainment	134,491	251,857
Telephone	283,244	320,456
Repairs and maintenance	630,960	823,889
Rates and taxes	443,597	220,941
Motor vehicle expenses	153,922	232,234
Filing and legal costs	134,482	479,932
Freight	79,117	125,010
Consulting	450,219	380,377
Cleaning	322,698	341,392
General and administrative expenses	2,688,093	1,094,736
	16,690,703	15,501,077

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

4. Property, Plant and Equipment

	Freehold Land	Land & Buildings	Furniture & Fittings	Office Equipment	Motor Vehicle	Computer Software	Plant & Equipment	Total
	K	K	K	K	K	K	K	K
<u>Cost or Valuation</u>								
At 1 January 2014	25,000,000	13,566,103	323,966	1,815,126	3,151,843	3,449,628	272,480	47,579,146
Additions	-	135,564	-	1,145,633	417,541	585,783	59,761	2,344,237
Valuations	-	-	-	-	-	-	-	0
Disposals/Transfer	-	-	-	(12,268)	(337,551)	-	-	-349,819
At 31 December 2014	25,000,000	13,701,667	323,966	2,948,491	3,231,833	4,035,366	332,241	49,573,565
<u>Accumulated Depreciation</u>								
At 1 January 2014	-	-	202,567	530,981	1,401,274	1,316,929	118,741	3,570,492
Charge for the year	-	335,205	12,140	205,472	620,412	260,837	18,429	1,452,494
Adjustments	-	-	-	-	-	-	-	-
Disposals	-	-	-	(11,559)	(291,108)	(1,306.39)	-	(303,973)
At 31 December 2014	-	335,205	214,707	724,894	1,730,579	1,576,460	137,170	4,719,015
<u>Net Book Value</u>								
At 31 December 2014	25,000,000	13,366,462	109,259	2,223,597	1,501,254	2,458,906	195,071	44,854,551
At 31 December 2013	25,000,000	13,566,103	121,399	1,284,145	1,750,569	2,132,699	153,738	44,008,654

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, 2013. While the fair value of land was not determined as at December 31, 2014, the Society's management believes that there were no conditions present in 2014 that would significantly change the fair values from that determined in 2013.

4.1 Work in Progress

The Capital Work in Progress as at 31st December, 2014 and 2013 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. Air Conditioning projects have been completed and transferred to the asset account whilst the temporary car park project is expected to be completed by the beginning of year 2015.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

5. Financial Assets at Fair Value Through Profit or Loss

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

	2014 K	2013 K
Quoted Shares:		
Bank South Pacific Limited		
Balance at the beginning of the year	138,192,581	139,577,970
Carrying value of shares sold (2014:2,000,000 @ K7.10 2013:Nil) Market Price @ 30th June 2014 K7.40	(14,800,000)	-
Fair value gain/(loss) from change in net market value	(14,026,588)	(1,385,389)
At Valuation (2014: 15,317,366 shares @ K7.14 per share) (2013: 17,317,366 shares @ K7.98 per share)	109,365,993	138,192,581
Credit Corporation (PNG) Limited		
Balance at the beginning of the year	121,533,750	106,949,700
Fair value gain/(loss) from change in net market value	4,861,350	14,584,050
At Valuation (2014: 48,613,500 shares @ K2.60 per share) (2013: 48,613,500 shares @ K2.50 per share)	126,395,100	121,533,750
Airlines PNG Limited		
Balance at the beginning of the year	2,450,000	2,520,000
Fair value gain/(loss) from change in net market value	(2,030,000)	(70,000)
At Valuation (2014: 7,000,000 shares @ K0.06 per share)* (2013: 7,000,000 shares @ K0.35 per share)	420,000	2,450,000
Total Financial Assets at Fair Value Through Profit or Loss	236,181,093	262,176,331

* As at 31 December 2014, the PomSox listed the share price of Airlines PNG to be K0.33 per share. However based on an Investment Expert report available on PomSox, it was noted that a more accurate fair value of these shares will be between K0.02 – K0.10. As such, the Directors valued the shares at K0.06 based on their best estimate of the fair value of the shares.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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 31 December 2014.

