

**MINING & PETROLEUM SAVINGS & LOANS
SOCIETY**

FINANCIAL STATEMENTS

31 December 2017

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Financial Statements For the Year Ended 31 December 2017

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MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Financial statements for the year ended 31 December 2017

Society Information

Mining and Petroleum Savings and Loan Society Limited (the "Society") is a co-operative financial organisation domiciled in Papua New Guinea under the Saving and Loan Societies (Amendment) Act 1995 and is incorporated, and domiciled, in Papua New Guinea.

Principal place of business	Darkom Road Tabubil Centre Western Province Papua New Guinea
Directors of the Society	Mr. James Gissua Ms. Heather Erwin
Chairman	Mr. Sylvester Gaso
Secretary	Age Warl
Auditors	KPMG Chartered Accountants Level 3 Credit House Cuthbertson Street Port Moresby, N.C.D. Papua New Guinea
Bankers	Bank South Pacific Limited Westpac Bank (PNG) Limited

MINING & PETROLEUM SAVINGS & LOANS SOCIETY

Directors' Report

The Directors of the Society have the pleasure in submitting their report and the financial statements of Mining and Petroleum Savings and Loans Society (the "Society") for the year ended 31 December 2017.

Activities

The nature of operations and principal activities of the Society are maintaining membership of its members within the Mining and Petroleum Industry for the purpose of a savings and loan society, processing contributions and loans, and management of investments of the Society.

There were no significant changes in the nature of the activities of the Society during the year.

Results

The net loss for the year ended 31 December 2017 was (K29,614) (2016: profit of K95,959) before statutory reserves.

Interest

Interest was credited to members' savings accounts on 30th November 2017.

Members Savings

The Society has a policy of actively chasing the details of unallocated deposits. It is not always possible to obtain these if the appropriate details have not been included in the transactions. We remind members to review their statements for missing or incorrect postings and contact the Society as soon as possible to make any corrections.

Future Developments

The Savings and Loan Societies Act (Chapter 141) has been repealed by the Savings and Loan Societies Act 2015 (No 46 of 2015) which had not yet commenced.

Directors

The directors of the Society at the date of the report of the Society are listed on page 1.

Remuneration of the Directors of the Society

Directors of the Society's remuneration, including the value of benefits, received during the year, is as

	2017		2016	
	Directors fees K	Sitting allowance K	Directors fees K	Sitting allowance K
Director's name				
James Gissua	-	750	-	450
Heather Erwin	-	600	-	750
	-	1,350	-	1,200
Chairman of the Society				
Sylvester Gaso	-	1,200	-	1,000
	-	2,550	-	2,200

MINING & PETROLEUM SAVINGS & LOANS SOCIETY

Directors' Report

Statement by Directors

In our opinion, the financial statements set out on pages 7 to 27 are drawn up so as to give a true and fair view of the state of affairs as at 31 December 2017 and the profit for the year ended on that date of the Mining and Petroleum Savings and Loans Society Limited in so far as they concern members of the Society. Further, all Risk Management Systems are in place and operating effectively.

The financial statements have been drawn up in accordance with the requirements of the Savings and Loan Society (Amendment) Act 1995 and the requirements of Mining and Petroleum Savings and Loans Society Limited's Board policies.

DATED at PORT MORESBY this 5TH day of October 2018.

For and on behalf of the Board of Directors of Mining and Petroleum Savings and Loans Society Limited.



Sylvester Gaso
Chairman



Heather Erwin
Director



Independent Auditor's Report

To the Members of Mining & Petroleum Savings & Loans Society Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mining & Petroleum Savings & Loans Society Limited ('the Society').

In our opinion the accompanying financial statements of the Society are in accordance with the Savings and Loan Societies (Amendment) Act 1995 and the Companies Act 1997, including

- giving a true and fair view of the Society's financial position as at 31 December 2017 and of its financial performance for the year ended on that date;
- complying with the International Financial Reporting Standards;
- proper accounting records have been kept by the Society as far as it appears from our examination of those records.

