



NASFUND CONTRIBUTORS SAVINGS & LOANS SOCIETY MINUTES OF BOARD MEETING NO.9 OF 2006

DATE : Tuesday 24th October 2006

TIME : 12:00 pm

VENUE : NASFUND Board Room

1. MEETING OPENED

The Chairman Mr. Ian Tarutia opened the meeting at 12:30 pm

1.1 Members Present:

: Ian Tarutia : Chairman
: William Lamur : Director
: Michael Manning : Director

1.2 Apologies:

: Reginald Monagi : Director
: Dilly Tarua : Manager NCSL

1.3 Absentees:

: Nil

1.4 Attending:

: Erastus Kamburi : Company Secretary

2. DISCLOSURE OF CONFLICT OF INTEREST

Nil

3. MINUTES OF 7th MEETING OF 10th FEBRUARY 2006.

3.1 It was resolved to accept the Minutes as presented.

Moved by William Lamur. Seconded by Mike manning. All in favour

4. MINUTES OF 8th MEETING OF 12th July 2006.

4.1 It was resolved to accept the Minutes as presented.

Moved by Mike manning. Seconded by William Lamur. All in favour

5. MATTERS ARISING FROM THE MINUTES.

Nil

6. MANAGERS REPORT

6.1 In the absence of the Manager the Chairman gave an abridged version of the Managers report as follows:

- Gross assets as at 30th September K21,574,648 and currently at K24,287,501
- NAV as at 30th September is K607,546
- YTD net profit of K348,293
- Total membership of 27,000

- Use of EFTPOS Facility for payment of deposits and loan repayments

6.2 Board raised the following issues in relation to the Managers Report:-

- Mike Manning enquired in relation to the difference in the gross asset figure of about K3million and it was explained that due to inadvertence on the part of the Investment Manager, the funds belonging to NASFUND was used to purchase the APNG Notes for the Society and repaid through funds held in Treasury Notes.
- The Board directed that Management enquire and advise the Board as to whether APNG Notes are secured against a specific aircraft or the general fleet and preferred that it should at all times be secured against a specific aircraft and details of the aircraft disclosed.
- EFTPOS Facility should be made accessible to all by having it installed at a place convenient and easily accessible by all members and consideration should be given to its installation in the Branch offices.

6.3 It was **resolved** that:-

- **Subject to the resolution of the above issues the Managers Report is accepted as presented.**

Moved by William Lamur. Seconded by Ian Tarutia. All in favour

7. FIVE YEAR PLAN

7.1 The Chairman gave an abridged version of the NCSL 5 Year Plan 2007-2011 as follows:

- The initial 5 Year Plan took a cautious approach in establishing the Society in ensuring that the basic fundamentals were correctly applied
- The revised 5 Year Plan adopts an aggressive growth strategy with a view to becoming self sustainable, independent of sponsor support and becoming fully compliant with the Savings & Loans legislation by addressing strategic issues relating to business growth, management and operational systems, competitive business performance and employment skills.

7.2 Board raised the following issues in relation to the Five Year Plan:-

- The forecasted annual growth of membership base appeared to be overly optimistic as it did not reflect the current trend of new member registration. The Board stated that an acceptable level of annual membership growth could be 10,000.
- The forecasted increase in asset value of funds under management would have to be reviewed to reflect revised growth in membership.
- AON fees constitutes 58% of total expenses and is a major concern to the Board. The Management is directed to look at alternative options as soon as possible.
- The 5 Year Plan must show the total cost to the Society without NASFUND subsidy and must build in a definite plan approved by the Board for the Society to become fully operational without the NASFUND subsidy.