Gain/(loss) recognised in relation to financial assets at fair value through profit or loss:

	2014 K	2013 K
• Bank South Pacific	(14,026,588)	(1,385,389)
• Credit Corporation (PNG) Ltd	4,861,350	14,584,050
• Airlines PNG Ltd	(2,030,000)	(70,000)
Unrealised (Loss) /Gain	(11,195,238)	13,128,661

At 31st December 2013, management reassessed the Society's significant influence over CIG and have determined that the Society does have significant influence due to the Society holding 35% of the voting power at shareholder meetings and also having a contractual right to appoint one out of five Directors to the Board of Directors. This has reduced to 28% as a result of Society's participation with the Rights Issue. The investment is classified as an associate for the purpose of these financial statements and the equity method of accounting has been applied.

Movement in the fair value of investment with Capital Life Insurance Ltd has also been included. In previous years the investment with Capital Life Insurance Ltd was carried at cost and has been revalued at fair value due to the financial asset having a reliable measure of fair value.

6. Investment in Associate - Capital Insurance Group

Balance at beginning of year	9,508,925	3,913,000
Additional Investment	5,343,489	-
(Provision)/reversal for impairment of associate	-	3,000,000
Share of the associate's net profit	5,762,254	1,165,436
	19,184,179	9,508,925

7. Investment Properties

Investment Properties - Land and Buildings

Particulars	Fair Value 31 Dec 2013	Gain/(loss)	Additions	Disposals	Fair Value 31 Dec 2014
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
Particulars	Fair Value 31 Dec 2012	Gain/(loss)	Additions	Disposals	Fair Value 31 Dec 2013
TISA Haus, Waigani	37,000,000	1,955,530	44,470	-	39,000,000
TISA Haus, Lae	7,500,000	189,623	10,377	-	7,700,000
Kouaka Place, Gordons	8,000,000	-	-	-	8,000,000
TOTAL	52,500,000	2,145,152	54,847	-	54,700,000

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

7. Investment Properties (Continued)

The fair value of investment properties was not determined as at 31 December 2014. The Society's management believes that there were no conditions present in 2014 that would significantly change the fair values of the investment properties hence it has been arrived at on the basis of a valuation carried out by Yagur Property Valuations, independent valuers. Yagur Property Valuations are members of the Papua New Guinea Institute of Valuers and Land Administrators, and they have appropriate qualifications and vast experience in the valuations of properties in the recent locations. The fair value was determined on the Market Value basis that reflects recent transactions prices for similar properties and has also taken into account of the Society as a going concern without any intention to liquidate or wind up its operations. In estimating the fair value of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation technique during the year. The effective date of the valuation is 30th November, 2013.

Details of the Society's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

Investment Properties	Level 1	Level 2	Level 3	Fair Value as at 31 Dec 2014
	K	K	K	K
TISA Haus, Waigani	-	-	41,491,368	41,491,368
TISA Haus, Lae	-	-	7,702,900	7,702,900
Kouaka Place, Gordons	-	-	8,000,000	8,000,000
Total	-	-	57,194,268	57,194,268

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.

	2014 K	2013 K
Current		
Balances receivable	16,130,337	12,398,940
Allowance for doubtful debts	(174,216)	(198,483)
	15,956,121	12,200,457
Non-Current		
Balances receivable	101,962,214	72,483,195
Allowance for doubtful debts	(1,101,157)	(1,219,251)
	100,861,057	71,263,944
	116,817,178	83,464,401

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

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.

	2014 K	2013 K
Loans and Advances		
School fees	31,082,118	13,124,103
Medical	8,014,652	3,597,174
General purposes	78,995,781	68,160,856
Gross Loans and Advances	118,092,551	84,882,133
Less allowances for losses on loans and advances	(1,275,373)	(1,417,734)
	116,817,178	83,464,401
Movement in Allowances for Impairment of Loans and Advances		
Balance at the beginning of the year	1,417,734	2,114,352
Amounts written off as uncollectible during the year	(93,076)	(104,041)
Write back of provision no longer required	(72,911)	(615,964)
Amounts provided for during the year	23,626	23,387
Balance at the end of the Year	1,275,373	1,417,734

8.2 Loans and Advances which are Past Due but not Impaired

Past due 0-59 days	9,951,701	6,233,128
Past due 60-89 days	3,517,205	1,437,078
Past due 90-179 days	2,617,658	1,877,403
Past due 180-359 days	583,483	708,113
Past due 360 days and over	53,840	460,142
	16,723,887	10,715,864

