2016 ANNUAL REPORT

MOVING FORWARD

TISA

TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE

TABLE OF CONTENT

BRIEF HISTORY

YEAR	EVENT
1972	* The Society was established and was initially accommodated in the PNG Teachers Association Offfice on Mary Street, Downtown Port Moresby.
1978	* The Society built and moved into its own premises on Mokohara Road, Waigani.
1981	* Regional Offices were in Rabaul and Lae, for the New Guinea Islands and Momase Region, respectively.
1982	* Highlands and Southern Regional Offices were established in Goroka and Boroko, respectively.
1985	* The Society purchased Haus Tisa in Lae.
1986	* Construction of the then Haus Tomakala was completed and Society's Head Office was relocated to its current location on the first floor.
1992	* The Society purchased Haus Tomakala from Haus Tomakala Pty Ltd and changed its name to TISA Haus.
2003	* The Society opened its membership bond to government and state owned enterprise employees.
2004	* Opened 4 Provincial Offices in Madang, Vanimo, Goroka and Alotau.
2008	* Corporate Re-Branding.
2009	* Replaced the Facts with Ultradata Core Banking System - Ultracs. * Establishment to Full Branch - Buka & Manus Branch.
2010	* Resolution passed by Board and AGM to establish TISA Community Finance Limited. * SMS Banking product introduced to Members.
2011	* Establishment to Full Branch - Kimbe Branch. * Opening of New TISA Haus - Kavieng.
2013	* Establishment of TISA Security Base.
2014	* Opening of New Branch - Ialibu.
2015	* Establishment to Full Branch - Popondetta Branch. * Opening of New Branch - Kiunga
2016	* Launching and operationalisation of the Society's 100% subsidiary, TISA Community Finance (TCF), a Financial Institution.

CHAIRMAN'S REPORT

TO OUR VALUED MEMBERS

On behalf of the Board of Directors and Management of Teachers Savings & Loan Society Limited, it gives me great pleasure to present the annual report, covering the affairs of the Society, for the year ended 31st December, 2016.

In 2016 the Society began rolling out its 2016-2019 Business Plan in pursuit of achieving its strategic objectives of providing affordable financial products and quality service to our members and to continue the evolution of the Society into a stronger and more relevant financial organisation for the future. As a result, important transformations have begun and will continue to take place. The Board and Management are confident these changes are in the best interest of members and will place the Society in a position to achieve strong growth as a brand in the marketplace that is a people first financial institution.

The Society continued to progress its position in the financial year 2016, at the forefront of these changes. With the collective support of members, management, staff, and stakeholders our Society has reported another positive financial performance. Total assets grew by **9% (K52.61 million)** from **K570.24 million** in 2015 to **K622.85 million** in 2016 and your Society recorded a net audited profit of **K38.11 million,** up from **K9.95 million** for the prior corresponding year.

I am also pleased to advise that the Board again approved an additional interest payment of **K15.18 million** to members' S1 accounts, compared with **K13.19 million** paid to members in 2015. This was in addition to a total of **K5.29 million** in monthly interest, credited to member's account during the year. In total **K20.47 million** in interest was credited to members for the financial year 2016.

While it is not our priority to maximise profits, profits are essential for long-term sustainability and to ensure the Society delivers its strategic objectives to its members.

ON-GOING COMMITMENT TO PROVIDING SERVICE

Our vision statement of 'Not for Profit, Not for Charity, But for Service" is paramount to the way we do business.

This focus on service has sustained a long-term trend of member growth over the years. We welcomed more teachers, public servants and employees of various SOEs during the year and also opened our bond to immediate family members of our members, allowing spouses and children of members to join. We have strong goals and strategies to grow our membership further by continuing to attract new members and retain our existing members.

It has been the Boards objective to bring services closer to members and therefore opening branches has been a necessary investment. Tisa now operates in 16 provinces as full branches and continues to identify locations that are feasible to operate. Whilst we endeavour to bring services to members, locating suitable properties for lease or land to purchase continues to be a challenge. This is where Provincial Authorities can assist Tisa bring this needed service to our members, by providing land.

The Society continues to invest in its Information Technology in line with its strategy to providing affordable products and quality service to its members. We are currently working on introducing more electronic banking products to assist member's access their funds more efficiently and affordably. These products will be rolled out in the near future.

PROJECT UPSCALE

I am pleased to advise that as a result of you, our members support since 2010 the Society successfully launched TISA Community Finance (TCF) Limited, a 100% owned subsidiary. This is significant milestone for the Society and is in line with its vision of making affordable financial services more accessible to everyone in PNG. The establishment and operationalisation of TCF also brings us one step closer to achieving our long-term objective of becoming a significant institution in the financial sector in PNG.

CORPORATE GOVERNANCE

The Society acknowledges that as it endeavours to meet its strategic objectives, it will be exposed to increasing risks. Such risks can disturb the growth and desired direction of the institution. Your Board has policies, plans and strategies in place to mitigate such risks and others that are relevant to our business.

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

Your Board fully realises its impending increasing and growing level of responsibility, accountability and liability as custodians of members' money, by providing sound governance, and ensuring prudent management of members' funds and the overall affairs of the Society. We continue to progress despite many challenges and will continue to strive for excellence in value and service for the benefit of our members. This is because of the support, encouragement and the guidance we have received from all of our stakeholders.

NEW SAVINGS AND LOAN SOCIETIES LEGISLATION

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

It also now makes it possible for demutualisation.

We are currently awaiting the new Savings and Loans Societies Act to be made effective.

ACKNOWLEDGEMENTS

May I on behalf of the Board and Management of Teachers Savings and Loan Society Ltd, acknowledge and commend our valued members nationwide. Thank you for your loyalty and on-going support towards the cause of the Teachers Savings and Loan Society Ltd and its endeavours to better serve you.

Thank you to the management team and all our staff. Thank you for your contributions to complete one more chapter of our Society's successful operations and growth in 2016.
With divine guidance and strength, we pledge to continue to provide you quality, affordable financial services towards peoples' empowerment in the environment of mutual trust and unity, as we move forward to the next level.

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

Thank you

Gabriel Tai
Chairman – Board of Directors

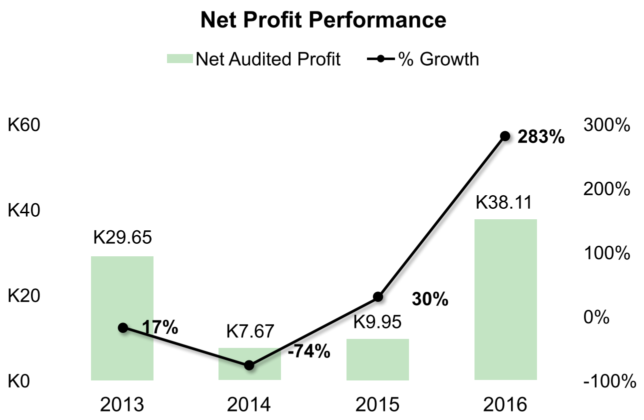
CHIEF EXECUTIVE OFFICER'S REPORT

2016 was indeed a significant year for Teachers Savings and Loan Society Limited (TISA) and its controlled entity, Tisa Community Finance Limited (TCF). The Group declared a profit of **K38.11m** at the end of the 2016 financial year during a period of uncertainty as economic conditions and business activities remained stagnant and retracted in most sectors. The Government of PNG continues to be the largest contributor to our turn over, and as long as it upholds its wage obligations to public servants we are assured of a reliable supply of cash to continue our service to our members. We are broadening our turn over base to mitigate our liquidity risk. We remain optimistic.

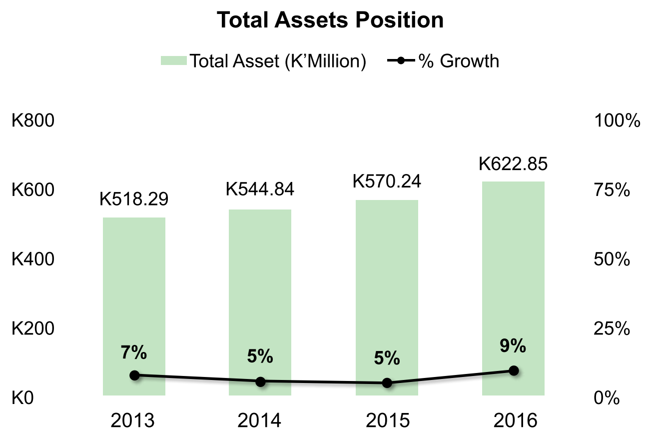
OVERVIEW OF OPERATIONAL AND FINANCIAL PERFORMANCE

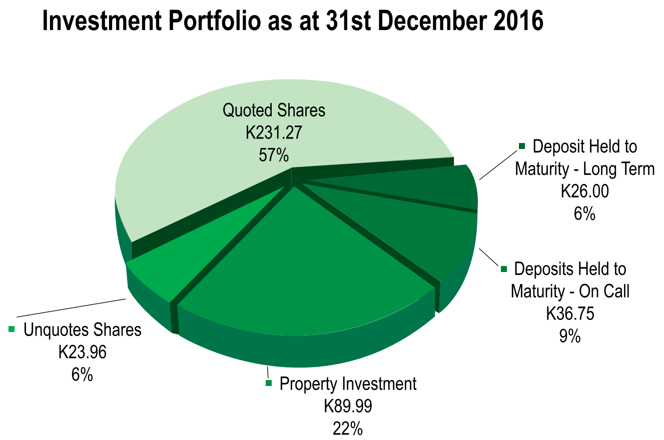
Major financial achievements and notable operational highlights for the Group were:-

- Strong profit performance compared to last financial year by **283%;**

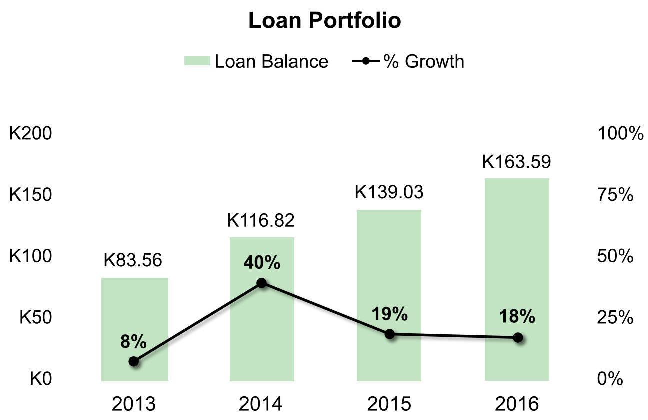


- Increased total asset base by **9%** from last year;