The financial statements comprise the:

- statement of financial position as at 31 December 2017;
- statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the financial statements section of our report.

We are independent of the Society in accordance the Companies Act 1997 and the relevant ethical requirements of CPA Papua New Guinea. We do not provide any other services to the Society. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements of CPA Papua New Guinea.

We confirm that we have remained independent as required by the Companies Act 1997, during the time of our audit to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in the Society's annual reporting which is provided in addition to the financial statements and the Auditor's Report. This includes, the Society Information and Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Statements

The Directors are responsible for:

- preparing financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Companies Act 1997;
- implementing necessary internal control to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Society's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is:

- 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 Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Society's ability to continue as a going concern. If we conclude that a material uncertainty 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 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.



Suzaan Theron
Partner
Registered under the Accountants Act 1996

Port Moresby


Date: 7 October 2018

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Statement of Financial Position
At 31 December 2017

	Note	2017 K	2016 K
ASSETS			
Current assets			
Cash on hand and at bank	9	923,647	480,176
Term deposits	10	5,557,610	5,498,897
Loans due from members	11	3,820,575	3,087,202
Prepayments and other receivables	12	759,505	494,703
		11,061,337	9,560,978
Non-current assets			
Property, plant and equipment	13	26,578	44,401
Intangible assets	14	69,333	87,890
		95,911	132,291
TOTAL ASSETS		11,157,248	9,693,269
LIABILITIES			
Current liabilities			
Members' savings	15	8,154,348	6,918,789
Trade and other payables	16	390,526	133,572
		8,544,874	7,052,361
Non-current liability			
Provision for long service leave	17	27,601	26,605
		27,601	26,605
TOTAL LIABILITIES		8,572,475	7,078,966
NET ASSETS		2,584,773	2,614,303
Represented by: - MEMBERS FUNDS			
Share capital	18	504	420
Statutory reserve	19	2,340,595	2,340,595
Retained earnings		243,674	273,288
TOTAL EQUITY		2,584,773	2,614,303

For and on behalf of the Board of Directors


 Sylvester Gaso
 Chairman
 Dated: 5th OCTOBER 2018


 Heather Erwin
 Director
 Dated: 5th October 2018

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 11 to 27.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Statement of Comprehensive Income
For the Year Ended 31 December 2017

	Note	2017 K	2016 K
Income from lending			
Interest from members' loans	5	428,186	633,893
		<u>428,186</u>	<u>633,893</u>
Income from investments			
Investment income	5	312,344	229,075
		<u>312,344</u>	<u>229,075</u>
Other income			
Fees income	5	34,129	18,044
Other income	5	23,082	464,794
		<u>57,211</u>	<u>482,838</u>
TOTAL INCOME		<u>797,741</u>	<u>1,345,806</u>
Expenses			
Interests to members	6	173,572	167,253
Administration expenses	7	316,583	691,044
Staff expenses	8	307,609	277,898
Depreciation and amortisation	13 & 14	29,591	113,652
TOTAL EXPENSES		<u>827,355</u>	<u>1,249,847</u>
Profit from operations before interest and tax		(29,614)	95,959
Income tax expense	3 (d)	-	-
Profit for the year		<u>(29,614)</u>	<u>95,959</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(29,614)</u>	<u>95,959</u>

The Statement of Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 11 to 27.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Statement of Changes in Members' Funds
For the Year Ended 31 December 2017

	<i>Note</i>	<i>Share capital</i> <i>K</i>	<i>Statutory reserve</i> <i>K</i>	<i>Retained earnings</i> <i>K</i>	<i>Total</i> <i>K</i>
As at 1 January 2016		516	2,340,595	180,289	2,521,400
Net member contributions (withdrawn) / received	18	(96)	-	-	(96)
Total comprehensive income for the year		-	-	95,959	95,959
Interest credited to member savings deposits	15	-	-	(2,960)	(2,960)
At 31 December 2016		420	2,340,595	273,288	2,614,303
Net member contributions (withdrawn) / received	18	84	-	-	84
Total comprehensive income for the year		-	-	(29,614)	(29,614)
Interest credited to member savings deposits	15	-	-	-	-
At 31 December 2017		504	2,340,595	243,674	2,584,773