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.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

9. Cash and Cash Equivalents

	2014 K	2013 K
Cash on hand and at bank	5,417,974	8,967,299
Interest bearing deposits	3,517,397	3,001,350
Net cash and cash equivalents	8,935,371	11,968,649

The Society does not have a credit facility with any bank. It operates a number of accounts 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 bills	3,970,600	14,841,570
Treasury bills	34,974,270	26,963,890
Total Current	38,944,870	41,805,460
Non-Current		
Inscribed stock	19,000,000	5,000,000
Total Non-Current	19,000,000	5,000,000
Total Deposits	57,944,870	46,805,460

Investments in government inscribed stock bear interest varying between 5-12% per annum. (2013:5-12% 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 4% per annum.

11. Rental and other Receivables

Rental debtors	1,281,939	1,897,681
Less: Allowance for rental debtors	(333,646)	(7,625)
	948,293	1,890,056
Prepayments	235,440	57,745
Interest receivable	649,474	372,109
Other debtors	1,054,039	1,071,125
Less: Allowance for other debtors	(34,589)	(34,589)
	2,852,657	3,356,446

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

12. Employee Provisions

	2014 K	2013 K
Non-Current		
Long service leave	796,373	675,782
	796,373	675,782
Current		
Annual leave	376,900	316,722
	376,900	316,722

13. Members Savings

Opening balance at 1 January	165,501,273	155,653,312
Net increase	16,584,997	88,510
Additional interest	11,515,253	9,759,451
Closing balance at 31 December	193,601,523	165,501,273

14. Creditors and Accruals

Medical claims	14,461	14,461
Rental bonds	21,529	20,029
Goods and services tax	237,824	237,824
Group tax	75,958	29,169
Accrued expenses	366,271	784,634
Sundry creditors	910,378	866,131
Rent received in advance	18,959	18,959
Unearned revenue	218,875	218,875
Inscribed stock discount	2,430,179	--
	4,294,434	2,190,082

15. Members' Capital

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

16. General Reserve

Opening balance at 1 January	71,308,673	71,308,673
Transfer to Additional Interest Reserve Fund	(51,401,750)	-
Closing balance at 31 December	19,906,923	71,308,673

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

16. General Reserve (Continued)

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 fund have been transferred to capital improvement reserve fund since the reserve has exceeded 10% of total liabilities. However, as at 31 December 2014 the grf still exceeded 10% of the total liabilities where the Board through circular resolution agreed to transfer this excess to a new reserve account called additional interest reserve fund.

17. Capital Improvement Reserve

	2014 K	2013 K
Opening balance at 1 January	15,939,381	10,009,171
Transfer from/(to) retained earnings	-	5,930,210
Amounts transferred to additional interest reserve fund	(15,939,381)	-
Closing balance at 31 December	-	15,939,381

What used to be "special reserve" for directors' training costs was renamed "capital improvement reserve". This resulted from the decision to accommodate all directors' training in the operating budget and create a separate reserve to cater for future plans to develop and/or improve properties and land that the Society owns. The statutory minimum of 20% allocation of net earnings per annum to general reserve (Note 16) has also been diverted to capital improvement reserve since the required level to cover bad loans in general reserve has been reached. This account has been closed and balances have been transferred to the new reserve account called additional interest reserve fund after decision was reached by management.

18. Asset Revaluation Reserve

Opening balance at 1 January	21,526,515	17,925,673
Increment on revaluation of land and building	-	3,600,842
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 every after every three years from 31 December 2014 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 Fund

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

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

19. Additional Interest Reserve Fund (continued)

The Board of TISA through a circular resolution approved the creation of a new account called additional interest reserve fund. 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 2014, additional interest of **K11,515,253** has been declared and paid out from this account to members' general savings account. Furthermore TISA has a reserve account called capital improvement reserve fund created in 2012 to capture the 20% of net profit. It was also recommended that this account be closed and funds be transferred to this new account for the purpose of better management, appropriation and return to members.

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

Current management policy requires that all loans to be secured by restricting loans to the maximum of members' savings. In cases where loans are taken out on a 1:2 ratio, additional security may be deemed necessary in accordance with the Rules of the Society.