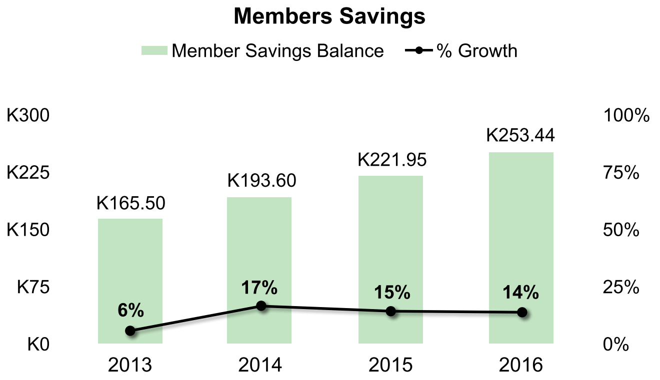
- Increased loan book portfolio by **18%;**



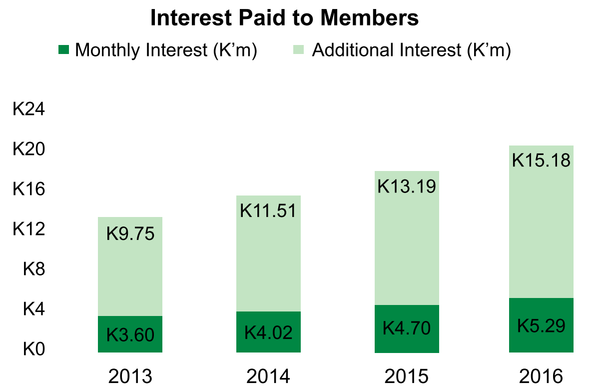
- Significant gains in the equity portfolio notably in BSP shares by **317%;**

- Asset reclassification and revaluation gains in our Property portfolio;

- Strong member savings growth by **14%;**



- Paid **K15.2m** as additional bonus interest to our members, maximum **7%** allowed by the Act;



- Positive returns from the loan and equity portfolios accounting for 74% of revenue generation;

- Growth in the new Pikinini Savings Product encouraging savings for our children;

- Ground work has commence to establish new savings and loan branches in Daru, Arawa and Wabag to further strengthen our branch network in PNG and confirming our presence in 16 provinces in the country;

- Successful launching of our fully owned 100% subsidiary, Tisa Community Finance Limited in June and trading since October 2016;

- Existing branch upgrades and improvements including construction of the new Alotau Branch office which is in progress.

As the Group's financial position reached **K622.85m** in total assets and grew by 9% to last year; 91% of these assets held were made up of various investment portfolios covering the loan book, properties and equities. These portfolios collectively returned to the Group a total revenue turnover of **K71.750m** resulting in net profits of **K38.11m.** The Group achieved a net profitable margin of 53% and return on total assets by 6%.

Our traditional suite of personal lending products all performed well with notable demand for the traditional L1 product. With more marketing and sales drives across the business; the growth in the unsecured L3 product also proved quite strong and this translated to positive growth in new membership and member savings.

Improved loan collection, recovery efforts and improved treasury management assured the Group of adequate liquid funds available to continue providing a high level of service to its members and clients, and support operations. The annual loan delinquency ratio was 2.5% which is conservative and a reflection of responsible lending and prudent management of our loan portfolio and finance business.

The Equities portfolio contributed 40% of total revenue arising from Dividends and Net Capital Gains. A very strong performance in the Bank of South Pacific Ltd stocks provided much of that favourable result.

Our operating costs were reasonably controlled and this further improved our profits.

The Group's profitability is sensitive to market volatility and therefore we should not expect positive returns every year. TISA again credited another peak in additional interest rate allowed under statutory limits. This was achieved through a combination of current year profits and prior accumulation of reserves over the regulatory limits during times of positive returns. Members are guaranteed additional interest payouts for a few more years. To ensure sustainability of returns to members beyond these years, profits are essential.

I would like to take this opportunity to thank all the members and clients of the Society and Group for your continued support, the Board of Directors for their trust and support, my management team and staff, the Governor of the Bank of PNG and his staff, Education Department, Divisions, Provincial Authorities, Public Servants, Private Sector members and individuals for your continued support of the Society and Group.

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

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

This corporate governance statement describes the principles and obligations entailed in the governance of Teachers Savings and Loan Society Ltd (the "Society") and its controlled entity (the "Groups"). It defines the roles and relationship between the Board of Directors (including Board committees) and management of the Group .

In 2016, the Board and management have ensured that the Group's corporate governance supports our core values of delivering best possible customer service, empowering our staff, maintaining and upholding ethical practice, timely processing of applications, promote and value continuous learning, and accountability.

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

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

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

The Board of Directors and their Roles

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

- Develop and implement the overall business strategy of Tisa, including asset and investment management, risk management and operational matters.

- Provide proper oversight to accounting, fiduciary, regulatory and operational practices of Tisa.

- On an ongoing basis, critically monitor the effectiveness of the business strategies and the effectiveness of management in delivering those strategies.

- Appoint, assess performance and if necessary, removal of Chief Executive Officer

- Develop and set policies covering lending, investment, procurement and capital expenditure.

- Develop and set policies covering essential human resources issues such as hiring and dismissal, terms of employment, minimum standards of conduct, performance expectations, occupational health and safety, training and development.

- Perform such other functions and duties consistent with the Act.

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

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

Board composition and eligibility

The size and composition of the Board is determined by the Constitution, which requires a minimum of 5 Directors who are members elected as Directors representing Momase Region, NGI Region, Highlands Region, Southern Region, and NCD and serve for a term of three (3) years with eligibility for re-appointment.

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

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors of the Board as at 31st December

2016 were:

Gabriel Tai
Chairman
Director Highlands

Sam Nalong
Deputy Chairman
Director Momase

William Varmari
Director NGI

Francis Samoak
Director Southern

There was a vacancy for Director NCD in the 2016 year.

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

Secretary of the Board

The position for Secretary of the Board remains vacant and is expected to be filled in 2017. The Chief Executive Officer of the Society currently assumes the role of the Secretary during Board meetings.

Board Committee and Membership

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

- Integrity of financial statements and the independent audit thereof,
- Adherence to the BPNG's financial Reporting Requirements (Monthly and Quarterly Returns),
- The Societies Internal Audit Processes,
- The effectiveness of internal controls and management of all risks (Operational, Credit, Market risk, etc)
- The processes involving approval and monitoring of expenditures including capital expenditures.
- The Processes for monitoring the implementation of Board decisions by Management.
- Compliance to BPNG's prudential standards (Savings & Loans Act 1995 and the various directives).
- Any other functions as delegated by the Board

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

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

- Risk Management
- Financial Reporting
- Internal Audit
- External Audit
- Compliance with Laws and Regulations
- Operational Efficiency and Cost Control
- Reporting Responsibilities and
- Other Responsibilities

The Committee comprises three Directors namely, Mr William Varmari (BARCC Chairman) and Mr Sam Nalong, while the third Director has left in 2014, which created a vacancy. The Group's Audit, Risk & Compliance Department provides secretarial function to this Committee.

Board and Board Committee Meetings

The Board usually meets as it resolves or the Chairman determines, provided it meets at least once every quarter. A minimum of four (4) meetings are required be held in a financial year.

A total of four (4) meetings were held by the Board in the financial year 2016 and Directors' record of attendance is as indicated below:

Director	Meetings Held in 2016	Attended in 2016
Mr. Gabriel Tai **Chairman**	4	4
Mr. Sam Nalong	4	4
Mr. William Varmari	4	4
Mr. Francis Samoak	4	4
Vacant	NA	NA

The Board Audit, Risk and Compliance Committee also held four (4) committee meetings in the financial year 2016. A record of attendance at committee meetings during the year are detailed in the table below.

Director	Meetings Held in 2016	Attended in 2016
William Varmari **Chairman**	4	4
Sam Nalong	4	4

Board Access to Information and Advice

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

The heads of business units (Divisions) make quarterly presentations to the Board on their areas of responsibilities. The Chairman and Directors do have the opportunity to meet with the Chief Executive Officer, Head of Corporate Services and the managers for further consultation on a scheduled quarterly meeting to discuss issues associated with the fulfilment of the roles as Directors.

Remuneration of Directors

Directors are paid an annual stipend and attendance allowances consistent with, but are not entitled to, separation or termination benefits or allowances. A Director appointed to a Board committee is also entitled to attendance allowance for any committee meetings held. The specified Directors fee aggregates for the financial report as at 31st December 2016 are indicated below;

(I) Board Fees Aggregates.

The aggregate of fees paid to the Board of Directors during the year are as follows;

Director	2016 K	2015 K
Mr. Gabriel Tai **Chairman**	5,000	5,000
Mr. Sam Nalong	4,500	4,500
Mr. William Varmari	4,000	4,000
Mr. Francis Samoak	4,000	4,000
Total	**17,500**	**17,500**

(II) BARCC Fees Aggregates.

The aggregate of fees paid to the BARCC members during the year are as follows

Director	2016 K	2015 K
Mr. William Varmari	5,000	3,750
Mr. Sam Nalong	4,000	3,000
Total	**9,000**	**6,750**

Disclosure of Material Interest by Directors

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

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

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

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

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

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

External Auditor

The Group's policy is to appoint external auditors who can clearly demonstrate quality and independence and the performance of the external auditor is reviewed annually. External auditors are requested to submit proposal for three-year term of 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.

KPMG were appointed as the external auditors in 2016 and their appointment will continue for up to three (years). A new notice for External Audit Services will be required at the end of 2018.

Internal Audit

The Internal Audit and Risk Business Unit is dedicated to providing management with value-added services, as well as reasonable assurance to the Board and the Chief Executive Officer in the following categories:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations,
- Compliance with all applicable laws, regulations, and contracts,
- Safeguarding of assets.

Each year, Audit & Risk develops an audit plan utilizing risk analysis to identify the major areas needing audit attention. The plan is approved by the CEO and is submitted to the Board Audit, Risk & Compliance Committee (BARCC) for endorsement.

The unit's function is supported by the Audit Charter which ensures no unjustified restrictions or limitations have been placed upon Audit and Risk Business Unit.

Compliance

The BARCC is responsible for ensuring compliance with all legal and regulatory obligations as well as the Constitution and Standard Operating Procedures of the Group.

The Committee, together with the management, ensures that any prudential and compliance issues that may be raised by the Registrar of Savings and Loan Society and other statutory or regulatory bodies are promptly addressed.