The Statement of Changes in Members' Funds is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 11 to 27.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Statement of Cash Flows
For the Year Ended 31 December 2017

	Note	2017 K	2016 K
CASH FROM OPERATING ACTIVITIES			
Interest received on member loans and other income	5	482,315	651,937
Interest paid on member savings	6	(173,572)	(167,253)
Payments to suppliers and employees		(331,080)	(1,202,443)
Net cash used in operating activities		(42,337)	(717,759)
Income tax paid	3 (d)	-	-
Net cash outflow from operating activities		(42,337)	(717,759)
CASH FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	3,004	(1,899)
Interest received on investments		39,247	240,346
Net investments in term deposits and treasury bills		(58,713)	933,333
Net loan (disbursements) / repayments by members		(733,373)	1,312,604
Net cash inflow from investing activities		(749,835)	2,484,584
CASH FROM FINANCING ACTIVITIES			
Net members' savings received / (withdrawn)		1,235,550	(1,590,478)
Net members' contribution received / (withdrawn)	18	84	(96)
Net cash outflow from financing activities		1,235,634	(1,590,574)
Net increase / (decrease) in cash and cash equivalents		443,471	176,251
Cash and cash equivalents at beginning of the year		480,176	303,925
Cash and cash equivalents at end of the year	9	923,647	480,176

The Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the financial statements set out on pages 11 to 27.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY

Notes to, and forming part of, the financial statements

For the Year Ended 31 December 2017

1 Reporting entity

Mining and Petroleum Savings and Loans Society Limited (the "Society") is a co-operative financial organisation domiciled in Papua New Guinea under the Savings and Loan Societies (Amendment) Act 1995. The address of the Society's registered office is Darkom Road, Tabubil Centre, Douglas Street, Western Province, Papua New Guinea. The Society is primarily involved in the savings and loans industry and is registered under the Savings and Loan (Amendment) Act 1995.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of accounting

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Society's board of directors on 5TH OCTOBER, 2018

Fair value accounting is used for financial instruments carried at fair value. In all other cases, a historical cost basis of accounting is used. Revenues and expenses are brought to account on an accrual basis.

(c) Functional currency

The financial statements are presented in the currency of Papua New Guinea, the Kina, which is the Society's functional currency.

(d) Use of estimates and judgments

The preparation of a financial statements, in conformity with IFRSs, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

(e) Critical judgments in applying accounting policies

The critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Society's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are related to investments in treasury bills.

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

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

2 Basis of preparation (continued)

(f) 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

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

Impairment testing

The Society reviews and tests the accruing value of its assets when events or changes in circumstances suggest that the accruing amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 3 (f).

Other receivables

The Society assesses its other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit and loss, the Society makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Society will be able to meet its liabilities and obligations as and when they fall due in the normal course of the business.

Funds received from members' savings have been invested in long term investment opportunities, resulting in the apparent maturity mismatch. The savings are fully secured or partially secured against Loans to members (where members have taken out Loans with the Society) as such those savings secured to loans cannot be fully withdrawn.

While member savings are at call, there are processes in place to control the volume of withdrawals.

(g) Changes in accounting policies

The accounting policies are consistent with those of the previous financial period.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

3 Significant accounting policies

(a) 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 or liability. When calculating the effective interest rate, the Society 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.

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.

(b) Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or 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.

(c) Change in Fair Value of Financial Assets

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

(d) Tax Exemption

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

(e) Financial assets and liabilities

(i) Recognition

The Society 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 society 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 fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

3 Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(i) Classification

The Society classified its financial instruments into the following categories:

- Fair value through profit and loss and within this category as:
 - held for trading;
 - designated at FVTPL; and
- Loans and receivables.

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

(ii) De-recognition

A financial asset is de-recognised when the Society 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 Society 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 amortisation 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 its absence the most advantageous market to which the society has access at that date.

When available the Society 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.