20.2 Liquidity Risk

Loans to members are approved with adherence to specified repayment terms and rate facilities within the loan contract and are generally over a 2 to 60 month repayment term depending on the nature of the loan. The Society maintains a mix of investments on call and with a spread of maturity terms from two months to six months. This ensures the Society maintains liquid capability and limits its exposure to interest rate risks due to market fluctuations.

20.3 Interest Rate Risk

The Society's standard loan agreement provides that interest be charged at 1% per calendar month on all existing and current loan accounts. Loan terms are restricted to a maximum of five years, although all delinquent loans are repayable on demand after 90 days. The short term nature of borrowing and the lack of fixed long term lending ensure that the Society does not face any material interest rate risk. The average interest rate charged over the year was **12%**. (2013: **12%**) compared to the cost of funds of **2%**.

The Society also holds 'held-to-maturity financial assets' at variable rates, which expose the Society to cash flow interest rate risk. It is not the Society's policy to hedge these interest rate risks.

20.4 Price Risk

A large amount of the Society's assets are held in listed shares (Note 5) listed on the Port Moresby Stock Exchange. The value of these shares is subject to market conditions.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

20.4 Price Risk (Continued)

Sensitivity Analysis

With all other variables held constant, the Society's exposure to share price and interest (on held to maturity deposits) risks are measured by sensitivity analysis, as follows:

	Carrying Amount 31 Dec 2014 K'000	Price Risk Reduction by 5% Profit Effect K'000	Price Risk Increase by 5% Profit Effect K'000
Interest Bearing Deposits			
Deposits with BPNG	38,945	(999)	1104
Deposits with other Financial Institutions	3,517	(33)	37
	42,462	(1,032)	1,141
Investment in Shares			
Bank South Pacific Ltd	109,366	(5,468)	5,468
Credit Corporation (PNG) Ltd	126,395	(6,320)	6,320
Airlines PNG	420	(21)	21
	236,181	(11,809)	11,809

20.5 Financial Liquidity Table

	31 Dec 2014				31 Dec 2013	
	Market Price K	Unit	Market Value K	Shareholding as a % of Net Assets of the Society	Market Value K	Shareholding as a % of Net assets of the Society
Airlines PNG*	0.06	7,000,000	420,000	0.12%	2,450,000	1%
Credit Corporation (PNG)Ltd	2.60	48,613,500	126,395,100	36%	121,533,750	34%
Bank of South Pacific Ltd	7.14	15,317,366	109,365,993	32%	138,192,581	39%
			236,181,093		262,176,331	

*Refer to Note 5 for details of Airlines PNG market value used

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

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

20.6 Fair Values of Financial Instruments (Continued)

- **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 techniques(s) and the inputs used):

Financial Assets/Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Technique(s) and Key Input(s)	Significant Unobservable Input(s)	Relationship of Unobservable Inputs to Fair Value
	31 Dec 14	31 Dec 13				
	K	K				
Listed shares (Note 5)	236,181,097	262,176,331	Level 2	Market approach – Bid prices of the POM Stock Exchange were used to value listed shares	-	-
Unlisted shares Capital Life Insurance (Note 6)	19,184,179	9,508,925	Level 3	Market Approach- Comparable share price of a recent Rights Issue was used to value the shares	Share price of the Rights Issue	Share price of the Rights Issue directly affects the value of the investment

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 2014	31 Dec 2013
Capital Insurance Group Ltd	Provider of Life and General Insurance	Port Moresby, Papua New Guinea	28%	35%

The above associate is accounted for using the equity method.

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

22. Employees

The number of people employed by the Society during the year was **252 (2013: 237)**.

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 contributions during the year amounted to **K621,195 (2013: 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 at 31 December 2014 is **K1,653,713 (2013: K1,038,766)**. 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 28% shareholding interest with Capital Insurance Group Limited (CIGL). The Society took up a Rights Issue offered by CIGL to raise capital for the acquisition of Dominion Insurance Fiji. This was in proportion to the existing interest thus has reduced the holding from 35% to 28%.

