

KADA POROMAN MICROFINANCE LIMITED
FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

KADA POROMAN MICROFINANCE LIMITED

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KADA POROMAN MICROFINANCE LIMITED

DIRECTORS' REPORT

The directors of Kada Poroman Microfinance Limited submit herewith the annual financial report of the company for the year ended 31 December 2014. In order to comply with the provisions of the Companies Act 1997 the directors report as follows:

Directors

The names of the directors in office at any time during or since the end of the financial year are:

Henry Tavul (Chairman)

Ezekiel Bangin (Director)

Lady Nerrie Tololo (Director)

Esau Niba (Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The loss of the company for the financial year after providing for income tax amounted to (PGK2,239,586) (2013 loss PGK20,743).

Review of Operations

A review of the operations of the company during the financial year and the results of those operations show during the year, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activity

The principal activity of the company during the financial year was provision of microfinance services.

There has been no material change in the Company's business, or classes of business that the company is engaged in and or set up to engage in, during the year that is material to an understanding of the company's business.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of Papua New Guinea.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Signed in accordance with a resolution of the Board of Directors:

Chairman

Director



Henry Tavul

Ezekiel Bangin

Dated this day of **March** 2015

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 PGK	2013 PGK
Revenue	4	2,437,578	1,659,279
Employee Benefits expense		(954,453)	(743,851)
Depreciation and amortisation expenses		(177,100)	(164,477)
Advertising		(45,173)	(69,475)
Other Expenses		(4,460,260)	(692,400)
Profit before income tax expense		(3,199,408)	(10,923)
Income tax expense	12	959,823	(9,820)
Profit after income tax expense (loss)		(2,239,586)	(20,743)

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	2014 PGK	2013 PGK
CURRENT ASSETS			
Cash and cash equivalents	5	6,234,953	4,330,023
Loans to Customers	6	2,660,352	12,203,684
Inventories	7	56,049	46,532
Trade Debtors, Prepayments and Staff Advance	8	352,789	323,069
TOTAL CURRENT ASSETS		9,304,143	16,903,307
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,229,632	982,435
Deferred Tax Asset	12	22,673	61,711
TOTAL NON-CURRENT ASSETS		2,252,305	1,044,146
TOTAL ASSETS		11,556,449	17,947,453
CURRENT LIABILITIES			
Customers Savings and other payables	10	12,540,072	16,759,322
Provisions	11	48,522	200,817
Income Tax payable	12	(1,711,697)	-
TOTAL CURRENT LIABILITIES		10,876,898	16,960,140
LONG TERM LIABILITIES			
Deferred Tax Liabilities	12	37,727	71,531
TOTAL LONG TERM LIABILITIES		37,727	17,031,671
TOTAL LIABILITIES		10,914,625	17,031,671
NET ASSETS		641,824	915,782
EQUITY			
Contributed Equity	13	1,596,679	332,680
Reserves	14	1,333,052	1,378,063
Accumulated Losses	15	(2,287,907)	(794,961)
TOTAL EQUITY	13	641,824	915,782

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<u>Share Capital</u> Ordinary Shares	Asset Revaluation Reserves	General Reserves	Retained Earnings	Total
	PGK	PGK	PGK	PGK	PGK
Balance at 1 January 2014	332,680	281,969	1,096,094	(794,961)	915,782
Capital Contribution - Land	1,237,500	-	-	-	1,237,500
Paid In Capital	26,499	-	-	-	26,499
Migration Difference	-	-	(45,011)	-	(45,011)
Recoupment of Prior Year Losses	-	-	-	746,640	746,640
Current Earnings	-	-	-	(2,239,586)	(2,239,586)
Balance at 31 December 2014	1,596,679	281,969	1,051,083	(2,287,907)	641,824

