

**KADA POROMAN MICROFINANCE LIMITED**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

## **KADA POROMAN MICROFINANCE LIMITED**

### **TABLE OF CONTENTS**

Directors' Report .....	<b>1</b>
Financial Report	
Statement of Comprehensive Income .....	<b>2</b>
Statement of Financial Position .....	<b>3</b>
Statement of Changes in Equity .....	<b>4</b>
Statement of Cash Flows .....	<b>5</b>
Notes to the Financial Statements .....	<b>6 – 13</b>
Directors' Declaration .....	<b>14</b>
Independent Audit Report .....	<b>15-16</b>
Additional Information .....	<b>17 – 18</b>

# 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 2013. 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)

Ellison Pidik (Director) – (January 2013 – March 2013)

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 PGK20,743. (2012 loss PGK167,125).

### 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



Henry Tavul

Director



Ezekiel Bangin

Dated this 28th day of March 2014

**KADA POROMAN MICROFINANCE LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 PGK	2012 PGK
Revenue	4	<b>1,659,279</b>	1,261,672
Consumables used		-	40,157
Employee benefits expense		<b>(743,851)</b>	(490,519)
Transport costs		-	(380)
Depreciation and amortisation expenses		<b>(164,477)</b>	(225,830)
Advertising		<b>(69,475)</b>	(71,835)
Other expenses		<b>(692,400)</b>	(679,262)
Borrowing costs expense		<u>-</u>	<u>(1,128)</u>
<b>Profit before income tax expense</b>		<b>(10,923)</b>	(167,125)
Income tax expense	12	<u><b>(9,820)</b></u>	<u>-</u>
<b>Profit after income tax expense (loss)</b>		<u><b>(20,743)</b></u>	<u>(167,125)</u>

**KADA POROMAN MICROFINANCE LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

	Notes	2013 PGK	2012 PGK
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	4,330,023	2,887,409
Loan to Customers	6	12,203,684	12,762,729
Inventories	7	46,532	40,157
Trade Debtors, Prepayments and Staff Advances	8	<u>323,069</u>	<u>168,119</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>16,903,307</b></u>	<u>15,858,414</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	982,435	1,217,159
Deferred Tax Asset	12	<u>61,711</u>	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>1,044,146</b></u>	<u>1,217,159</u>
<b>TOTAL ASSETS</b>		<u><b>17,947,453</b></u>	<u>17,075,573</u>
<b>CURRENT LIABILITIES</b>			
Customers Savings and other payables	10	16,759,322	14,278,307
Provisions	11	<u>200,817</u>	<u>37,305</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>16,960,140</b></u>	<u>14,315,612</u>
<b>LONG TERM LIABILITIES</b>			
Deferred Tax Liability	12	<u>71,531</u>	-
<b>TOTAL LONG TERM LIABILITIES</b>		<u><b>71,531</b></u>	-
<b>TOTAL LIABILITIES</b>		<u><b>17,031,671</b></u>	<u>14,315,612</u>
<b>NET ASSETS</b>		<u><b>915,782</b></u>	<u>2,759,961</u>
<b>EQUITY</b>			
Contributed equity	13	332,680	331,490
Reserves	14	1,378,063	3,202,689
Accumulated losses	15	<u>(794,961)</u>	<u>(774,218)</u>
<b>TOTAL EQUITY</b>	13	<u><b>915,782</b></u>	<u>2,759,961</u>

**KADA POROMAN MICROFINANCE LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

---

	<u>Share Capital</u>				<u>Total</u>
	Ordinary Shares	Asset Revaluation	General Reserves	Retained Earnings	
	PGK	Reserves PGK	PGK	PGK	
Balance at 1 January 2013	331,490	281,969	2,920,720	(774,218)	2,759,961
Transfers to and from reserve	1,190	-	-	-	1,190
Migration Difference			(1,824,626)	-	(1,824,626)
Current Earnings	-	-	-	(20,743)	(20,743)
Balance at 31 December 2013	332,680	281,969	1,096,094	(794,961)	915,782
Transfers to and from reserves					
Current Earnings	-	-	-	-	-
<b>Balance at 31 December 2013</b>	<b>332,680</b>	<b>281,969</b>	<b>1,096,094</b>	<b>(794,961)</b>	<b>915,782</b>