(a) 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, fall within each relevant K50,000 band of income as follows:

	2014	2013
K100,000 – K149,999	1	1
K150,000 – K199,999	2	-
K200,000 – K249,999	1	-
K250,000 – K299,999	-	3
K300,000 – K349,999	-	-
K350,000 – K399,999	1	1
K400,000 – K449,999	-	1
K450,000 – K499,999	-	-
K500,000 – K549,999	1	-
K550,000 – K599,999	1	-
	7	6

The specified Executives of the Society during the Year were:

- Mr Michael Koisen – Chief Executive Officer
- Mr Poni Korua – General Manager, Corporate Services
- Mr Ariel Carpio – General Manager, Retail Services
- Mr Russell Tato – Head of Assets & Risks
- Ms Grace Bayak – Manager, Human Resources
- Mr Geoff Ryan – General Manager, Information Technology
- Mr Luke Kaul – Head of Lending

Teachers Savings & Loan Society Limited

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

24. Related Parties (continued)

The specified Directors of the Society during the year were:

- Mr. Gabriel Tai (Chairman)
- Mr. Sam Nalong (Vice Chairman)
- Mr. Francis Samoak
- Mr. Alex Peter - Dismissed
- Mr. William Varmari

Specified Executives' Remuneration in Aggregate

	Primary			Post-Employment			Equity	Other	Total
	Salary & Fees	Bonus	Non-Monetary	Super-annuation	Prescribed Benefits	Other	Options	Benefits*	
	K	K	K	K	K	K	K	K	K
2014	2,142,549	82,405	-	128,553	482,950	-	-	-	2,836,457
2013	1,713,337	82,405	-	-	102,800	-	-	-	1,898,542

b) Transactions with Directors

Other than remuneration, there were no transactions with Directors during the financial year.

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. (2013: Kmil).

26. Segment Information

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

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 31 December 2014 or the period then ended.

TISA Photopages



TISA Photopages

TISA - Buka branch launching



TISA - Ialibu branch launching



TISA Photopages

TISA - Kavieng branch launching



TISA - Kimbe branch launching



TISA Photopages

TISA - Vanimo branch launching



TISA Photopages



Port Moresby Head Office

PO Box 319, Waigani
National Capital District
Tel : 300 2200 / 325 7599
Fax : 325 7679
email: marketing@tsl.org.pg

Lae Branch

PO Box 1186, Lae
Morobe Province
Tel : 427 4368
Fax : 427 5819
email: tslae@tsl.org.pg

Mt Hagen Branch

PO Box 787, Mt Hagen
Western Highlands Province
Tel : 542 2733
Fax : 542 1367
email: tslhgn@tsl.org.pg

Kokopo Branch

PO Box 1333, Kokopo
East New Britain Province
Tel : 982 8256
Fax : 982 8255
email: tslkpo@tsl.org.pg

Goroka Branch

PO Box 1222, Goroka
Eastern Highlands Province
Tel : 732 3511
Fax : 732 3170
email: tslgka@tsl.org.pg

Alotau Branch

PO Box 663, Alotau
Milne Bay Province
Tel : 641 0161
Fax : 641 1546
email: tslalo@tsl.org.pg

Madang Branch

PO Box 639, Madang
Madang Province
Tel : 852 2305
Fax : 852 1107
email: tslmdg@tsl.org.pg

Kavieng Branch

PO Box 510, Kavieng
New Ireland Province
Tel : 984 1177
Fax : 984 1178
email: tslkvg@tsl.org.pg

Wewak Branch

PO Box 1083, Wewak
East Sepik Province
Tel : 856 1179
Fax : 856 1140
email: tslwwk@tsl.org.pg

Buka Branch

PO Box 255, Buka
AROB
Tel : 973 9400
Fax : 973 9430
email: tslbka@tsl.org.pg

Manus Branch

PO Box 129, Lorengau
Manus Province
Tel : 470 9198
Fax : 470 9485
email: tslmas@tsl.org.pg

Ialibu Branch

C/- Tisa Head Office, Waigani
National Capital District
Tel : 540 1758
Fax : 540 1889
email: ialibu@tsl.org.pg

Kimbe Branch

PO Box 645, Kimbe
West New Britain Province
Tel : 973 8400
Fax : 973 8400
email: tslkbe@tsl.org.pg

Vanimo Branch

PO Box 138, Vanimo
West Sepik Province
Tel : 857 1398
Fax : 857 1398
email: tslvan@tsl.org.pg

Popondetta Sub Branch

PO Box 124, Popondetta
Oro Province
Tel : 329 7406
Fax : 329 7406
email: tslpop@tsl.org.pg



Not For Profit, Not For Charity, But For Service