



NASFUND CONTRIBUTORS SAVINGS & LOANS SOCIETY MINUTES OF BOARD MEETING NO.10 OF 2007

DATE : Friday 2nd March 2007
TIME : 10:00 am
VENUE : NASFUND Board Room

1. MEETING OPENED

The Chairman Mr. Ian Tarutia opened the meeting at 10:15 am

1.1 Members Present:

: Ian Tarutia : Chairman
: Reginald Monagi : Director
: Michael Manning : Director

1.2 Apologies:

: William Lamur : Director

1.3 Absentees:

: Nil

1.4 Attending:

: Erastus Kamburi : Company Secretary
: Muralidharan : KPMG (Auditor)

2. DISCLOSURE OF CONFLICT OF INTEREST

Nil

3. MINUTES OF 9th MEETING OF 24th OCTOBER 2007.

3.1 It was resolved to accept the Minutes as presented.

Moved by Ian Tarutia. Seconded by Reg Monagi. All in favour

4. MATTERS ARISING FROM THE MINUTES.

4.1 Item 6.2 – where management was directed to enquire and advise the Board as to whether APNG Notes were secured against a specific aircraft or the general fleet.

- Mike Manning enquired as to whether this was done and although enquiries were made with Airlines PNG it was not of the nature required by the Board
- Custos Ltd are the Trustees of the APNG Notes. It would be prudent for the NCSL Management and the Auditor to enquire with the Trustees of the Notes to confirm the following:-
 - (i) Whether APNG Notes were secured against a specific aircraft or the general fleet; and
 - (ii) Whether insurance cover on the aircraft and 3rd party insurance cover are current; and
 - (iii) Details of ownership of the aircraft; and
 - (iv) The financial position and performance of APNG; and
 - (v) Obtain copies of the Trust Deed and Debentures Deeds; and
 - (vi) Aircraft valuation reports
- Management to instruct the Investment Managers (BSP Capital Ltd) to seek and obtain the above information from Custos Ltd

4.2 Item 7.2 – Board concerned with AON fees which constitutes 58% of total expenses and therefore directed Management to explore alternative options.

- Reg Monagi enquired as to the status
- The Chairman advised that the fees were discussed with AON and it was agreed that:-
 - (i) The annual 5% CPI adjustment will not be made
 - (ii) Fees will remain static at 0.42 toea per account
 - (iii) Inactive member accounts over 6 months will be charged at 0.20 toea. Inactive accounts since 2003 will not be charged but a one off K20 exit fee will apply. This will allow an approximate savings of K100, 000-00.

- Chairman further advised that the FACTS system will soon become obsolete and that the current system is adequate and that the Savings & Loans Task Force is currently considering the issue and appropriate recommendations will be made in due course.

5. RATIFICATION OF 2006 ACCOUNTS

- 5.1 The Chairman tabled the 2006 NCSL Accounts and gave the highlights for 2006:-
- Services extended to Wewak and Alotau membership due to opening of NASFUND Branch offices in these two provinces.
 - Installation of EFTPOS facility at head office for BSP, ANZ and Westpac account holders to facilitate quicker deposits and loan repayment
 - Net profit of K635,369 before reserving
 - Total of 11,171 loans processed totaling K6.45 million
 - Gross asset of K24.4 million
 - Net asset of K893,929
 - Total membership of 27,113
- 5.2 The Chairman invited Muralidharan of KPMG (Auditor) to take the Board through the accounts and the following abridged version of the accounts was given:-
- Loans to members has increased from K2,744,133 to 5,917,223 and investments has also increased giving total gross assets from K 15,305,174 in 2005 to K 24,427,809 in 2006.
 - Total liabilities have increased from K14, 542,297 in 2005 to K 23,533,880 in 2006 caused largely by repayment in January 2007 of the advance from NASFUND to purchase APNG Notes.
 - Net asset has increased from K 762,877 in 2005 to K 893,929 in 2006
 - Dividend income decreased from K75, 000 to K65, 000 because of the poor performance of NBPOL and other income also declined because of the decrease in share values.
 - Administration expenses has increased largely due to the increase in AON administration fees. Refer to item 4.2 above for measures taken to address this issue.
 - Statutory reserves of 10% of total liabilities. Currently less than 2%.
 - KPMG yet to lodge Income Tax returns.
- 5.3 Directors enquired as to why the cost per member has increased and how they can be satisfied that the administration fees can be minimized. The Chairman's response is contained in item 4.2 above.
- 5.4 The Board noted the KPMG Audit Report which provided as follows:-
- Unallocated Member Fund Records – it was noted that the bank reconciliation officer will continue to perform an independent check on receipts.
 - AON monthly reports – NCSL Receipting Officer sending bank statements daily to AON. Will ensure that AON monthly report figures are correct and tie with NCSL figures.
 - Interest Income – NCSL had requested for AON to cater for calculations of interest on loans and delinquency loan report last year. This had been built into the Superb system and will be used in February 2007. This will also cater for the recommendation on GL integrity of Interest Income.
 - Rejected Kundu Pei Deposits – Largely due to invalid or closed accounts. These funds are retained until accounts are activated or correct account numbers supplied. The bank usually advises via email when funds are returned so NCSL is aware of whether the funds have been received or not.
 - Amortization of Inscribed Stock Premiums – Inscribed Stock recorded at purchase price. The purchase price includes a premium which will be written off over the period to maturity in accordance with IFRS.
- 5.5 It was **resolved** that:-
- **The Board approves and adopt the NCSL 2006 Accounts as presented.**

Moved by Mike Manning. Seconded by Reg Monagi. All in favour

6. DETERMINATION OF CREDITING RATE

- 6.1 The Chairman advised the Board of the following:-
- Over 2006 K12,033 was paid in interim interest
 - At least 20% of net earnings are to be set for payment into General Reserves
 - Interest in excess of 7% is not allowed

- 5% interest credited in 2005 because no interim interest was paid
- Currently General Reserves is 1.3% which is below the minimum 10% requirement
- After the 20% statutory reserving of K126, 915, the remaining K297, 365 be transferred to General Reserves. This will increase reserves to 2.60% of total liability.

6.2 The Management recommends interest distribution of 1.5% to member accounts with K297, 365 to be transferred as additional funds to the general reserve account.

6.3 It was resolved that:-

- **The Board approve the Crediting Rate of 1.5% net of tax for the year 2006 with K297, 365 to be transferred as additional funds to the General Reserve Account.**

Moved by Mike Manning. Seconded by Reg Monagi. All in favour

7. ANY OTHER BUSINESS

7.1 Ernie Gangloff

The Chairman advised the Board that under Deloitte's policy in relation to Board membership, Ernie Gangloff had sought approval and had been advised by its Practice Protection Office in Sydney that Deloitte employees cannot accept Directorship in public companies. Ernie Gangloff has therefore declined to be a member of the NCSL Board.

The Board will deliberate on this in its next meeting.

8. CLOSE OF BUSINESS

There been no further matters the Chairman closed the Meeting at 11:35 am.

SIGNED AS A TRUE AND CORRECT RECORD OF THE MEETING:

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Ian Tarutia
CHAIRMAN

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Erastus B. Kamburi
SECRETARY