**KADA POROMAN MICROFINANCE LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 PGK	2012 PGK
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest and commission receipts		<b>1,647,047</b>	1,327,858
Loan Repayments and customer deposits		<b>1,289,366</b>	-
Operating Grants		-	200,000
Payments to suppliers and employees		<b>(1,444,901)</b>	(1,722,443)
Borrowing Expenses		-	(1,128)
Income taxes paid		<b>(50,731)</b>	-
Net cash used in operating activities		<b><u>1,440,781</u></b>	<b><u>(195,713)</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(47,118)	(681,663)
Proceeds from sale of assets		35,530	-
Interest received		<u>12,232</u>	<u>-</u>
Net cash used in investing activities		<b><u>644</u></b>	<b><u>(681,663)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		<b>1,190</b>	(41,612)
Proceeds from borrowings		<u>                    </u>	<u>3,330,051</u>
Net cash provided by financing activities		<b><u>1,190</u></b>	<b><u>3,288,439</u></b>
Net increase in cash held		<b>1,442,614</b>	2,411,063
Cash at beginning of financial year		<b><u>2,887,409</u></b>	<u>476,346</u>
Cash at end of financial year	5	<b><u><u>4,330,023</u></u></b>	<b><u><u>2,887,409</u></u></b>

The accompanying notes form part of these financial statements.

## KADA POROMAN MICROFINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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 2013**

**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.

**(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.

**KADA POROMAN MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 PGK	2012 PGK
<b>NOTE 4: REVENUE</b>			
- Loan Interest and Fees		1,282,409	865,970
- Loan Establishment Fees		255,243	131,439
- Non Lending Fees		109,395	64,163
- Interest from short term investments (IBD)		12,232	-
- Operating Grants		-	200,000
- Late Payment Fees		-	100
		<u>1,659,279</u>	<u>1,261,672</u>
<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>			
Cash on hand		2,000	633
Bank South Pacific Ltd - KMF 1		280,337	65,176
Bank South Pacific Ltd – MVDF – Changed to Warangoi KPML		8,326	50,048
Bank South Pacific Ltd - KML 2 - Changed to Kerevat KPML		159,075	1,874,867
Bank South Pacific Ltd - KML/PPP Operating Account		28,126	852,826
ANZ Operating A/c#15061081		53	-
ANZ Keverat A/c# 15061116		53	-
ANZ Warangoi A/c# 15061149		53	-
Term Deposit		3,840,000	-
Main and Teller Cash		12,000	43,859
		<u>4,330,023</u>	<u>2,887,409</u>
A floating charge over cash and cash equivalents has been provided for certain debts.			
<b>NOTE 5: SHORT TERM INVESTMENT</b>			
Term Deposit is held with Bank South Pacific Limited, Kokopo Branch. The term deposit will mature in 17 <sup>th</sup> February 2014 with interest rate at 0.80%.			
<b>NOTE 6: LOAN TO CUSTOMERS</b>			
<b>CURRENT</b>			
Loan to Customers		12,203,684	11,571,318
Provision for Bad Loans		<u>(177,612)</u>	<u>(177,612)</u>
		12,026,071	11,393,706
Migration Difference		-	1,369,023
		<u>12,026,071</u>	<u>12,762,729</u>
<b>NOTE 7: INVENTORIES</b>			
<b>CURRENT</b>			
Passbook Inventory		29,543	40,157
Other Inventory		16,989	-
		<u>46,532</u>	<u>40,157</u>

**KADA POROMAN MICROFINANCE LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 PGK	2012 PGK
<b>NOTE 8: TRADE DEBTORS, PREPAYMENTS AND STAFF ADVANCES</b>			
<b>CURRENT</b>			
Trade Debtors		229,376	-
Anton Banit		4,500	-
Bank of PNG Trading License		15,000	16,550
Brian Bell		942	-
Car Rental Deposit		-	3,236
Catherine Tommy		-	4,000
COH and CAB Suspense Account		-	28,282
CPAPNG – 2014 Membership Fees		1,540	-
Customers Savings Suspense Account		-	(2,300)
Fraud Recovery Account		15,481	-
Insurance prepayment		-	34,790
Kokopo Vunamami ULLG Trading License		500	-
Kwila Haus Rental Bond		22,383	22,383
Lease Master - Car Rental Deposit		8,966	3,458
Loan Suspense Account		-	51,320
Prepaid Rent		-	2,000
Travel to India		11,691	-
Uniforms		8,291	-
Vunapalauva Property		<u>4,400</u>	<u>4,400</u>
		<u><u>323,069</u></u>	<u><u>168,119</u></u>