The Committee meets quarterly and separately with the internal auditors to discuss any matters that the committee or the internal auditors believe should be discussed privately. The committee ensures that significant findings and recommendations made by the internal auditors are received and discussed promptly, and that management responds to recommendations by the internal auditors on timely basis.

The Internal Auditor has direct access to the Committee while the Chairman of the Committee has direct access to the full Board.

Risk Management

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

The Board and management have ensured that efficient and effective risk management framework and adequate reporting systems, operational and financial internal controls and their associated review functions (including internal audit) are in place to effectively monitor and manage the broad risk areas of strategic, financial and operational risks. The specific risk areas identified and monitored in 2016 include credit risk, liquidity risk, interest rate risk, market risk and operational risk.

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

Code of Conduct

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

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

Executive Management and Remuneration

The disclosure has been made at note 27 of the audited financial statement as at 31st December 2016

Shareholder Communications

The Group publishes an 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 Group promotes communications with members and encourages effective participation at Annual General Meetings (AGM).

Legal matters and Society lawyers

The Group does not have in-house legal unit. All legal matters are outsourced and legal firms are engaged as and when required. The Group engaged Albatross Lawyers for most of its legal requirements in 2016.

DIRECTORS' REPORT

The directors of TISA Group (the 'Group') submit herewith the annual financial report of the Group for the financial year ended 31 December 2016. In order to comply with the provisions of the Companies Act 1997 and Savings and Loan Societies (Amendment) Act 1995, the directors report as follows:

PRINCIPAL ACTIVITIES

The nature of operations and principal activities of the Group are maintaining membership of teachers, public service and private sector members and clients; processing member contributions and managing client deposits and processing member and client loans, and managing the investments of the Group.

REGISTERED OFFICE

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

REVIEW OF OPERATIONS

The Group has recorded a comprehensive income of **K38,115,025 (2015: K9,950,671).**

PAYMENTS TO MEMBERS

Additional interest of **K15,178,287** was credited to the members savings (S1 Accounts) for the year ended 31 December 2016 **(2015: K13,191,381).**

During the year **K5,286,799 (2015: K4,696,268)** interest on members savings were paid.

DIRECTORS

The directors for the 2016 year were:

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

DIRECTORS' REMUNERATION

Disclosure has been made at note 27.1

REMUNERATION ABOVE K100,000 PER ANNUM

Disclosure has been made at note 27.1

GROUP SECRETARY

The position of secretary of the Society is currently vacant.

DIRECTORS' ELIGIBILITY

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

CHANGES IN STATE OF AFFAIRS

During the fourth quarter of the financial year, TISA Community Finance Ltd ('TCF') commenced operations.

Construction of the Alotau branch commenced in the financial year.

There were no other significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

CHANGES IN ACCOUNTING POLICIES

There was a change in accounting policy in 2016. Consolidation is applicable to this financial year.

EVENTS AFTER BALANCE DATE

On the 25th of March 2017, the Directors declared an additional bonus interest distribution to members of **K15,178,287** out of 2016 profits. This material event subsequent to the balance date has been included in the financial statements.

There were no other matters or circumstance that have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations of the Group.

AUDITORS

KPMG was appointed as auditors for the year ended 31 December 2016. Details of amounts paid to the auditors for audit and other services are shown in note 9 to the financial statements.

Signed in accordance with a resolution of and on behalf of the directors.

Mr. Gabriel Tai
Director
Dated 31 March 2017

Mr. Sam Nalong
Director
Dated 31 March 2017

EXECUTIVE MANAGEMENT

Left to Right: **Mr Francis Pahun** - Manager Lending Operations, **Mr Morgan Sehuri** - Head of Marketing, **Mr Anania Jonathan** - Acting Head of Audit & Risk, **Mr Edward Toliman** - Head of IT, **Mr Michael Koisen** - Chief Executive Officer, **Mr Igimu Momo** - Manager Special Projects, **Mr Michael Aldan** - Security Manager, **Mr Poni Korua** - Head of Corporate Services, **Mr Luke Kaul** - Head of Retail Financial Services, **Mr Maranuf Tataeng** - Head of Sales,

Absent: **Mr Tabu Airi** - Acting Head of HR, **Mr Michael Malara** - Manager Finance & Accounting.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

Opinion

We have audited the accompanying group financial statments of Teachers Savings and Loan Society Limited ("the Society") which comprise the statement of financial position as at 31 December 2016, the statement of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and Society as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Society and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group and Society's financial reporting process.

Auditors' Responsiblities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordnace with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Society's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Society's abilitiy to continue as a going concern. If we conclude that a material incertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and Society to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

i Proper books of accoount have been kept by the Group and Society, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

i to the best of our knowledge and according to the information and explanations given to us the financial statements comply with the reporting requirements of the Savings and Loan Societies (Amendments) Act 1995, the Companies Act 1997 and the Banking and Financial Institutions Act 2000, in the manner so required.

DATED at Port Moresby this 31st day of March 2017.

KPMG
Chartered Accountants

Suzaan Theron
Partner
Registered under the Accountants Act 1996

BOARD OF DIRECTORS

Left to Right:

William Varmari
Director Islands Region

Gabriel Tai
Chairman
Director Highlands Region

Sam Nalong
Director Momase Region

Francis Samoak
Director Southern Region

DIRECTORS' DECLARATION

The directors declare that:

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

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

Signed in accordance with a resolution of and on behalf of the directors.

Mr. Grabriel Tai
Director
Dated 31 March 2017

Mr. Sam Nalong
Director
Dated 31 March 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated Group		Society	
		2016	2015	2016	2015
	Note	K	K	K	K
Interest and similar income	8	24,605,356	20,634,503	24,526,383	20,634,503
Rental income		6,964,093	7,214,246	6,964,093	7,214,246
Dividend income		22,236,622	18,343,887	22,526,755	18,343,887
Change in fair value of financial assets	12	6,311,324	(11,220,473)	10,081,191	(11,220,473)
Change in fair value of investment properties	13	1,996,041	-	1,996,041	-
Other income	8.2	9,637,070	7,602,105	5,536,993	7,602,105
Total Income		**71,750,506**	**42,574,268**	**71,631,456**	**42,574,268**
Staff Costs		(13,952,538)	(12,135,122)	(13,442,345)	(12,135,122)
Operating expenses	9	(14,569,854)	(15,792,207)	(13,255,403)	(15,792,207)
Interest credited to member's account – Monthly	8.1	(5,286,799)	(4,696,268)	(5,286,799)	(4,696,268)
Total Expenses		**(33,809,191)**	**(32,623,597)**	**(31,984,547)**	**(32,623,597)**
Profit before income tax		37,941,315	9,950,671	39,646,909	9,950,671
Income tax benefit / (expense)		216,178	-	-	-
Profit after tax		**38,157,493**	**9,950,671**	**39,646,909**	**9,950,671**
Other comprehensive income					
Increment on revaluation of land and buildings	10	(42,468)	-	(42,468)	-
Total comprehensive income/(loss)					
for the year is attributed to members		**38,115,025**	**9,950,671**	**39,604,441**	**9,950,671**

This statement is to be read in conjunction with the accompanying notes to the financial statements on page 11 to 35.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated Group					
	Note	Asset Revaluation Reserve K	General Reserve K	Additional Interest Reserve K	Retained Earnings K	Total
Balance at 1 January 2015		**21,526,515**	**19,906,923**	**57,360,463**	**246,974,893**	**345,768,794**
Other comprehensive income		-	-	-	-	**-**
Net surplus for the year		-	-	-	9,950,671	**9,950,671**
Transfer from Retained Earnings /to General Reserve		-	1,995,333	-	(1,995,333)	**-**
Transfer to members from Additional Interest Reserve Fund		-	-	(13,191,381)	-	**(13,191,381)**
True-up of equity investment		-	-	-	(933,625)	**(933,625)**
Balance at 31 December 2015		**21,526,515**	**21,902,256**	**44,169,082**	**253,996,607**	**341,594,459**
Other comprehensive income		(42,468)	-	-	-	**(42,468)**
Net surplus for the year		-	-	-	38,157,493	**38,157,493**
Transfers from revaluation reserve to retained earnings		(18,940,082)	-	-	18,940,082	**-**
Transfer from Retained Earnings /to General Reserve	**22**	-	7,929,382	-	(7,929,382)	**-**
Transfer to members from Additional Interest Reserve Fund	**23**	-	-	(15,178,287)	-	**(15,178,287)**
Transfer from General Reserve/ to Additional Interest Reserve	**22,23**	-	(4,064,169)	4,064,169	-	**-**
Balance at 31 December 2016		**2,543,965**	**25,767,468**	**33,054,964**	**303,164,800**	**364,531,198**

	Society					
	Note	Asset Revaluation Reserve K	General Reserve K	Additional Interest Reserve K	Retained Earnings K	Total
Balance at 1 January 2015		**21,526,515**	**19,906,923**	**57,360,463**	**246,974,893**	**345,768,794**
Other comprehensive income		-	-	-	-	**-**
Net surplus for the year		-	-	-	9,950,671	**9,950,671**
Transfer from Retained Earnings /to General Reserve		-	1,995,333	-	(1,995,333)	**-**
Transfer to members from Additional Interest Reserve Fund		-	-	(13,191,381)	-	**(13,191,381)**
True-up of equity investment		-	-	-	(933,625)	**(933,625)**
Balance at 31 December 2015		**21,526,515**	**21,902,256**	**44,169,082**	**253,996,607**	**341,594,459**
Other comprehensive income		(42,468)	-	-	-	**(42,468)**
Net surplus for the year		-	-	-	39,646,909	**39,646,909**
Transfers from revaluation reserve to retained earnings		(18,940,082)	-	-	18,940,082	**-**
Transfer from Retained Earnings /to General Reserve	**22**	-	7,929,382	-	(7,929,382)	**-**
Transfer to members from Additional Interest Reserve Fund	**23**	-	-	(15,178,287)	-	**(15,178,287)**
Transfer from General Reserve/ to Additional Interest Reserve	**22,23**	-	(4,064,169)	4,064,169	-	**-**
Balance at 31 December 2016		**2,543,965**	**25,767,468**	**33,054,964**	**304,654,216**	**366,020,614**