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 PGK	2013 PGK
CASH FLOW FROM OPERATING ACTIVITIES			
Interest and commission receipts		2,424,859	1,647,047
Loan Repayments and customer deposits		6,901,553	1,289,366
Operating Grants		-	-
Payments to suppliers and employees		(5,957,229)	(1,444,901)
Borrowing Expenses		-	-
Income taxes paid		-	(50,731)
Net cash used in operating activities		<u>3,369,183</u>	<u>1,440,781</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(1,504,670)	(47,118)
Proceeds from sale of assets		(23,395)	35,530
Interest received		37,314	12,232
Net cash used in investing activities		<u>(1,490,751)</u>	<u>644</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		26,499	1,190
Proceeds from borrowings		-	-
Net cash provided by financing activities		<u>26,499</u>	<u>1,190</u>
Net increase in cash held		1,904,931	1,442,614
Cash at beginning of financial year		<u>4,330,023</u>	<u>2,887,409</u>
Cash at end of financial year	5	<u>6,234,954</u>	<u>4,330,023</u>

The accompanying notes form part of these financial statements.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 1: BASIS FOR THE PRESENTATION OF FINANCIAL STATEMENTS

The Financial Statements of Kada Poroman Microfinance Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets. All amounts are prepared in Papua New Guinea Kina, unless otherwise noted.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Income Tax

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for the financial reporting purposes and the amounts used for taxation purposes. The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax assets. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(b) Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation & impairment. All assets, excluding freehold land and buildings, are depreciated over the useful lives to the company. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation in shareholders' equity. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

The depreciation rates are based on straight line method are as follows:

Class of fixed asset	Depreciation rates/useful lives
Land	
Buildings	4%
Motor Vehicles	30%
Office Equipment	30,22.50 & 11.50%
Computers and Printers	22.50%
Office Furniture	11.50%
Office Machinery	22.50%

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(d) Financial Instruments

Investments are carried at cost or at directors' valuation. Dividends are brought to account in the Profit and Loss Account when received. Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors' to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations.

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(f) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the best estimate of the amounts required to settle the obligation at reporting date.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Trade Creditors and Other Payables

Trade creditors and other payables, including bank borrowings and distributions payable, are recognised at the nominal transaction value without taking into account the time value of money.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised gross of the amount of GST, except where the amount of GST incurred is not recoverable from the Internal Revenue Commission. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Investments

Investments held are originally recognised at cost which includes transaction costs. They are subsequently measured at fair value which is equivalent to their market bid price at reporting date. Movements in fair value are recognised through an equity reserve.

(k) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS AND BY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimating useful lives of assets

The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets.

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 PGK	2013 PGK
(b) Asset Impairment			
The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of property, plant and equipment, investments and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.			
NOTE 4: REVENUE			
- Loan Interest and Fees		1,957,318	1,282,409
- Loan Establishment Fees		185,809	255,243
- Non Lending Fees		103,562	109,395
- Interest from short term investments (IBD)		125,756	12,232
- Other Income		31,847	-
- Gain in Disposal of Asses		33,285	-
		<u>2,437,577</u>	<u>1,659,279</u>
NOTE 5: CASH AND CASH EQUIVALENTS			
Cash on hand		1,000	2,000
Bank South Pacific Ltd - KMF 1		152,403	280,337
Bank South Pacific Ltd – MVDF – Changed to Warangoi KPML		-	8,326
Bank South Pacific Ltd - KML 2 - Changed to Kerevat KPML		108,171	159,075
Bank South Pacific Ltd - KML/PPP Operating Account		-	28,126
ANZ Operating A/c#15061081		54,368	53
ANZ Keverat A/c# 15061116		1,590	53
ANZ Warangoi A/c# 15061149		2,421	53
Term Deposit		5,900,000	3,840,000
Main and Teller Cash		15,000	12,000
		<u>6,234,953</u>	<u>4,330,023</u>
A floating charge over cash and cash equivalents has been provided for certain debts.			
NOTE 5: SHORT TERM INVESTMENT			
Term Deposit is held with ANZ Bank, Kokopo Branch and Kina Finance Ltd. The term deposit will mature in 17 th February 2014 with interest rate at 0.80%.			
NOTE 6: LOAN TO CUSTOMERS			
CURRENT			
Loan to Customers		6,701,601	12,203,684
Provision for Bad Loans		<u>(4,041,249)</u>	<u>(177,612)</u>
		<u>2,660,352</u>	<u>12,026,071</u>
NOTE 7: INVENTORIES			
CURRENT			
Passbook Inventory		44,225	29,543
Other Inventory		11,824	16,989
		<u>56,049</u>	<u>46,532</u>

