



NASFUND CONTRIBUTORS SAVINGS & LOANS SOCIETY MINUTES OF BOARD MEETING NO.19 OF 14/04/10.

DATE : Wednesday 14th April 2010
TIME : 10.00 am
VENUE : NASFUND Board Room

Members Present:

: Ian Tarutia : Chairman
: Ellenor Iutiko : Director
: Hulala Tokome : Director
: Melchior Togolo : Director

Apologies:

: William Lamur : Director

Attending:

: Bill Kondolo : General Manager
: Richard Kuna : KPMG
: Dilly Tarua : NASFUND Team Leader Accounts
: Lazarus Taim : NASFUND Accountant
: Seno Wekina : Legal Officer

1. MEETING OPENED

The Chairman Mr. Ian Tarutia opened the Meeting at 10.05 am.

Apologies were noted as having been received from Mr. Lamur.

2. DISCLOSURE OF CONFLICT OF INTEREST

Nil.

3. MINUTES OF 18th MEETING OF 19th FEBRUARY 2010.

The Minutes of the 18th Meeting of the Board held on 19 February 2010 were tabled for the Boards approval.

RESOLVED: That the minutes of the meeting of 19 February 2010 are hereby accepted as presented.

Moved: Mel Togolo

Seconded: Hulala Tokome

All in favour.

4. MATTERS ARISING FROM THE MINIUTES.

NIL

5. 2009 FINANCIAL STATEMENTS.

The Chairman invited Mr. Richard Kuna of KPMG to address the Board on the 2009 Audited Financial Statements.

It was reported that interest from member's loans had increased significantly from the last reporting period due mainly to the charging of interest on delinquent loans.

Interest from IBD's and Treasury Bills was also significantly higher than 2008 figures.

An unrealised loss on equity investments was reported at K1, 066, 000.00 attributable mainly to a drop in share prices in Airlines PNG Limited and Credit Corporation.

In general Mr. Kuna informed the Board that the cash position remained strong and general reserves as at 31 December 2009 stood at K3, 663, 148.00.

A copy of the issues letter was tabled for the Board's information and it was noted that two matters were identified by the auditors as requiring attention, specifically the inability of the current system to produce aged debtors reports and the unallocated funds of K3.18 million carried over from AON.

With respect to unallocated contributions, the General Manager informed the Board that the current figure stood at approximately K400, 000.00 as a result of the concentrated effort earlier in the year to resolving the issue. Efforts were ongoing to reduce the figure to zero. Management was directed to provide an update at each scheduled board meeting.

In terms of the issue regarding the current operating system, the Board noted the matter as having been taken up between management and Pacific Wealth Management with a view to rectifying the deficiency.

Director Tokome queried whether unallocated member contributions once paid into member accounts could be credited with interest for the relevant period.

Mr. Kuna confirmed that this could and should be done with payment made from retained earnings. In this way it would not affect the profit and loss statement.

Director Togolo commented that the process of crediting interest to members should commence once the unallocated contributions were brought up to date.

The Board noted the report from the Auditors and the ensuing discussions and further that the financial statements had been expanded to include the requirement to show market risks.

RESOLVED: That the Audited Financial Statements for the year ended 31 December 2009 are hereby accepted as presented and further that the Chairman and Director Iutiko be authorized to execute the same on behalf of the Board.

Moved: Hulala Tokome.

Seconded: Mel Togolo.

All in favour.

6. 2009 ANNUAL REPORT.

The Chairman informed the Board that the draft Annual Report as tabled before the Board was under continuing review with ongoing editing to finalise the document for printing.

The Chairman invited the Board members to submit any comments and proposed changes to management for incorporation into the report.

The Board **NOTED** the report on the status of the 2009 Annual Report.

7. 2009 INTEREST DISTRIBUTION.

The Chairman invited the General Manager to present management's recommendation for consideration by the Board.

It was reported that NCSL recorded good operating income for 2009 with interest income of K1,565,054 and income from investments of K1,646,035.

Net profit after provision for unrealized losses on equity investments was K883, 216.00.

Section 47 of the Savings & Loan Societies Act (Chapter 141) required the retention of a minimum of 20% of net earnings for payment into general reserves leaving an amount available for distribution of K706,572.80.

Of this amount it was recommended that an interest distribution of 3.38% be approved by the Board for payment to members.

RESOLVED: That the interest distribution rate for 2009 is hereby approved at 3.38%.

Moved: Mel Togolo

Seconded: Hulala Tokome.

All in favour.

8. ANY OTHER BUSINESS

8.1 Common Seal Report.

A copy of the Common Seal Report for the period 4 January to date was tabled for the Board's ratification.

The following documents were affixed with the common seal for the reporting period and duly registered in the Common Seal Register;

- Master Lease Agreement for the Purchase of Motor Vehicles as previously approved;
- Schedule to Master Lease;
- Lease to PNG Power of Unit at Alotau Property;
- Metal Storm – Conversion of Secured Notes to equity;
- Metal Storm – Exercise of Options.

Moved: Hulala Tokome

Seconded: Ellenor Iutiko.

All in favour.

RESOLVED: That the use of the Common Seal from 4 January 2010 to date is hereby formally endorsed.

8.2 NCSL Accounting Function.

The Chairman informed the Board that a prior resolution authorizing the appointment of an accountant was yet to be implemented.

Management had discussed the issue and now proposed that the accounting function be assumed by NASFUND. This would entail the current NCSL accounts clerk reporting to the NASFUND accountant and being supervised by the senior NASFUND accounts staff.

It was reported that the initial position by the regulator (BPNG) was for NCSL and NASFUND to be treated as two separate stand alone entities. This view had currently changed.

THE BPNG acknowledged that savings and loans was a service complementary to superannuation and as long as the society was compliant and adequately catered for the members, they were not overly concerned at what particular structure was in place. The revised position of the regulator was due to it becoming apparent that many of the functions of each entity were overlapping.

The proposal was for the Board to endorse the recommendation following which the Chairman would then seek endorsement from the BPNG.

RESOLVED: That the recommendation to transfer NCSL's accounting function to NASFUND is hereby endorsed in principal pending ratification or approval by the Bank of Papua New Guinea.

Moved: Hulala Tokome.

Seconded: Mel Togolo.

All in favour.

9. NEXT DATE OF MEETING.

The next Date of Meeting was tentatively scheduled for 27 May 2010..

10. CLOSE OF MEETING.

There being no further business the Chairman closed the meeting at 10.45 am.

**SIGNED AS A TRUE AND CORRECT
RECORD OF THE MEETING:**

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Ian Tarutia
CHAIRMAN