**KADA POROMAN MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 PGK	2012 PGK
<b>NOTE 9: PROPERTY, PLANT AND EQUIPMENT</b>			
		<b>Land &amp; Buildings At Fair Value PGK</b>	<b>Motor Vehicles At Cost PGK</b>
		<b>Computers &amp; Printers At Cost PGK</b>	<b>Office Equipment At Cost PGK</b>
		<b>Office Furniture At Cost PGK</b>	<b>Office Machinery At Cost PGK</b>
		<b>Total PGK</b>	
<i>Gross Carrying Amount</i>			
<b>Balance at 1 January 2012</b>		<b>408,500</b>	<b>202,195</b>
Additions		157,853	232,374
Disposal/Transfers		-	(87,628)
<b>Balance at 1 January 2012</b>		<b>566,829</b>	<b>346,941</b>
Additions		-	-
Disposals/Transfers		(52,853)	(36,647)
<b>Balance at 31 December 2013</b>		<b>505,800</b>	<b>310,293</b>
<i>Accumulated Depreciation</i>			
Balance at 1 January 2012		-	122,516
Depreciations		6,331	92,277
Disposals/Transfers		2,581	(70,001)
<b>Balance at 1 January 2013</b>		<b>8,912</b>	<b>144,793</b>
<i>Depreciation Expense</i>		4,032	54,934
<i>Disposal / Transfers</i>		(4,701)	(17,611)
<b>Balance at 31 December 2013</b>		<b>8,243</b>	<b>182,115</b>
<b>Carrying Amount 31 December 2013</b>		<b>497,557</b>	<b>128,179</b>
<b>Carrying Amount 31 December 2012</b>		<b>557,917</b>	<b>202,148</b>

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)	37,619	43,493
Customers Savings, Tellers cash Surplus and Unknown Deposits	<u>16,721,704</u>	<u>14,234,814</u>
	<u><b>16,759,323</b></u>	<u><b>14,278,307</b></u>

**NOTE 11: PROVISIONS**

**CURRENT**

Employee benefits ( Provision for Long Service and Annual Leave )	<u><b>23,206</b></u>	<u><b>37,305</b></u>
---	----------------------	----------------------

**KADA POROMAN MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 PGK	2012 PGK
<b>NOTE 12: TAX RECONCILIATION/PROVISION FOR TAX FOR THE YEAR ENDED 31 DECEMBER 2013</b>			
<b>Net Profit before Tax</b>		(10,923)	-
<i>Tax effect of permanent difference</i>			
Add:			
Entertainment		-	-
Donations		5,220	-
<b>Less:</b>			
Other		-	-
<b>Net permanent differences</b>		<u>(5,703)</u>	<u>-</u>
<i>Tax effect of temporary differences</i>			
<b>Add:</b>			
Provision for annual leave – current year		17,634	-
Provision for long service leave – current year		5,571	-
Provision for doubtful debts – current year		177,612	-
Accrued expenses – current year		37,619	-
Depreciation expense – accounting		164,477	-
Loss on sale of fixed assets – accounting		-	-
<b>Less:</b>			
Accrued Revenue		(200,000)	-
Depreciation – expense – Tax		<u>(164,477)</u>	<u>-</u>
<b>Net temporary differences</b>		<u>(139,176)</u>	<u>-</u>
Provision for Doubtful Debts – prior year		<u>177,612</u>	<u>-</u>
<b>Estimated taxable income</b>		<u>32,733</u>	<u>-</u>
Recoup prior year loss		<u>(32,733)</u>	<u>-</u>
Tax thereon @ 30%		<u>-</u>	<u>-</u>
<b>Net Tax Payable</b>		<u>-</u>	<u>-</u>
<b>Summary</b>			
Prima facie tax expense at 30% (2013: 30%)		9,820	-
Permanent differences		61,711	-
Temporary differences		<u>(71,531)</u>	<u>-</u>
Deferred Tax Asset on prior year losses can be recouped only to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilised.			
<b>NOTE 13: EQUITY</b>			
Total equity at the beginning of the financial year		2,759,961	2,885,474
Total changes in equity recognised in the income statement		(20,743)	(167,125)
Transactions with owners as owners			
- Contributions of equity		1,190	-
- Reduction of Capital		<u>(1,824,626)</u>	<u>41,612</u>
Total equity at the financial year		<u>915,782</u>	<u>2,759,961</u>

**KADA POROMAN MICROFINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 PGK	2012 PGK
<b>NOTE 14: RESERVES</b>			
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><b>3,202,689</b></u>	<u><b>3,202,689</b></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><b>470,720</b></u>	<u><b>470,720</b></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	100,000
Grant ENB Provincial Government		<u>-</u>	<u>2,350,000</u>
Closing balance		<u><b>2,450,000</b></u>	<u><b>2,450,000</b></u>

The other reserves records

**NOTE 15: RETAINED EARNINGS**

Accumulated losses at the beginning of the financial year		(774,218)	(607,093)
Net profit (loss) attributable to shareholders of the company		<u>(20,743)</u>	<u>(167,125)</u>
Accumulated losses at the end of the financial year		<u><b>(794,961)</b></u>	<u><b>(774,218)</b></u>