This statement is to be read in conjunction with the accompanying notes to the financial statements on page 11 to 35.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Consolidated Group		Society	
		2016	2015	2016	2015
	Note	K	K	K	K
ASSETS					
Cash and cash equivalents	15	31,611,818	16,864,988	28,857,340	16,864,988
Interest bearing deposits	15	5,000,000	-	5,000,000	-
Rental and other receivables	16	6,332,696	3,102,450	6,501,312	3,102,450
Net Loans to members	14	163,588,323	139,029,793	161,927,234	139,029,793
Other financial assets	11	306,017,981	306,949,229	312,791,216	306,949,229
Property, plant and equipment	10	15,404,589	42,558,708	14,534,119	42,558,708
Capital work in progress	10.1	4,683,018	1,657,461	4,652,747	1,657,461
Investment properties	13	89,992,000	60,079,727	89,992,000	60,079,727
Deferred tax assets		216,178	-	-	-
TOTAL ASSETS		**622,846,604**	**570,242,357**	**624,255,969**	**570,242,357**
LIABILITIES					
Members Savings	18	253,441,419	221,954,985	253,441,419	221,954,985
Creditors and accruals	19	2,704,437	5,180,789	2,654,385	5,180,789
Employee provisions	17	2,169,550	1,512,123	2,139,551	1,512,123
TOTAL LIABILITIES		**258,315,406**	**228,647,898**	**258,235,355**	**228,647,898**
NET ASSETS		**364,531,198**	**341,594,459**	**366,020,614**	**341,594,459**
EQUITY					
Asset Revaluation Reserve	21	2,543,965	21,526,515	2,543,965	21,526,515
General Reserve	22	25,767,468	21,902,256	25,767,468	21,902,256
Additional Interest Reserve	23	33,054,964	44,169,081	33,054,964	44,169,081
Retained earnings		303,164,800	253,996,607	304,654,216	253,996,607
TOTAL EQUITY		**364,531,198**	**341,594,459**	**366,020,614**	**341,594,459**

This statement is to be read in conjunction with the accompanying notes to the financial statements on page 11 to 35.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated Group		Society	
	Note	2016 K	2015 K	2016 K	2015 K
Cash flows from operating activities					
Interest received on loans		19,101,795	15,687,863	19,022,822	15,687,863
Interest on IBDs and debt securities		4,775,819	4,946,641	4,775,819	4,946,641
Dividends received		22,126,755	18,634,020	22,126,755	18,634,020
Net rental and other income		11,091,481	6,379,900	11,091,481	6,379,900
Net Proceeds on disposal/ acquisition of Investments		(5,000,000)	(4,301,312)	(11,773,235)	(4,301,312)
Net Purchase of Government Securities		9,135,008	(8,000,000)	9,135,008	(8,000,000)
Net loans to members		(25,931,812)	(21,300,911)	(23,969,849)	(21,300,911)
Payments to employees and suppliers		(27,147,566)	(26,702,123)	(25,974,975)	(26,702,123)
Net cash flows from/used in operating activities		**8,151,480**	**(14,655,922)**	**4,433,826**	**(14,655,922)**
Cash flows from investing activities					
Payments for investment in Property, plant and equipment		(4,425,998)	(1,071,653)	(3,462,822)	(1,071,653)
Net cash flows from/used in investing activities		**(4,425,998)**	**(1,071,653)**	**(3,462,822)**	**(1,071,653)**
Cash flows from financing activities					
Net members savings deposited		11,021,348	23,657,194	11,021,348	23,657,194
Net cash flows from financing activities		**11,021,348**	**23,657,194**	**11,021,348**	**23,657,194**
Cash & cash equivalents at the beginning of the year		16,864,988	8,935,371	16,864,988	8,935,371
Net decrease in cash and cash equivalent		14,746,830	7,929,617	11,992,352	7,929,617
Cash and cash equivalent at the end of the year	**15**	**31,611,818**	**16,864,988**	**28,857,340**	**16,864,988**

This statement is to be read in conjunction with the accompanying notes to the financial statements on page 11 to 35.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Reporting:

TISA Group (The 'Group') is domiciled in Papua New Guinea. The Group's registered office is at TISA Haus Waigani, NCD, Papua New Guinea. The Group is primarily involved in retail banking activities including receiving deposits and issuing loans.

2. Basis Of Accounting:

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Group's board of directors on 31 March 2017.

All amounts are expressed in Kina unless otherwise stated. Fair value accounting is used for investments at fair value through q accounting is used. Revenues and expenses are brought to account on an accrual basis.

Statement of compliance
The financial statements of the Group are general purpose financial statements which have been prepared in accordance with the accounting provisions of the International Financial Reporting Standards (IFRS), the Savings and Loans Societies (Amendments) Act 1995 and the Companies Act 1997. IFRS are Standards and Interpretations adopted by the International Accounting Standards Board (IASB). The Group's application of IFRS and its Interpretations ensures that its financial statement complies with IFRS.

3. Functional Currency

The financial statements are presented in Kina.

4. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 Investments in Government bonds and Treasury bills

The Directors have reviewed the Group's investments in government debt securities in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. Government debt securities are classified as loans and receivables due to lack of a secondary market and quoted active market prices.

4.1.2 Significant influence over Capital Life Insurance

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

4. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty (continued)

4.1.3 Financial assets at FVTPL – Quoted and Unquoted shares

Quoted and unquoted equity investments have been classified as fair value through profit and loss. Quoted prices have been obtained from Port Moresby Stock Exchange ('PomSOX'). Unquoted equity investments have been valued using valuation techniques.

4.2 Key sources of estimation uncertainty

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

4.2.1 Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period.

4.2.2 Fair value measurements and valuation processes

Some of the Group'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 Group uses market-observable data to the extent where it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

4.3 Going concern basis

The financial statements have been prepared on a going concern basis which assumes that the Group 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 2016 had an at call liquidity net deficiency of **K231million (2015:215 million).** This net deficiency is predominantly due to member deposits being fully categorized as liability exposure at call.

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

While member savings are at call, members are only allowed to withdraw 50% of their net savings (being any excess of the member savings over loans taken out with the Group). Withdrawals also have a wait period as applications are reviewed to ensure compliance with withdrawal policies.

Having assessed the Group's ability to generate positive cash flows as well as the likely timing of member withdrawals, of which there has been no history of significant withdrawals, the at call liquidity net deficiency is not expected to affect the Group's ability to meet its operational and financial obligations and the going concern assumption is considered appropriate in the preparation of these financial statements.

5. Changes in accounting policy

There was a change in accounting policy in 2016. Consolidation is applicable to this financial year.

6. New standards issued but not yet effective

The relevant standards and interpretation that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

IFRS 9 Financial Instruments
IFRS 9, published in 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This amendment is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

IFRS 15 Revenue from Contracts with Customers
The IASB issued IFRS 15 in 2014. The standard is not mandatorily effective for the Group until 1 October 2017. IFRS 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. The Group is assessing the potential impact on its financial statements resulting from the application of this standard.

IFRS 16 Leases
The final version of IFRS 16 was issued in February 2016. IFRS 16 requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for annual reporting periods beginning on or after 1st Jan 2019, with early adoption permitted.

Other standards and interpretation that are not deemed to have a significant effect on the Group are:
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2012-2014 Cycle

7. Significant Accounting Policies:

A. Basis of consolidation

i Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group re-assess whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (eg those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the financial statements from the date on which controls commences up till the date on which control ceases.

B. Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or where appropriate, a shorter period) to the carrying amount of the financial asset of liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

7. Significant Accounting Policies: (continued)

B. Interest (continued)

Interest income and expense presented in the statement of profit or loss and other comprehensive income using the effective interest method include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

C. Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset of financial liability are included in the measurement of the effective interest rate. Other fees and commission income – including account servicing fees and sales commission are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

D. Change in Fair Value of Financial Assets

Change in fair value of financial assets comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

E. Dividend Income

Dividend income is recognised when the right to receive income is established, usually this is the ex-dividend date for equity securities.

F. Leases

i Lease payments – lessee:
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

ii Lease assets- lessee:
The leased asset is initially measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases are classified as operating leases and are not recognised in the statement of financial position.

iii Lease assets- lessor:
If the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the new investment in the lease is recognised and presented within loans and advances.

7. Significant Accounting Policies: (continued)

G. Tax Exemption

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

The subsidiary, TISA Community Finance Ltd ('TCF') is subject to income tax under the Income Tax Act 1959.

H. Financial assets and liabilities:

i Recognition

The Group initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments including regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii Classification

The Group classified its financial instruments into the following categories;

- Fair value through profit and loss and within this category as:

o designated at FVTPL; and

- Loans and receivables

The Group classifies its financial liabilities as measured at amortised cost.

iii De-recognition

A financial asset is de-recognised when the Group loses control over the contractual rights that comprise the asset. This will occur when the rights are realised, expired or surrendered. A financial liability shall be de-recognised when it is extinguished.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expired.

iv Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

v Amortised cost measurement

The amortised cost of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment.

vi Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in it absence the most advantageous market to the which the Group has access at that date.

When available the Group measures the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as active if transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

7. Significant Accounting Policies: (continued)

H. Financial assets and liabilities: (continued)

If there is no quoted price in an active market then the Group uses calculation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that the market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii Identification and measurement of impairment

a) Objective evidence of impairment:

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flow of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- Indications that a borrower or issuer will enter bankruptcy; and
- The disappearance of an active market for a security.

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In making an assessment of whether an investment in sovereign debt is impaired, the Group considers the following factors:

- The market's assessment of the creditworthiness of the issuer and security
- The rating agencies' assessments of creditworthiness
- The country's ability to access the capital markets for new debt issuance

b) Individual and collective assessment:

The Group considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held to maturity investment securities are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held to maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to maturity investment securities with similar risk characteristics.

The individual component of the total allowance for impairment applies to the financial assets evaluated individually for impairment and found to be individually impaired and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Assets and Liabilities Committee.

7. Significant Accounting Policies: (continued)

H. Financial assets and liabilities: (continued)

c) Measurement:
Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in the profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised because the amount of impairment loss to decrease then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available for sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

d) Reversal of impairment and write-offs:
The Group writes off a loan or an investment debt security either partially or in full and any related allowance for impairment losses, when the Group determines that there is no realistic prospect of recovery.

I. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, and other short-term highly liquid investments with initial maturities of less than three months.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

J. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable repayment terms that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances and initially recognised at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

K. Investment securities

Investment securities are accounted for the following manners:

i **Fair value through profit or loss:**
The Group designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

ii At cost :
Unquoted equity securities whose fair value cannot be measured reliable are carried at cost.

iii Other fair value changes, other than impairment losses are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

7. Significant Accounting Policies: (continued)

L. Property and equipment

i Recognition and measurement:
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii Subsequent costs:
Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii Depreciation:
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight line method over their estimated useful lives and is recognised in the profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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 & Equipment	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

M. Investment properties

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within change in fair value of investment. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

N. Investment property rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

O. Software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development the capitalised costs of internally developed software all costs directly attributable to developing the software and are amortised over its useful life.