7.3 The Board resolved to accept the 5 Year Plan subject to the following:-

- **Amendment to forecasted annual growth of membership by 10,000; and**
- **Review of forecasted increase in asset value of funds under management; and**
- **Alternative to use of S2000 system to be pursued immediately; and**
- **The full operational cost of the Society without NASFUND subsidy to be shown and plans for its reduction be build into the 5 Year plan; and**
- **The amendments be circulated to the members of the Board via email for further comments and endorsement.**

8. NCSL 2007 BUDGET

8.1 The Chairman gave an abridged version of the NCSL 2007 Budget as follows:

- Projected total income of K1.44 million. Increase of 12% over 2006.
- Increase in AON fees by 32% to K590,000 constituting 58% of the total expenses
- Overall budgeted expenses of K986,761. Increase of 28% over 2006
- Projected net profit of K455,039 before statutory reserving
- Anticipated membership base of 38,000
- Anticipated funds under management to increase to K25 million
- Return estimate of 1.7% on total member funds
- A growth budget aligned with the 5 Year Plan that adopts an aggressive growth strategy with a view to becoming self sustainable, increase lending income and maintain key staff.

8.2 Board raised the following issues in relation to the Budget:-

- The YTD membership growth and actuals reveals a trend that is contrary to the budgeted figures and a review of the figures is required to correct this discrepancy.
- The membership growth will see proportionate increase in AON fees which constitutes 58% of total expenses and is a major concern to the Board. The budget must address this issue and Management is directed to look at alternative options as soon as possible.
- Management to seek advice as to the treatment of Unrealised Gains in the Income & Expense Statement and whether it is advisable to reflect unrealised gains in the balance sheet as a valuation reserve item.
- Management enquire and advise the Board as to whether APNG Notes are secured against a specific aircraft or the general fleet and preferred that it should at all times be secured against a specific aircraft and details of the aircraft disclosed.

8.3 The Board resolved to adopt the NCSL 2007 Budget subject to the following:-

- **Review of membership growth figures so that it correspondences with the actuals and YTD.**
- **The budget must address the increase in AON fees and Management is directed to look at alternative options as soon as possible.**

- **Management to seek advice as to the treatment of Unrealised Gains and whether it should be place in the balance sheet under valuation reserve.**
- **Management enquire and advise the Board as to whether APNG Notes are secured against a specific aircraft or the general fleet and preferred that it should at all times be secured against a specific aircraft and details of the aircraft disclosed**

9 BPNG EXAMINATION REPORT

- 9.1 The Chairman tabled the Examination Report from the Central Bank and advised that all issues raised in the Report are been attended to
- 9.2 The Central Bank has verbally advised that there is no issue with the extension of the MOU for a further three years, but awaiting formal written advice.
- 9.3 The Board noted the report from the Central Bank as presented.

10 INVESTMENT GUIDELINES

10.1 The Chairman presented a paper on the Asset Allocation Guideline review in light of the Airlines PNG Promissory Note Purchase. The pertinent points were;

- NCSL investments consists of cash, equity and fixed interest
- Income has declined due to due to low interest rates as 83% of portfolio consists of IBDs, Treasury Bills and Fixed Interests
- Prudent to diversify the portfolio by reducing exposure to cash and including loans at a higher interest return to the portfolio
- Inclusion of loans into the Asset Class with the purchase of K3 million Airlines PNG Promissory Notes

10.2 In September purchased K3 million of APNG Notes at face value with return yield of 6.0% and 12 month maturity with half yearly interest payments of K87,146 bringing an expected income of K174,292. This income is not factored into the 2007 budget but expected to be added to the general reserve fund with line with BPNG concerns.

10.3 Board noted the current investment guidelines and the Investment Managers recommendation to adopt the recommended guidelines as follows:-

Asset Class	Existing Guideline	As at 31/08/06	Proposed Allocation	As at 30/09/06	Variance
Cash	60%	68%	40%	51%	11%
Fixed Interest	20%	15%	20%	15%	-5%
Equity	20%	17%	20%	16%	-4%
Loans	Nil	Nil	20%	18%	-2%

10.4 The Board **resolved** to:-

- **Endorse the decision to purchase APNG Promissory Notes at face value of K3 million with a yield of 6% and one year maturity; and**
- **Approve the adjusted Investment Guidelines; and**
- **Review the portfolio at least a month before the maturity date of the APNG Notes.**

11. ANY OTHER BUSINESS

Nil

12. CLOSE OF BUSINESS

There been no further matters the Chairman closed the Meeting at 2:45 pm.

**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