If there is no quoted price in an active market then the Society 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 society recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

3 Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

(a) Objective evidence of impairment

At each reporting date, the Society 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 Society considers the following factors:

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

(b) Individual and collective assessment

The Society 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 those 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 Management.

(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.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

3 Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

(c) Measurement (continued)

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 Society writes off a loan or an investment debt security either partially or in full and any related allowance for impairment losses, when Society determines that there is no realistic prospect of recovery.

(f) 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.

(g) 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 Society does not intend to sell immediately or in the near term.

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

(h) Investment securities

(i) Fair value through profit or loss

The Society designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

(ii) Other fair value changes

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.

(i) 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 capitalised 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.

MINING & PETROLEUM SAVINGS & LOANS SOCIETY
Notes to, and forming part of, the financial statements
For the Year Ended 31 December 2017

3 Significant accounting policies (continued)

(i) Property and equipment (continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Society. 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 Society will obtain ownership by the end of the lease term. Land is not depreciated.

Office furniture and equipment	3 - 5 years
Motor vehicles	3 years

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

(j) Impairment of Non-Financial Assets

At each reporting date, the society reviews the carrying amounts of its non-financial assets (other than investment properties) 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 an 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.

(k) 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.

(l) Provisions

A provision is recognised if, as a result of a past event, the Society 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.

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3 Significant accounting policies (continued)

(m) Employee benefits

(i) Long term employee benefits

The Society'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. Re-measurements are recognised in profit or loss in the period in which they arise.

(ii) Termination benefits

Termination benefits are expensed as at the earlier of when the Society can no longer withdraw the offer of those benefits and when the Society 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.

(iii) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the society 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.

(n) Reserves

The Society maintains the following equity positions:

i Member capital represents contributions members have made to the Society on initiation or creation of their savings account. Member capital is refundable to the member on cessation of their membership with the society.

ii General reserve / statutory reserve represents a statutory minimum of twenty percent (20%) of each year's net earnings before declaring interest on deposits and dividends. If the reserve is greater than 10% of total liabilities then 20% of net earnings is not required to be transferred.

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4 IASB standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 2017; however, the Company has not applied the following new or amended standards in

New or amended standards	Summary of the requirements	Possible impact on financial statements
IFRS 16 <i>Leases</i>	IFRS 16 <i>Leases</i> published in January 2016, replaces the existing guidance in IAS 17 <i>Leases</i> . IFRS 16 includes revised guidance on the accounting for both finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.	The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 16.
IFRS 9 <i>Financial Instruments</i>	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . 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 new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS is effective for annual financial periods on or after 1 January 2018, with early adoption permitted.	The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 15 <i>Revenue from Contract with Customers</i>	IFRS 15 establishes comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i> . IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption	The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

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4 IASB standards and interpretations issued but not yet effective (continued)

The following new or amended standards are not expected to have a significant impact of the Company's

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4, effective for annual period beginning on or after 1 January 2018;
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, effective for annual period beginning on or after 1 January 2018; and
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, effective for annual period beginning on or after 1 January 2018;
- Annual Improvements to IFRS 2014 - 2016 Cycle - various standard (Amendments to IFRS 1 and IAS 28);
- IFRIC 23 Uncertainty over Income Tax Treatments, effective annual reporting period on or after 1 January 2016.

5 INCOME

	2017	2016
	K	K
Loan control account	416,644	607,690
Housing loan account	11,542	26,203
Interest from members' loans	428,186	633,893
Interest on investments	312,344	229,075
Investment income	312,344	229,075
Membership fee income	270	474
Fees and charges	33,859	17,570
Fees income	34,129	18,044
Income recognised from reversal of accrued interest withholding taxes	-	460,914
Other income	23,082	3,880
Other income	23,082	464,794

6 INTEREST TO MEMBERS

	2017	2016
	K	K
General members' savings	118,602	116,189
Loans security deposit	52,716	49,508
Christmas club	777	255
School fee account	1,477	1,302
Interests to members	173,572	167,253

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7 ADMINISTRATION EXPENSES

	2017	2016
	K	K
Audit fees	39,600	46,690
Annual general meeting expense	-	1,981
Other operating & general expenses	276,983	642,373
Administration expenses	316,583	691,044