7. Significant Accounting Policies: (continued)

O. Software (continued)

Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in profit or loss over its estimated useful life from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 3-5 years. Amortisation methods, useful lives and residual values are reviews at each reporting date and adjusted if appropriate.

P. Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from am continuing use that is largely independence of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Q. Deposits

Deposits are initially measured at fair value minus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method.

R. Provisions

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

S. Employee benefits

i Defined contribution plans:
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

ii Other long term employee benefits:
The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

7. Significant Accounting Policies: (continued)

S. Employee benefits (continued)

iii Termination benefits:
Termination benefits are expensed as at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs from a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

iv Short term employee benefits
Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

T. Reserves

The Group maintains the following equity positions:

i General reserve / statutory reserve represents a statutory minimum of twenty percent (20%) of each year's profit. If the reserve is greater than 10% of total liabilities then 20% of net earnings is not required to be transferred.

ii Property revaluation reserve captures any appreciation in property, plant and equipment accounted for under the revaluation model over the initial cost of acquiring the item.

8. Interest income

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Interest income – members loans	19,101,795	15,687,862	19,022,822	15,687,862
Interest income – IBDs and debt securities	4,950,813	4,946,641	4,950,813	4,946,641
Amortization of discount on debt securities	552,748	-	552,748	-
Total interest income	**24,605,356**	**20,634,503**	**24,526,383**	**20,634,503**

8.1 Interest expense

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Interest expense – members savings	(5,286,799)	(4,696,268)	(5,286,799)	(4,696,268)
Additional interest distribution made from additional interest reserves	(15,178,287)	(13,191,381)	(15,178,287)	(13,191,381)
Total interest credited and distributed to members	**(20,465,086)**	**(17,887,649)**	**(20,465,086)**	**(17,887,649)**

Interest expense on members' savings is accrued and credited to members' accounts at the end of each month. The totally monthly interest charges credited to member accounts during the year amounted to **K5,286,799 (2015: K4,696,268)** with additional interest of **K15,178,287 (2015: K13,191,381)** credited to members as a distribution from profits earned in 2016.

8. Interest income (continued)

8.2 Other income

	Consolidated		Society	
	2016	**2015**	**2016**	**2015**
	K	**K**	**K**	**K**
Net Loan processing and account administration fees	5,469,903	5,116,081	5,429,826	5,116,081
CIG associate profit share	4,060,000	2,261,935	-	2,261,935
Tisa and LPI insurance commission, and other income	101,621	224,089	101,621	224,089
Net reversal of doubtful debts	5,546	-	5,546	-
Total other income	**9,637,070**	**7,602,105**	**5,536,993**	**7,602,105**

9. 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.

	Consolidated		Society	
	2016	**2015**	**2016**	**2015**
	K	**K**	**K**	**K**
Auditors Remuneration- Statutory audit services	150,000	141,300	150,000	141,300
Bank charges and interest	86,783	90,878	85,600	90,878
Depreciation	1,163,328	1,277,878	1,103,846	1,277,878
Doubtful Debts – Loans	-	1,701,637	-	1,701,637
Electricity	1,771,188	1,792,270	1,758,507	1,792,270
Insurance	492,438	449,161	492,438	449,161
Property Expense	277,809	401,845	277,809	401,845
Travel, Airfare and accommodation	684,430	744,949	681,489	744,949
Security costs	190,405	138,218	190,405	138,218
Data Processing Expenses	1,078,600	984,808	1,077,322	984,808
Printing and Stationery	450,977	328,529	433,599	328,529
Establishment Cost	479,761	486,038	442,585	486,038
Fuel	173,062	233,636	172,263	233,636
Advertising & Promotion, Credit Union Day	802,998	1,289,736	800,849	1,289,736
Donations	54,767	91,626	54,767	91,626
Entertainment	126,758	72,273	126,623	72,273
Telephone	477,430	267,241	476,991	267,241
Repair and Maintenance	612,121	451,013	608,821	451,013
Rates & Taxes	532,839	155,704	532,839	155,704
Motor Vehicle Expenses	166,269	159,815	158,160	159,815
Filing and Legal Cost	267,106	269,283	267,106	269,283
Freight	80,202	100,123	80,202	100,123
Consulting	113,800	472,917	104,875	472,917
Cleaning	312,652	276,570	312,652	276,570
General and Administrative Expenses	4,024,131	3,275,811	2,865,655	3,414,759
Total other operating expenses	**14,569,854**	**15,792,207**	**13,255,403**	**15,792,207**

10. Property, Plant and Equipment

	Consolidated							
	Freeholds Land K	Land & Building K	Furniture & Fittings K	Office Equipment K	Motor Vehicles K	Computer Software K	Plant & Equipment K	Total
Cost or valuation								
Balance as at 1 January 2016	**25,648,766**	**11,604,762**	**323,966**	**3,166,986**	**1,997,675**	**4,069,275**	**583,967**	**47,395,397**
Additions	-	-	588,399	182,068	629,974	-	-	1,400,441
Valuations	-	(42,468)	-	-	-	-	-	(42,468)
Disposals	-	-	-	(10,072)	(72,101)	-	-	(82,173)
Depreciation reversals	-	(914,491)	-	-	-	-	-	(914,491)
Transfers outs	(25,648,766)	(1,700,000)	-	-	-	-	-	(27,348,766)
Balance at 31 December 2016	**-**	**8,947,804**	**912,365**	**3,338,982**	**2,555,548**	**4,069,275**	**583,967**	**20,407,941**
Accumulated depreciation								
Balance as at 1 January 2016	**-**	**661,199**	**225,633**	**952,594**	**987,571**	**1,826,332**	**183,360**	**4,836,689**
Charge for the year	-	253,292	32,563	239,569	375,486	222,356	40,061	1,163,327
Disposals	-	-	-	(10,072)	(72,101)	-	-	(82,173)
Reversals	-	(914,491)	-	-	-	-	-	(914,491)
Balance at 31 December 2016	**-**	**-**	**258,196**	**1,182,091**	**1,290,956**	**2,048,687**	**223,421**	**5,003,351**
Cost or valuation								
Balance as at 1 January 2015	**25,000,000**	**13,701,667**	**323,966**	**2,948,491**	**3,231,834**	**4,035,366**	**322,241**	**49,573,566**
Additions	648,766	-	-	218,495	409,615	33,909	251,725	1,562,511
Valuations	-	-	-	-	-	-	-	-
Disposals/transfers	-	(2,096,905)	-	-	(1,643,774)	-	-	(3,740,679)
Balance at 31 December 2015	**25,648,766**	**11,604,762**	**323,966**	**3,166,986**	**1,997,675**	**4,069,275**	**583,967**	**47,395,397**
Accumulated depreciation								
Balance as at 1 January 2015	**-**	**335,205**	**214,707**	**724,894**	**1,730,579**	**1,576,460**	**137,170**	**4,719,015**
Charge for the year	-	325,994	10,926	227,700	409,908	249,872	46,190	1,270,590
Disposals	-	-	-	-	(1,152,916)	-	-	(1,152,916)
Reversals	-	-	-	-	-	-	-	-
Balance at 31 December 2015	**-**	**661,199**	**225,633**	**952,594**	**987,571**	**1,826,332**	**183,360**	**4,836,689**
Net book value								
Balance at 31 December 2016	**-**	**8,947,804**	**654,169**	**2,156,891**	**1,264,592**	**2,020,588**	**360,546**	**15,404,589**
Balance at 31 December 2015	**25,648,766**	**10,943,563**	**98,333**	**2,214,392**	**1,010,105**	**2,242,943**	**400,607**	**42,558,708**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. Property, Plant and Equipment (continued)

	Society							
	Freeholds Land K	Land & Building K	Furniture & Fittings K	Office Equipment K	Motor Vehicles K	Computer Software K	Plant & Equipment K	Total
Cost or valuation								
Balance as at 1 January 2016	**25,648,766**	**11,604,762**	**323,966**	**3,166,986**	**1,997,675**	**4,069,275**	**583,967**	**47,395,397**
Additions	-	-	-	108,908	361,581	-	-	467,536
Valuations	-	(42,468)	-		-	-	-	(42,468)
Disposals	-	-	-	(10,072)	(72,101)	-	-	(82,173)
Depreciation reversals	-	(914,491)	-	-	-	-	-	(914,491)
Transfers outs	(25,648,766)	(1,700,000)	-	-	-	-	-	(27,348,766)
Balance at 31 December 2016	**-**	**8,947,804**	**323,966**	**3,265,822**	**2,287,155**	**4,069,275**	**583,967**	**19,475,037**
Accumulated depreciation								
Balance as at 1 January 2016	**-**	**661,199**	**225,633**	**952,594**	**987,571**	**1,826,332**	**183,360**	**4,836,689**
Charge for the year	-	253,292	9,833	236,511	341,793	222,356	40,061	1,103,846
Disposals	-	-	-	(10,072)	(72,101)	-	-	(82,173)
Reversals	-	(914,491)	-	-	-	-	-	(914,491)
Balance at 31 December 2016	**-**	**-**	**235,466**	**1,179,034**	**1,257,263**	**2,048,687**	**223,421**	**4,943,871**
Cost or valuation								
Balance as at 1 January 2015	**25,000,000**	**13,701,667**	**323,966**	**2,948,491**	**3,231,834**	**4,035,366**	**322,241**	**49,573,566**
Additions	648,766	-	-	218,495	409,615	33,909	251,725	1,562,511
Valuations	-	-	-	-	-	-	-	-
Disposals/transfers	-	(2,096,905)	-	-	(1,643,774)	-	-	(3,740,679)
Balance at 31 December 2015	**25,648,766**	**11,604,762**	**323,966**	**3,166,986**	**1,997,675**	**4,069,275**	**583,967**	**47,395,397**
Accumulated depreciation								
Balance as at 1 January 2015	**-**	**335,205**	**214,707**	**724,894**	**1,730,579**	**1,576,460**	**137,170**	**4,719,015**
Charge for the year	-	325,994	10,926	227,700	409,908	249,872	46,190	1,270,590
Disposals	-	-	-	-	(1,152,916)	-	-	(1,152,916)
Reversals	-	-	-	-	-	-	-	-
Balance at 31 December 2015	**-**	**661,199**	**225,633**	**952,594**	**987,571**	**1,826,332**	**183,360**	**4,836,689**
Net book value								
Balance at 31 December 2016	**-**	**8,947,804**	**88,500**	**2,083,836**	**1,029,892**	**2,020,588**	**360,546**	**14,534,119**
Balance at 31 December 2015	**25,648,766**	**10,943,563**	**98,333**	**2,214,392**	**1,010,105**	**2,242,943**	**400,607**	**42,558,708**

10. Property, Plant and Equipment (continued)

Land and building is 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 The Professional Valuers of PNG Ltd in December 2016. Accumulated depreciation on land and building assets have been fully reversed.