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 PGK	2013 PGK
NOTE 8: TRADE DEBTORS, PREPAYMENTS AND STAFF ADVANCES			
CURRENT			
Anton Banit		4,500	4,500
Bank of PNG Trading License		-	15,000
Brian Bell		942	942
CPAPNG – 2014 Membership Fees		1,540	1,540
Fraud Recovery Account		13,518	15,481
Interest Receivable -IBD		81,858	-
Interest Withholding Tax		6,585	-
Kokopo Vunamami ULLG Trading License		-	500
Kwila Haus Rental Bond		22,383	22,383
Lease Master - Car Rental Deposit		-	8,966
Prepaid Capital Works		5,970	-
Prepaid Insurance		11,653	-
Prepaid Salary		130,000	-
Prepaid Training		43,328	-
Quinto TV Cable		200	-
Trade Debtors		25,912	229,376
Travel to India		-	11,691
Uniforms		-	8,291
Vunapalauva Property		4,400	4,400
		<u>352,789</u>	<u>323,069</u>

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 PGK	2013 PGK
NOTE 9: PROPERTY, PLANT AND EQUIPMENT			
	Land & Buildings At Fair Value PGK	Motor Vehicles At Cost PGK	Computers & Printers At Cost PGK
	Office Equipment At Cost PGK	Office Furniture At Cost PGK	Office Machinery At Cost PGK
	Total PGK		
Gross Carrying Amount			
Balance at 1 January 2013	558,653	346,941	631,674
Additions	-	-	32,566
Disposal/Transfers	(52,853)	(36,647)	(85,552)
Balance at 1 January 2013	505,800	310,293	578,688
Additions	1,237,500	236,194	16,513
Disposals/Transfers	-	(206,707)	(34,524)
Balance at 31 December 2014	1,743,300	339,780	560,677
Accumulated Depreciation			
Balance at 1 January 2013	8,912	144,793	213,150
Depreciations	4,032	54,934	98,074
Disposals/Transfers	(4,701)	(17,611)	(52,678)
Balance at 1 January 2014	8,243	182,115	258,546
Depreciation Expense	3,870	93,043	73,879
Disposal / Transfers	-	(139,992)	(25,143)
Balance at 31 December 2014	12,113	135,166	307,281
Carrying Amount 31 December 2014	1,731,187	204,614	253,395
Carrying Amount 31 December 2013	497,557	128,179	320,142

Independent Valuations of Kada Poroman Microfinance Limited's Land was valued by a reputable valuer to determine the fair value of the land. The valuation, which conforms to International Standards, determined by reference to market values. No independent valuation was performed during the year.

NOTE 10: TRADE AND OTHER PAYABLES

Sundry payables and accruals (Group Tax & Accrued Audit Fees)	27,054	37,619
Customers Savings, Tellers cash Surplus and Unknown Deposits	<u>12,513,019</u>	<u>16,721,704</u>
	<u>12,540,073</u>	<u>16,759,323</u>

NOTE 11: PROVISIONS

CURRENT

Employee benefits (Provision for Long Service and Annual Leave)	<u>48,522</u>	<u>23,206</u>
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KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 PGK	2013 PGK
NOTE 12: TAX RECONCILIATION/PROVISION FOR TAX FOR THE YEAR ENDED 31 DECEMBER 2014			
Net Profit before Tax		(3,199,408)	(10,923)
Tax effect of permanent difference			
Add : Entertainment		-	-
Donations		-	5,220
Less: Other		-	-
Net permanent differences		(3,199,408)	(5,703)
Tax Effect of temporary differences			
Add:			
Provision for annual leave - current year		8,896	17,634
Provision for long service leave - current year		16,421	5,571
Provision for Doubtful debts - current year		3,863,637	177,612
Accrued revenue - current year (decrease)		74,244	37,619
Depreciation expenses - accounting		177,100	164,477
Less:			
Accrued expenses (decrease)		(10,565)	(200,000)
Depreciation - expense - Tax		(177,100)	(164,477)
Interest Withholding Tax-grossed up amount		(6,585)	-
Net Temporary differences		3,946,048	(139,176)
Provision for Doubtful debts - prior year		-	177,612
Estimated taxable income		746,640	32,733
Recoup prior year loss		(746,640)	(32,733)
Tax Payable at 30%		-	-
Less: Credit for Interest Withholding Tax (IWT) 15%		6,585	-
Net Tax Payable (Due)		(6,585)	-
Summary			
Prima facie tax expense at 30% (2014: 30%)		(959,823)	9,820
Permanent Differences (DTL)		(37,727)	(61,711)
Temporary Differences (DTA)		22,673	71,531

Deferred Tax Asset on prior year losses can be recognized only to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized.