8 STAFF EXPENSES

	2017	2016
	K	K
Wages & salaries	208,920	211,268
Other benefits & allowances	98,689	66,630
Staff expenses	307,609	277,898

9 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank. Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2017	2016
	K	K
Cash at bank	923,447	479,976
Cash on hand	200	200
Cash on hand and at bank	923,647	480,176

10 TERM DEPOSITS

	2017	2016
	K	K
Short term deposits	3,890,612	4,384,577
Treasury bills	1,666,998	1,114,320
Term deposits	5,557,610	5,498,897

The average interest rate on these deposits was 7.96% to 8.00% as at 31 December 2017 (2016: 4.0% to 7.71%).

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11 LOANS DUE FROM MEMBERS

	2017	2016
	K	K
Loans due from members	3,922,887	3,189,514
Less: impairment allowances on loans due from members	(102,312)	(102,312)
Loans due from members	3,820,575	3,087,202

The interest rate charged on loans to members during the year: 12% (2016: 12%) (note 5).

The movement in the impairment allowances on loans due from members was as follows:

	2017	2016
	K	K
Balance at 1 January	(102,312)	(102,312)
Impairment allowance charges to profit and loss during the year	-	-
Bad debts written off	-	-
Balance at 31 December	(102,312)	(102,312)

12 PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	K	K
Prepaid expenses	3,776	3,750
Interest receivable	442,390	169,294
Insurance premiums	299,000	299,000
Other debtors	14,339	22,659
Prepayments and other receivables	759,505	494,703

Accrued interest represents interest accrued on Term deposits (note 10). Accrued interest on loans is captured in the loan balances.

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13 PROPERTY, PLANT AND EQUIPEMNT

	<i>Office furniture and equipment</i> K	<i>Motor vehicle</i> K	<i>Total</i> K
Cost:			
At 1 January 2016	80,174	126,059	206,233
Additions	1,699	-	1,699
Disposals	(12,190)	-	(12,190)
At 31 December 2016	<u>69,683</u>	<u>126,059</u>	<u>195,742</u>
At 1 January 2017	69,683	126,059	195,742
Additions	7,766	-	7,766
Disposals	(5,525)	(40,000)	(45,525)
At 31 December 2017	<u>71,924</u>	<u>86,059</u>	<u>157,983</u>
Accumulated Depreciation:			
At 1 January 2016	56,181	88,863	145,044
Charge for the year	5,446	10,525	15,971
Disposals	(9,674)	-	(9,674)
At 31 December 2016	<u>51,953</u>	<u>99,388</u>	<u>151,341</u>
At 1 January 2017	51,953	99,388	151,341
Charge for the year	4,112	6,922	11,034
Disposals	(1,742)	(29,228)	(30,970)
At 31 December 2017	<u>54,323</u>	<u>77,082</u>	<u>131,405</u>
Carrying amounts:			
At 31 December 2017	<u>17,601</u>	<u>8,977</u>	<u>26,578</u>
At 31 December 2016	<u>17,730</u>	<u>26,671</u>	<u>44,401</u>

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14 INTANGIBLE ASSETS

Software costs that have been incurred and capitalised relating to purchasing of Ultrac System

	2017	2016
	K	K
Balance at 1 January	87,890	186,571
Additions	-	-
Amortisation	(18,555)	(97,681)
Intangible assets	69,335	87,890

15 MEMBERS' SAVINGS

	2017	2016
	K	K
Balance at 1 January	6,918,789	8,003,162
Add: savings received during the year	4,389,998	3,938,886
Add: interest withholding tax recredited to members	-	511,226
Interest credited	173,572	167,253
	11,482,359	12,620,527
Less: savings withdrawn during the year	(3,328,011)	(5,701,738)
Interest withholding tax adjustments	-	-
Intangible assets	8,154,348	6,918,789

As at 30 November 2017, the Board of Directors declared and distributed to members interest at a rate of 12% (2016: 12%) totalling K173,5712 (2015: K167,253) from the 2016 year end profits. The distribution made in 2016 was out of the 2015 year end profits.