**NOTE 16: CASH FLOW INFORMATION**

Reconciliation of cash flow from operations with profit after income tax

Loss from operating activities after income tax		(20,743)	(167,125)
Non-cash flows in profit			
Depreciation		164,477	225,830
Changes in assets and liabilities			
(Increase)/decrease in receivables		4,035,016	266,186
Increase in other assets		45,129	(562,915)
(Increase)/decrease in inventories		(6,375)	34,299
Increase in payables		(2,479,969)	12,732
Increase/(decrease) in provisions		<u>(296,754)</u>	<u>(4,720)</u>
Cash flows from operations		<u><b>1,440,781</b></u>	<u><b>(195,713)</b></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 2013**

	Note	2013 PGK	2012 PGK
<b>Financial Assets</b>			
Cash and cash equivalents		4,330,023	2,887,409
Loan to Customers and other receivables		<u>12,634,995</u>	<u>12,762,729</u>
		<u>16,965,018</u>	<u>15,650,138</u>
<b>Financial Liabilities</b>			
Customers Savings and other payables		<u>17,031,671</u>	14,278,307
		<u>17,031,671</u>	<u>14,278,307</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 2013 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

Director



---

Henry Tavul



---

Ezekiel Bangin

Dated this 28<sup>th</sup> day of **March** 2014



## **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 2013, 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 K1,824,626.

#### **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 2013 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                      day of **March** 2014

DFK Hill Mayberry Chartered Accountants

A handwritten signature in black ink, appearing to read 'Michael Mayberry', with a yellow highlighter mark underneath the name.

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

**KADA POROMAN MICROFINANCE LIMITED**

**ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2013 FINANCIAL STATEMENTS**

**DETAIL COMPREHENSIVE STATEMENT OF ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013 PGK	2012 PGK
<b>INCOME</b>		
Loan Interest and Fees	1,282,409	865,970
Loan Establishment fee	255,243	131,439
Non Lending Fees	109,395	64,163
Late Payment Fees	-	100
Interest from Short Term Investments (IBD)	<u>12,232</u>	<u>-</u>
	<u><b>1,659,279</b></u>	<u><b>1,061,672</b></u>
<b>LESS COST OF GOODS SOLD</b>		
Opening inventory	-	5,858
Other Cost of Goods Sold	<u>-</u>	<u>(5,858)</u>
	-	-
Less Closing inventory	<u>-</u>	<u>40,157</u>
Total Cost of Goods Sold	<u>-</u>	<u>(40,157)</u>
	<u><b>1,659,279</b></u>	<u><b>1,101,829</b></u>
<b>GROSS PROFIT</b>		
<b>LESS EXPENSES</b>		
Advertising	33,574	26,902
Audit fees	25,693	40,487
Bad debts	4,300	3,330
Bank charges	17,542	3,507
Cash Theft	-	369
Casual labour	17,289	12,312
Cleaning	1,921	414
Commission paid	400	100
Computer expenses	106,088	38,390
Consultancy fees	500	-
Depreciation	164,477	225,830
Directors' emoluments	29,878	21,512
Directors' Expenses	4,696	-
Donations	5,220	3,380
Electricity	42,650	29,132
Employees' amenities	15,269	7,306
Entertainment expenses	-	273
Filing fees	-	400
Freight and cartage	1,297	380
General expenses	542	3,107
Hire of Car	-	8,208
Holiday pay	8,954	12,544
Insurance	37,779	15,574
Interest paid	-	1,128
Licensing fees	16,800	14,300
Long Service Leave	-	3,677
Loss on Disposal of Assets	<u>861</u>	<u>-</u>
Expenses carried forward	<u><b>535,729</b></u>	<u><b>472,562</b></u>

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

**KADA POROMAN MICROFINANCE LIMITED**

**ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2013 FINANCIAL STATEMENTS**

**TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>2013 PGK</b>	<b>2012 PGK</b>
Expenses brought forward	535,729	472,562
Marketing Expenses	41,101	44,933
Medical supplies	1,500	1,052
Motor vehicle expenses	71,395	44,078
Newspapers	8,362	187
Office expenses	7,426	50,904
Postage	665	-
Printing and stationery	44,123	24,550
Recruitment costs	3,646	570
Rent	324,662	250,957
Repairs and maintenance	10,652	5,328
Repatriation Costs	3,013	-
Salaries and wages	470,646	385,654
School Fees	10,023	13,000
Security costs	47,713	22,831
Staff training and welfare	26,812	18,129
Superannuation	32,207	50,896
Telephone	21,630	68,593
Travelling expenses	8,897	14,730
<b>TOTAL EXPENSES</b>	<b><u>1,670,202</u></b>	<b><u>1,468,954</u></b>
<b>NET PROFIT/(LOSS)</b>	<b><u>(10,923)</u></b>	<b><u>(367,125)</u></b>
<b>OTHER INCOME / (EXPENSES)</b>		
Subsidies and grants	-	200,000
<b>PROFIT/(LOSS)</b>	<b><u><u>(10,923)</u></u></b>	<b><u><u>(167,125)</u></u></b>

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