NOTE 13: EQUITY

Total equity at the beginning of the financial year	915,782	2,759,961
Total changes in equity recognised in the income statement	(2,239,586)	(20,743)
Transactions with owners as owners		
- Contributions of equity	1,263,999	1,190
- Reduction of Capital	(582,019)	(1,824,626)
Total equity at the financial year	(641,824)	915,782

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 PGK	2013 PGK
NOTE 14: RESERVES			
Asset revaluation reserve - Land	(a)	281,969	281,969
Grant - Kokopo District Treasury	(b)	470,720	470,720
East New Britain Provincial Government	(c)	<u>2,450,000</u>	<u>2,450,000</u>
		<u>3,202,689</u>	<u>3,202,689</u>

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets

(b) General reserve

Movements during the financial year:

Opening balance - Kokopo District Treasury		<u>470,720</u>	<u>470,720</u>
Closing balance		<u>470,720</u>	<u>470,720</u>

The general reserve was used in prior years to record amounts set aside of fund the future expansion of the company.

(c) Other reserves

Movements during the financial year:

Opening balance		2,450,000	2,450,000
Grant ENB Provincial Government		<u>-</u>	<u>-</u>
Closing balance		<u>2,450,000</u>	<u>2,450,000</u>

The other reserves records

NOTE 15: RETAINED EARNINGS

Accumulated losses at the beginning of the financial year		(794,961)	(774,218)
Recoupment of Prior Year Losses		746,640	-
Net profit (loss) attributable to shareholders of the company		<u>(2,239,586)</u>	<u>(20,743)</u>
Accumulated losses at the end of the financial year		<u>(2,287,907)</u>	<u>(794,961)</u>

NOTE 16: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after income tax

Loss from operating activities after income tax		(2,239,586)	(20,743)
Non-cash flows in profit			
Depreciation		177,100	164,477
Changes in assets and liabilities			
(Increase)/decrease in receivables		2,779,337	4,035,016
(Increase)/decrease in other assets		281,224	45,129
(Increase)/decrease in inventories		(1,227)	(6,375)
Increase/(decrease) in payables		(4,213,737)	(2,479,969)
Increase/(decrease) in provisions		<u>(152,295)</u>	<u>(296,754)</u>
Cash flows from operations		<u>(3,369,183)</u>	<u>1,440,781</u>

NOTE 17: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

KADA POROMAN MICROFINANCE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 PGK	2013 PGK
Financial Assets			
Cash and cash equivalents		6,234,953	4,330,023
Loan to Customers and other receivables		<u>7,110,439</u>	<u>12,634,995</u>
		<u>13,345,392</u>	<u>16,965,018</u>
Financial Liabilities			
Customers Savings and other payables		<u>12,588,595</u>	<u>17,031,671</u>
		<u>12,588,595</u>	<u>17,031,671</u>

Specific Financial Risk Exposures and Management

The main risks that the company is exposed to through its financial instruments are

(a) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect the future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility of floating rate instruments.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(d) Price Risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

NOTE 18: SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years

KADA POROMAN MICROFINANCE LIMITED

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 2 to 11 present fairly the company's financial position as at 31 December 2014 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Henry Tavul

Director



Ezekiel Bangin

Dated this day of **March** 2015



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PO Box 1829, Port Moresby
PAPUA NEW GUINEA

KADA POROMAN MICROFINANCE LIMITED
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
KADA POROMAN MICROFINANCE LIMITED

Report on the Financial Report

We have audited the financial statements including the financial statements of Kada Poroman Microfinance Limited, which comprise of the Statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Companies Act 1997 and International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable under the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An Audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualification

We were not able to verify reasonableness of the Migration Account totaling to K1,869,637.