16 TRADE AND OTHER PAYABLES

	2017	2016
	K	K
Unearned interest income	295,689	64,025
Accrued audit fees	59,180	39,600
Other accruals	35,657	29,947
Trade and other payables	390,526	133,572

17 PROVISION FOR LONG SERVICE LEAVE

	2017	2016
	K	K
Long service leave	27,601	26,605
Provision for long service leave	27,601	26,605

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18 SHARE CAPITAL

	2017	2016
	K	K
Shares on issue at 1 January	420	516
Net movement in share capital	84	(96)
Shares on issues at 31 December	504	420

Under the Savings and Loan Societies (Amendment) Act 1995, each member is required to purchase a share of K1 on joining the society. Upon exiting the Society, the member may redeem the K1.

19 STATUTORY RESERVES

	<i>General Reserve</i>	<i>Special Reserve</i>	<i>Total Statutory Reserve</i>
	K	K	K
Shares on issue at 1 January	1,785,860	554,735	2,340,595
Net movement in share capital	-	-	-
Shares on issues at 31 December	1,785,860	554,735	2,340,595

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Society and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Transactions with related parties during the year are as follows:

(i) Loans to staff and directors

Member loans made to the Society's staff, supervisory committee members and directors are in the ordinary course of business in accordance with the Society Rules. The total value of these loans as at 31 December 2017 was as follows:

	2017	2016
	K	K
Loans to related parties	215,359	187,209
	215,359	187,209

The interest rate, security and repayment terms on these loans are no difference to the normal terms and conditions extended to the general membership.

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20 RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel

The remuneration of directors and members of key management during the period was as follows:

	2017 K	2016 K
Salaries, wages and other short-term benefits	75,000	75,000
Long-service leave	13,315	11,210
	<u>88,315</u>	<u>86,210</u>

21 FINANCIAL INSTRUMENTS

(a) Credit risk

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

	Note	2017 K	2016 K
Cash at bank	9	923,447	479,976
Term deposits	10	5,557,610	5,498,897
Loans due from members	11	3,820,575	3,087,202
Prepayments and other receivables	12	759,505	494,703
		<u>11,061,137</u>	<u>9,560,778</u>

The maximum exposure to credit risk for loans and receivables at the reporting date is concentrated in Papua New Guinea.

Other than certain loans to members (note 11), the Society does not believe it has any impairment.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Society has no exposure to foreign currency risk as all financial assets and financial liabilities are denominated in Kina.

(c) Liquidity risk

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

The Society's approach to managing liquidity risk is to ensure as far as possible that it will always have sufficient liquidity to meet its obligations when due under normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The Society manages this by having significant proportion of short term deposits and invests in liquid assets.

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21 FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society does not believe it has significant exposure to credit rate risk.

Interest on members' savings account is determined on a time-weighted basis on member balances through out the year. This is in accordance with international standards on return accreditation. As such there is no interest rate risk associated with members' savings.

Interest on members loans is fixed by the Society at 1% per month and therefore no significant interest rate risk is associated with members loans.

The Society holds fixed rate term deposits. See note 10 for interest rates and maturity dates of the deposits held by the Society.

(e) 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 those arising from interest rate risk or currency 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 all of the Society's financial instruments are carried at net market value with changes recognised in the Statements of Comprehensive Income, therefore all changes in market conditions affecting net market value will be recognised.

Investments of the Society (other than cash held for liquidity purposes) comprise fixed interest securities and shares and promissory notes in listed companies. The Society's exposure therefore is limited to the market price movement of these investments.

Other market price risk is mitigated by constructing a diversified portfolio of instruments which are traded on various markets. All investment managers are subject to extensive due diligence prior to being appointed and removed by the Board.

22 CONTINGENCIES AND COMMITMENTS

The Society did not have any commitments or contingencies at the date of approving these financial statements.

23 SUBSEQUENT EVENTS

There is no event occurring after the reporting period which warrants disclosures.