During the year, three assets were reclassified from property, plant and equipment to investment properties. These were two vacant blocks of land in Waigani, Port Moresby and one block of land in Madang on which contains an investment property.

10.1 Work in Progress

Capital work in progress ('WIP') relates to major refurbishment and construction work on the Group's land and building assets and investment properties. The current work in progress predominantly relates to construction of the Alotau Branch.

Aircon refurbishments to TISA Haus Waigani have been transferred out of WIP during the year to investment properties. Refer to note 13 for further details.

11. Other financial assets

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Quoted shares (note 11a)	231,271,944	224,960,620	231,271,944	224,960,620
Unquoted shares (note 11b)	23,955,058	20,185,191	30,728,293	20,185,191
Government debt securities (note 11c)	50,790,978	61,803,418	50,790,978	61,803,418
Total other financial assets	**306,017,981**	**306,949,229**	**312,791,216**	**306,949,229**

11a. Quoted shares

Teachers Community Finance Limited does not hold quoted shares, hence the table below is applicable for both the consolidated group and TISA Society.

Quoted shares are financial assets classified as Fair Value through Profit and Loss with any changes in the fair value of the assets recorded in the statement of profit or loss and other comprehensive income.

11. Other financial assets (continued)

11a. Quoted shares (continued)

	Consolidated and Society	
	2016	**2015**
	K	**K**
Quoted shares:		
Bank South Pacific Limited		
Balance at the beginning of the year	114,880,245	109,365,993
Fair value gain/(loss) from change in net market value	22,976,049	5,514,252
At Valuation (2016: 15,317,366 shares @ 9.00 per share)	**137,856,294**	**114,880,245**
(2015: 15,317,366 shares @ K7.50 per share)		
Credit Corporation (PNG) Limited		
Balance at the beginning of the year	109,380,375	126,395,100
Fair value gain/(loss) from change in net market value	(17,014,725)	(17,014,725)
At Valuation (2016: 48,613,500 shares @ 1.90 per share)	**92,365,650**	**109,380,375**
(2015: 48,613,500 shares @ K2.25 per share)		
PNG Air Limited		
Balance at the beginning of the year	700,000	420,000
Fair value gain/(loss) from change in net market value	350,000	280,000
At Valuation (2016: 7,000,000 shares @ K0.15 per share)	**1,050,000**	**700,000**
(2015: 7,000,000 shares @ K0.10 per share)		
Total financial assets at fair value through profit or loss	**231,271,944**	**224,960,620**

11b. Unquoted shares of subsidiary and associate

At 31st December 2016, the Society's interest holding in Capital Insurance Group Ltd ('CIG') stands at 29% (2015: 29%). The entity is a provider of life and general insurance products. The entity is headquartered in Port Moresby however has operations across the Pacific. For consolidation purposes the investment is classified as an associate and the equity method has been applied in the consolidated financial statements.

For Society's standalone financial statements, the CIG shares are financial assets classified as Fair Value through Profit and Loss with any changes in the fair value of the assets recorded in the statement of profit or loss and other comprehensive income.

TISA Community Finance ('TCF') commenced operations in the fourth quarter of the financial year. The entity is wholly owned and is controlled by the Society. Hence consolidated financial statements are prepared for the Group. On a standalone basis, the Society's investment in TCF is accounted for at cost. No indicators of impairment have been identified by management.

11. Other financial assets (continued)

11b. Unquoted shares of subsidiary and associate (continued)

	Consolidated		Society	
	2016	**2015**	**2016**	**2015**
	K	**K**	**K**	**K**
Unquoted shares:				
Capital Insurance Group (associate)	23,955,058	20,185,191	23,955,058	20,185,191
TISA Community Finance (subsidiary)	-	-	6,773,235	-
Total unquoted shares	**23,955,058**	**20,185,191**	**30,728,293**	**20,185,191**

The table below is a reconciliation of the equity accounting for CIG at a consolidated level.

	Consolidated and Society	
	2016	**2015**
	K	**K**
Reconciliation of investment in associate at consolidated level		
Balance at beginning of year	20,185,191	19,184,179
Additional Investment	-	-
(Provision)/reversal for impairment of associate	-	-
Equity profits true-up	-	(970,790)
Dividend Received	(290,133)	(290,133)
Share of the associate's net profit	4,060,000	2,261,936
Total investment in associate	**23,955,058**	**20,185,191**

11c. Government debt securities

Investments in government securities are classified as loans and receivables and are accounted for at amortised cost method using the effective interest method.

	Consolidated		Society	
	2016	**2015**	**2016**	**2015**
	K	**K**	**K**	**K**
Government debt securities				
Treasury bill – cost at acquisition	26,668,410	34,803,418	26,668,410	34,803,418
Inscribed stock – face value on maturity	26,000,000	27,000,000	26,000,000	27,000,000
Net discount on Inscribed stock	(1,877,431)	-	(1,877,431)	-
Total government debt securities	**50,790,979**	**61,803,418**	**50,790,979**	**61,803,418**

11. Other financial assets (continued)

11c. Government debt securities (continued)

Investments in Government Inscribed Stock bear interest varying between 5-12% per annum. (2015: 5-12% per annum). Also included in held to maturity investments are treasury bills that have maturity of no more than 90 days from the balance date and provide a return of approximately 7% per annum.

Interest receivables have been recorded in note 16 as interest receivables.

12. Changes in fair value of financial assets

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Changes in fair value of shares				
Bank South Pacific Limited	22,976,049	5,514,252	22,976,049	5,514,252
Credit Corporation (PNG) Limited	(17,014,725)	(17,014,725)	(17,014,725)	(17,014,725)
PNG Air Limited	350,000	280,000	350,000	280,000
Capital Insurance Group	-	-	3,769,867	-
Total changes in fair value of shares	**6,311,324**	**(11,220,473)**	**10,081,191**	**(11,220,473)**

On a standalone basis for the Society, CIG is accounted for as a financial asset classified as Fair Value through Profit and Loss. For consolidation purposes, CIG is classified as an associate and the equity accounting method is applied, hence there are no changes in fair value in the consolidated financial statements.

13. Investment Properties

Properties	Fair Value 31-Dec-15 K	Additions/ Transfers K	Gain/(Loss) K	Fair Value 31-Dec-16 K
Tisa Haus, Waigani	42,205,554	641,833	(1,963,388)	40,884,000
Tisa Haus, Lae	7,777,267	(74,367)	(474,900)	7,228,000
Tisa Haus, Madang	2,096,905	1,700,000	833,095	4,630,000
Kouaka Place, Gordons	8,000,000	-	756,000	8,756,000
Land adjacent to NDB, Waigani	-	16,648,765	1,351,234	18,000,000
Land adjacent to TISA, Waigani	-	9,000,000	1,494,000	10,494,000
Totals	**60,079,726**	**27,916,231**	**1,996,041**	**89,992,000**

13. Investment Properties (continued)

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

The fair value of the investment property was based on a valuation carried out by The Professional Valuers of PNG Ltd, independent valuers in December 2016. The Professional Valuers of PNG Ltd are members of the Papua New Guinea Institute of Valuers and Land Administrators, and they have appropriate qualifications and vast experiences in the valuations of properties in the recent locations. The valuation methodologies used to value the assets were capitalization method and sales comparison method.

Transfers to investment property from property, plant and equipment included the land on which the Tisa Haus, Madang was situated on, and two blocks of land in Waigani, Port Moresby.

Further, air conditioning system improvements to the Tisa Haus, Waigani were transferred from work in progress to investment property during the year.

14. Loans to Members

The interest rates charged by the Society on loans to members during the year was 1% per month or 12% per annum irrespective of the loan type. These loans are repayable over various periods, as pre-approved by the Board, but not exceeding 5 years. Interest receivable on loans is capitalized in to the loan balance.

TISA Community Finance commenced lending during the fourth quarter of the financial year. Interest rates charged to customers vary from 12% to 20% per annum depending on the loan type. These loans are repayable over various periods. Interest receivable on loans is capitalized in to the loan balance.

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Member loans and provisioning				
Loans receivable to members	169,308,710	143,076,026	167,045,875	143,076,026
Allowance for doubtful debts (note 14.1)	(4,040,687)	(4,046,233)	(4,040,687)	(4,046,233)
Loan repayments relating to year end received after year end	(1,077,954)	-	(1,077,954)	-
Net member loans	**163,588,323**	**139,029,793**	**161,927,234**	**139,029,793**

14. Loans to Members (continued)

14.1 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.

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Reconciliation of loan provisioning				
Balance at the beginning of the year	4,046,233	1,275,373	4,046,233	1,275,373
Net write offs and reversals	(1,569,222)	(77,708)	(1,569,222)	(77,708)
Charges to profit and loss	1,563,676	2,848,568	1,563,676	2,848,568
Provision level at the end of the year	**4,040,687**	**4,046,233**	**4,040,687**	**4,046,233**

15. Cash and Cash Equivalent and interest bearing deposits

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Cash and cash equivalents				
Cash on hand and at bank	21,551,429	6,342,145	18,796,951	6,342,145
IBDs with maturities of less than 3 months	10,060,389	10,522,843	10,060,389	10,522,843
Total cash and cash equivalents	**31,611,818**	**16,864,988**	**28,857,340**	**16,864,988**

In addition to the above, the Society also had an interest bearing deposit of **PGK 5,000,000** with an initial maturity exceeding 3 months. This interest bearing deposit is classified in a separate financial statement caption in the statement of financial position.