Opinion

In our opinion, the financial statements of Kada Poroman Microfinance Limited give a true and fair view of the financial position of the company as at 31 December 2014 and of its financial performance for the year ended in accordance with International Financial Reporting Standards and comply with generally accepted accounting practice and statutory requirements in Papua New Guinea.

Report on Other Legal and Regulatory Requirements

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- a) In our opinion proper accounting records have been kept by the Company as far as it appears from our examination of those records;
- b) We have obtained all the information and explanations we have required; and
- c) In conducting our audit we followed applicable independence requirements of Certified Practising Accountants Papua New Guinea.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with PNG Companies Act 1997 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We do not provide any other services to the company.

Dated at Port Moresby this *9th* day of **March** 2015

DFK Mayberry Chartered Accountants



Michael Mayberry, CSM, MBE
Registered under the Accountants Act 1996

KADA POROMAN MICROFINANCE LIMITED

ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2014 FINANCIAL STATEMENTS

**DETAIL COMPREHENSIVE STATEMENT OF ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 PGK	2013 PGK
INCOME		
Loan Interest and Fees	1,957,318	1,282,409
Loan Establishment fee	185,809	255,243
Non Lending Fees	103,562	109,395
Other Income	31,847	-
Interest from Short Term Investments (IBD)	125,756	12,232
Gain On Disposal of Assets	33,285	-
	<u>2,437,578</u>	<u>1,659,279</u>
GROSS PROFIT	<u>2,437,578</u>	<u>1,659,279</u>
LESS EXPENSES		
Advertising	13,305	33,574
Audit fees	11,122	25,693
Bad debts	-	4,300
Bank charges	28,138	17,542
Bonus & Productivity	19,688	-
Casual labour	14,353	17,289
Cleaning	451	1,921
Commission paid	-	400
Computer expenses	70,124	106,088
Consultancy fees	-	500
Depreciation	177,100	164,477
Doubtful Delinquent Loan	3,863,637	-
Directors' emoluments	24,700	29,878
Directors' Expenses	11,540	4,696
Donations/Sponsorship	-	5,220
Electricity	41,600	42,650
Employees' amenities	6,787	15,269
Freight and cartage	727	1,297
General expenses	1,770	542
Holiday pay	40,849	8,954
Insurance	12,879	37,779
Leave fares	6,872	-
Licensing fees	16,250	16,800
Long Service Leave	21,273	-
Loss on Disposal of Assets	9,890	861
Marketing Expenses	32,424	41,101
Medical supplies	160	1,500
Motor vehicle expenses	71,440	71,395
Newspapers	-	8,362
Office Expenses	1,686	7,426
Expenses carried forward	<u>4,498,767</u>	<u>665,514</u>

These financial statements should be read in conjunction with the attached Disclaimer.

KADA POROMAN MICROFINANCE LIMITED

ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2014 FINANCIAL STATEMENTS

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 PGK	2013 PGK
Expenses brought forward	4,498,767	655,514
Office expenses	1,686	7,426
Other Employment cost	502	-
Postage	492	665
Printing and stationery	29,432	44,123
Recruitment costs	600	3,646
Rent	281,599	324,662
Repairs and maintenance	204	10,652
Repatriation Costs	1,054	3,013
Repossession cost	5,751	-
Salaries and wages	603,418	470,646
School Fees	1,410	10,023
Security costs	5,835	47,713
Staff training and welfare	44,038	26,812
Staff Uniforms	3,859	-
Subscriptions	1,668	-
Superannuation	59,599	32,207
Telephone and internet	52,720	21,630
Travelling expenses	11,124	8,897
Transport Allowance	25,997	-
Utilities	5,552	-
Workers compensation	3,364	-
TOTAL EXPENSES	<u>5,636,986</u>	<u>1,670,202</u>
NET PROFIT/(LOSS)	<u>(3,199,408)</u>	<u>(10,923)</u>
OTHER INCOME / (EXPENSES)		
Subsidies and grants	-	-
PROFIT/(LOSS)	<u>(3,199,408)</u>	<u>(10,923)</u>

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