IBDs earn an interest of approximately 2% per annum. Investments in short term government treasury bills have been disclosed in note 11c.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16. Rental and other Receivables

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Rental and other receivables				
Rental debtors	1,904,400	1,114,884	1,904,400	1,114,884
Less: Allowance for rental debtors	(333,646)	(333,646)	(333,646)	(333,646)
Net rental debtors	**1,570,754**	**781,238**	**1,570,754**	**781,238**
Other debtors	1,798,488	1,352,560	1,967,103	1,352,560
Less: Allowance for other debtors	(34,589)	(34,589)	(34,589)	(34,589)
Net other debtors	**1,763,899**	**1,317,971**	**1,932,514**	**1,317,971**
Prepayments	359,127	124,928	359,127	124,928
Interest receivable	1,053,307	878,313	1,053,307	878,313
Member contributions relating to year end received after year end	1,585,609	-	1,585,609	-
Subtotal prepayments, interest and member receivables	**2,998,043**	**1,003,241**	**2,998,043**	**1,003,241**
Total Rental and other receivables	**6,332,696**	**3,102,450**	**6,501,311**	**3,102,450**

17. Employee provisions

Employee provisions				
Annual leave	753,401	343,872	723,402	343,872
Long service leave	1,416,149	1,168,252	1,416,149	1,168,252
Total employee provisions	**2,169,550**	**1,512,123**	**2,139,551**	**1,512,123**

18. Members Savings

Member savings				
Member savings pre additional interest	237,755,477	208,763,603	237,755,477	208,763,603
Additional interest distributed	15,178,287	13,191,382	15,178,287	13,191,382
Member contributions relating to year end received after year end	507,655	-	507,655	-
Total member savings	**253,441,419**	**221,954,985**	**253,441,419**	**221,954,985**

TISA Community Finance did not hold any deposits for customers as at 31 December 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

19. Creditors and Accruals

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Creditors and accruals				
Medical claims	14,461	14,461	14,461	14,461
Rental bonds	19,314	40,487	19,314	40,487
Goods and services tax	247,820	215,900	247,820	215,900
Group tax	118,406	146,088	118,406	146,088
Accrued expenses	817,959	1,029,288	817,959	1,029,288
Sundry creditors	1,467,518	1,256,507	1,417,466	1,256,507
Rent received in Advance	18,959	18,959	18,959	18,959
Unearned revenue	-	28,919	-	28,919
Inscribe Stock Discount	-	2,430,179	-	2,430,179
Total creditors and accruals	**2,704,437**	**5,180,789**	**2,654,385**	**5,180,789**

20. Member's Capital

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

21. Asset Revaluation Reserve

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Asset Revaluation Reserve Reconciliation				
Opening balance at 1 January	21,526,515	21,526,515	21,526,515	21,526,515
Transfers out to retained earnings	(18,940,082)	-	(18,940,082)	-
Change in fair value of land and buildings	(42,468)	-	(42,468)	-
Reserve balance at 31 December	**2,543,965**	**21,526,515**	**2,543,965**	**21,526,515**

During the year, three blocks of land were reclassified from land and buildings under property, plant and equipment to investment properties. There is one block of land in Madang and two vacant blocks of land in Waigani, Port Moresby. Refer to notes 10 and 13 for further details.

22. General Reserve

General Reserve Reconciliation				
Opening balance at 1 January	21,902,256	19,906,923	21,902,256	19,906,923
Transfers in from Retained Earnings	7,929,382	-	7,929,382	-
Transfer out to Additional Interest Reserve	(4,064,169)	1,995,333	(4,064,169)	1,995,333
Reserve balance at 31 December	**25,767,468**	**21,902,256**	**25,767,468**	**21,902,256**

22. General Reserve (continued)

The Savings and Loan Societies (Amendment) Act 1995, requires a Society to transfer 20% of its profits earned in a financial year to the general reserve fund. The purpose of the general reserve fund is to absorb bad loans or lending losses and shall not be used for any other purpose except on the winding up of the Society. The Society is not required to maintain in the general reserve fund at any one time a balance of funds that exceeds 10% of total liabilities.

The general reserve fund balance exceeded 10% of total liabilities after a transfer of 20% of profits. The excess in the general reserve funds was transferred out to the additional interest reserve fund (note 23).

23. Additional Interest Reserve

	Consolidated		Society	
	2016	**2015**	**2016**	**2015**
	K	**K**	**K**	**K**
Additional Interest Reserve Reconciliation				
Opening balance at 1 January	44,169,082	57,360,462	44,169,082	57,360,462
Transfers in from General Reserve	4,064,169	-	4,064,169	-
Transfer out to Member Savings	(15,178,287)	(13,191,381)	(15,178,287)	(13,191,381)
Reserve balance at 31 December	**33,054,964**	**44,169,081**	**33,054,964**	**44,169,081**

Pursuant to the Savings and Loan Society (Amendment) Act 1995, the Board of Directors approved for the establishment of the Additional Interest Reserve Fund for the purpose of maintaining a steady flow of returns to members in the form of additional interest and to ensure all future additional interest is paid to members from this fund. Under the provisions of the Act, a Society is permitted to pay members a maximum additional interest of 7% per annum on savings accounts. The Society pays additional interest to S1 General Savings accounts.

The additional interest is considered a distribution to members of the fund. The amount of the distribution is contingent and dependent on the profits earned by the Society. Hence, it is recorded through equity.

This differs from the monthly interest income paid to contributing members which is deemed a cost of attracting deposit capital and maintaining it in the Society. Hence, it is recorded as an expense in the statement of profit and loss and other comprehensive income.

24. 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 minimize the potential adverse effects on the financial performance of the Society. The Society does not use any derivative financial instruments to hedge these exposures.

24. Financial instruments and risk management (continued)

24.1 Maximum credit risk and concentration of credit risk

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

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Assets bearing credit risk				
Cash and cash equivalents	31,611,818	16,864,988	28,857,340	16,864,988
Interest bearing deposits	5,000,000	-	5,000,000	-
Rental and other receivables	6,332,696	3,102,450	6,501,312	3,102,450
Net Loans to members	163,588,323	139,029,793	161,927,234	139,029,793
Quoted shares	231,271,944	224,960,620	231,271,944	224,960,620
Unquoted shares	23,955,058	20,185,191	30,728,293	20,185,191
Government debt securities	50,790,978	61,803,418	50,790,978	61,803,418
Total assets	**512,550,817**	**465,946,460**	**515,077,101**	**465,946,460**

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

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
Member loans				
Loans backed by deposits	149,772,875	113,408,251	149,772,875	113,408,251
Loans without deposit backing	19,234,963	29,667,775	17,273,000	29,667,775
Total assets	**169,007,838**	**143,076,026**	**167,045,875**	**143,076,026**

24.2 Liquidity risk

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

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

The table below summaries the maturity profile of the Group's financial assets and liabilities as at 31 December 2016 based on contractual repayment obligations.

24. Financial instruments and risk management (continued)

24.2 Liquidity risk (continued)

	Consolidated						
	Total **K**	**At Call** **K**	**0 - 3 mths** **K**	**3 mths - 1 Yr** **K**	**1 - 5 Yrs** **K**	**More than 5 Yrs** **K**	**Weighted Average Rate p.a.**
2016							
Cash and cash equivalents	31,611,818	21,551,459	10,060,359	-	-	-	**2%**
Interest bearing deposits	5,000,000	-	-	5,000,000	-	-	**3%**
Rental and other receivables	6,332,696	-	6,332,696	-	-	-	**nil**
Net Loans to members	163,588,323	-	8,574,874	28,828,296	126,185,153	-	**12%**
Quoted shares	231,271,944	-	-	231,271,944	-	-	**nil**
Unquoted shares	23,955,058	-	-	23,955,058	-	-	**nil**
Government debt securities	50,790,978	-	14,142,060	2,949,890	19,656,808	14,042,220	**10%**
Total Undiscounted Cash Inflows	**512,550,817**	**21,551,459**	**39,109,989**	**292,005,188**	**145,841,961**	**14,042,220**	
Liabilities							**1.5%**
Members Savings*	253,441,419	253,441,419	-	-	-	-	**nil**
Creditors and accruals	2,704,437	-	2,704,437	-	-	-	**nil**
Employee provisions	2,169,550	-	-	753,401	-	1,416,149	
Total Undiscounted Cash Outflows	**258,315,406**	**253,441,419**	**2,704,437**	**753,401**	**-**	**1,416,149**	
2015							
Cash and cash equivalents	16,864,988	6,342,145	10,522,843	-	-	-	**2%**
Interest bearing deposits	-	-	-	-	-	-	**nil**
Rental and other receivables	3,102,450	-	3,102,450	-	-	-	**nil**
Net Loans to members	139,029,793	-	7,576,606	25,472,170	110,027,250	-	**12%**
Quoted shares	224,960,620	-	-	224,960,620	-	-	**nil**
Unquoted shares	20,185,191	-	-	20,185,191	-	-	**nil**
Government debt securities	61,803,418	-	17,748,683	18,054,735	10,000,000	16,000,000	**10%**
Total Undiscounted Cash Inflows	**465,946,460**	**6,342,145**	**38,950,582**	**288,672,716**	**120,027,250**	**16,000,000**	
Liabilities							
Members Savings*	221,954,985	221,954,985	-	-	-	-	**1.5%**
Creditors and accruals	5,180,789	-	547,698	-	-	-	**nil**
Employee provisions	1,512,123	-	-	343,872	-	1,168,252	**nil**
Total Undiscounted Cash Outflows	**228,647,897**	**221,954,985**	**547,698**	**343,872**	**-**	**1,168,252**	
Net exposure 2016	**254,235,411**	**(231,889,960)**	**36,405,552**	**291,251,787**	**145,841,961**	**12,626,071**	
Net exposure 2015	**237,298,563**	**(215,612,840)**	**38,402,884**	**288,328,844**	**120,027,250**	**14,831,748**	

24. Financial instruments and risk management (continued)

24.2 Liquidity risk (continued)

	Society						
	Total K	At Call K	0 - 3 mths K	3 mths - 1 Yr K	1 - 5 Yrs K	More than 5 Yrs K	Weighted Average Rate p.a.
2016							
Cash and cash equivalents	28,857,340	18,796,981	10,060,359	-	-	-	**2%**
Interest bearing deposits	5,000,000	-	-	5,000,000	-	-	**3%**
Rental and other receivables	6,501,312	-	6,501,312	-	-	-	**nil**
Net Loans to members	161,927,234	-	8,574,874	28,828,296	124,524,064	-	**12%**
Quoted shares	231,271,944	-	-	231,271,944	-	-	**nil**
Unquoted shares	30,728,293	-	-	30,728,293	-	-	**nil**
Government debt securities	50,790,978	-	14,142,060	2,949,890	19,656,808	14,042,220	**10%**
Total Undiscounted Cash Inflows	**515,077,101**	**18,796,981**	**39,278,605**	**298,778,423**	**144,180,872**	**14,042,220**	
Liabilities							
Members Savings*	253,441,419	253,441,419	-	-	-	-	**1.5%**
Creditors and accruals	2,654,385	-	2,654,385	-	-	-	**nil**
Employee provisions	2,139,551	-	-	723,402	-	1,416,149	**nil**
Total Undiscounted Cash Outflows	**258,235,355**	**253,441,419**	**2,654,385**	**723,402**	**-**	**1,416,149**	
2015							
Cash and cash equivalents	16,864,988	6,342,145	10,522,843	-	-	-	**2%**
Interest bearing deposits	-	-	-	-	-	-	**nil**
Rental and other receivables	3,102,450	-	3,102,450	-	-	-	**nil**
Net Loans to members	139,029,793	-	7,576,606	25,472,170	110,027,250	-	**12%**
Quoted shares	224,960,620	-	-	224,960,620	-	-	**nil**
Unquoted shares	20,185,191	-	-	20,185,191	-	-	**nil**
Government debt securities	61,803,418	-	17,748,683	18,054,735	10,000,000	16,000,000	**10%**
Total Undiscounted Cash Inflows	**465,946,460**	**6,342,145**	**38,950,582**	**288,672,716**	**120,027,250**	**16,000,000**	
Liabilities							
Members Savings*	221,954,985	221,954,985	-	-	-	-	**1.5%**
Creditors and accruals	5,180,789	-	547,698	-	-	-	**nil**
Employee provisions	1,512,123	-	-	343,872	-	1,168,252	**nil**
Total Undiscounted Cash Outflows	**228,647,897**	**221,954,985**	**547,698**	**343,872**	**-**	**1,168,252**	
Net exposure 2016	**256,841,746**	**(234,644,438)**	**36,624,220**	**298,055,021**	**144,180,872**	**12,626,071**	
Net exposure 2015	**237,298,563**	**(215,612,840)**	**38,402,884**	**288,328,844**	**120,027,250**	**14,831,748**	

24. Financial instruments and risk management (continued)

24.2 Liquidity risk (continued)

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

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

24.3 Interest rate risk

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

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

Fixed rate instruments (financial assets)

	Consolidated		Society	
	2016 K	**2015 K**	**2016 K**	**2015 K**
Treasury bills	26,668,410	34,803,418	26,668,410	34,803,418
Government inscribed stock	24,122,569	27,000,000	24,122,569	27,000,000
Loans to members	163,588,323	139,029,793	161,927,234	139,029,793
Total interest bearing assets	**214,379,302**	**200,833,211**	**212,718,213**	**200,833,211**

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

Fixed rate instruments (financial liabilities)

	Consolidated		Society	
	2016 K	**2015 K**	**2016 K**	**2015 K**
Member savings	253,441,419	221,954,985	253,441,419	221,954,985
Total interest bearing liabilities	**253,441,419**	**221,954,985**	**253,441,419**	**221,954,985**

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

24. Financial instruments and risk management (continued)

24.4 Other market price risk

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

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

Sensitivity analysis:

With all other variables held constant, the Society's exposure to share price risk is measured by sensitivity analysis. The table below demonstrates the effect on profit 5% change in fair value on financial instruments measured at fair value:

	Consolidated		Society	
	2016 K	2015 K	2016 K	2015 K
+ 5% change in fair value	12,761,350	11,248,030	13,100,010	11,248,030
- 5% change in fair value	(12,761,350)	(11,248,030)	(13,100,010)	(11,248,030)

24.5 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;
- Accounts payable and sundry payables are carried at fair value; and
- Member deposits are recognized at inception at fair value and subsequently at amortized cost.

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

- Level 1: derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: derived from inputs other than quoted prices included within level 1 that are observable for the assets or liability, 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 liability that are not based on observable market data (unobservable inputs)

24. Financial instruments and risk management (continued)

24.5 Fair values of financial instruments (continued)

The table below demonstrates the Group's fair value hierarchy for financial instruments and investment assets measured at fair value:

	Consolidated					
	2016			2015		
	Lvl 1	Lvl 2	Lvl 3	Lvl 1	Lvl 2	Lvl 3
Quoted shares	231,271,944	-	-	224,960,620	-	-
Unquoted shares	-	23,955,058	-	-	20,185,191	-
Investment properties	-	-	89,992,000	-	-	60,079,727
Totals	**231,271,944**	**23,955,058**	**89,992,000**	**224,960,620**	**20,185,191**	**60,079,727**

	Society					
	2016			2015		
	Lvl 1	Lvl 2	Lvl 3	Lvl 1	Lvl 2	Lvl 3
Quoted shares	231,271,944	-	-	224,960,620	-	-
Unquoted shares	-	30,728,293	-	-	20,185,191	-
Investment properties	-	-	89,992,000	-	-	60,079,727
Totals	**231,271,944**	**30,728,293**	**89,992,000**	**224,960,620**	**20,185,191**	**60,079,727**

25. Employees

The number of people employed by the Society as at 31 December 2016 is 260 (2015: 253).

The number of people employed by TCF as at 31 December 2016 is 8 (2015: nil).

The number of people employed by the Group as at 31 December 2016 is 268 (2015: 253).

26. Retirement benefits

The Society participates in the National Superannuation Fund of Papua New Guinea in respect of its national employees. The employer contribution rate is 12%. Employer contribution during the year amounted to **K904,215 (2015: K621,195).**

27. 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 2016 is **K1,567,662 (2015: K1,863,648).** 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.

Total savings by Directors and Staff amounted to **K1,606,193.**

27. Related parties (continued)

27.1 Key management personnel remuneration

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

	Group		Society	
	2016 No.	2015 No.	2016 No.	2015 No.
K100,000 – K149,999	4	3	4	3
K150,000 – K199,999	-	-	-	-
K200,000 – K249,999	1	-	1	-
K250,000 – K299,999	3	-	3	-
K300,000 – K349,999	-	2	-	2
K350,000 – K399,999	-	1	-	1
K400,000 – K449,999	-	-	-	-
K450,000 – K499,999	-	-	-	-
K500,000 – K549,999	1	-	-	-
K550,000 – K599,999	1	1	1	1
	10	**7**	**9**	**7**

The specified executives of the Society during the year were:

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

The specified Directors of the Society during the year were:

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

The specified executives of TCF during the year were:

- Mr Richard Busby – Chief Executive Officer

27. Related parties (continued)

27.1 Key management personnel remuneration (continued)

The specified Directors of TCF during the year were:

- Mr. Moses Koiri (Chairman)
- Ms. Karo Lelai
- Mr. Materua Kapi
- Mr. Michael Koisen

Specified executives and directors remuneration in aggregate

	Primary			Post-employment			Equity	Other	
	Salary & fees K	Bonus K	Non-monetary K	Super-annuation K	Prescribed benefits K	Other K	Options K	Bene-fits* K	Total K
Specified Executives									
2016	1,922,364	162,293	-	230,682	505,548	-	-	-	**2,820,886**
2015	1,752,259	141,124	-	105,135	499,335	-	-	-	**2,497,853**
Specified Directors									
2016	26,500	10,000	-	-	-	-	-	-	**36,500**
2015	24,250	-	-	-	-	-	-	-	**24,250**

27.2 Transactions with directors

Other than remuneration, the Directors of the Society had an aggregate savings balance of **K302,796 (2015: K485,307),** and aggregate loan balance of **K262,134 (2015: K376,140).** The Directors are subject to the normal lending policy requirements of the Society.

28. 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 action. The estimate contingent liability is not deem material for the purposes of the financial statements.

The Group had capital commitments predominantly in relation to construction of the TISA Alotau branch.

29. Segment information

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

30. Events occurring after the reporting period

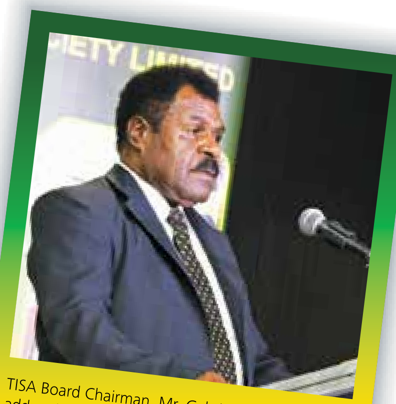
On 25 March 2017, the Group declared an additional bonus interest distribution to members with S1 general savings accounts of **K15,178,287.** The additional bonus interest was made out of 2016 profits. The distribution was deemed material to the financial statements and hence has been adjusted for in the figures in the financial statements and associated disclosures included.

There were no other material events occurring after the reporting period that impact the financial position of the Group as at 31 December 2016 or the year then ended.

LAUNCHING OF TISA COMMUNITY FINANCE 2016

Tisa Community Finance

REACHING OUT TO COMMUNITIES



TISA Board Chairman, Mr. Gabriel Tai addressing invited guests at Crown Plaza.

TISA CEO, Mr. Michael Koisen, presenting his speech.

TCF Chief Executive Officer, Mr. Richard Busby & TISA Board Chairman, Mr. Gabriel Tai.

Director - New Guinea Islands, Mr. William Varmari addressing the guests during TCF Launch.

TISA Board of Directors with TISA Brand Ambassador, Ms. Dika Toua.

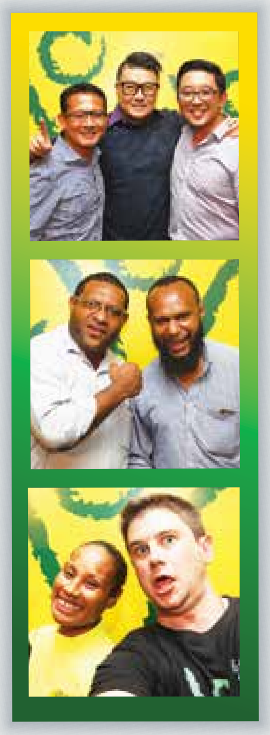
TCF CEO Mr. Richard Busby addressing VIP guests during its launch at Crowne Plaza.

LAUNCHING OF TISA COMMUNITY FINANCE 2016

Tisa Community Finance

REACHING OUT TO COMMUNITIES

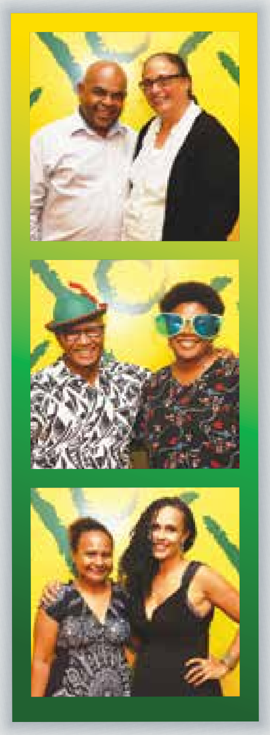
Strickland Real Estate Management



The String Band

Invited VIP Guests

Capital Insurance Group Management



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The EMTV Crew




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TISA
TEACHERS SAVINGS AND LOAN SOCIETY LIMITED

NOT FOR PROFIT, NOT FOR CHARITY, BUT FOR SERVICE