

KADA POROMAN MICROFINANCE LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015. 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 amounted to (PGK1,692,612) (2014 loss PGK3,199,408).

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

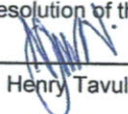
The company's operations are not regulated by any significant environmental regulation under a law of Papua New Guinea.

Options

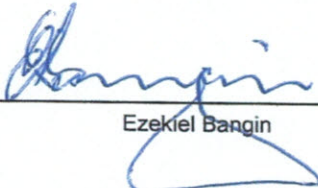
No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

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

Chairman


Henry Tavul

Director


Ezekiel Bangin

Dated this 18th day of March 2016

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 PGK	2014 PGK
Revenue	4	2,088,932	2,437,578
Employee benefits expense		(983,994)	(954,453)
Depreciation and amortisation expenses		(146,944)	(177,100)
Advertising		(39,079)	(45,173)
Other expenses		<u>(2,611,527)</u>	<u>(4,460,260)</u>
Profit before income tax expense (loss)		(1,692,612)	(3,199,408)
Income tax expense	12	<u>507,784</u>	<u>959,823</u>
Profit after income tax expense (loss)		<u>(1,184,828)</u>	<u>(2,239,586)</u>

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	Notes	2015 PGK	2014 PGK
CURRENT ASSETS			
Cash and cash equivalents	5	6,638,643	6,234,954
Loan to Customers	6	2,862,500	2,660,352
Inventories	7	78,119	56,049
Trade Debtors, Prepayments and Staff Advances	8	<u>398,699</u>	<u>352,789</u>
TOTAL CURRENT ASSETS		<u>9,977,961</u>	<u>9,304,143</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,752,112	2,229,632
Deferred Tax Asset	12	<u>41,036</u>	<u>22,673</u>
TOTAL NON-CURRENT ASSETS		<u>2,793,147</u>	<u>2,252,305</u>
TOTAL ASSETS		<u>12,771,109</u>	<u>11,556,449</u>
CURRENT LIABILITIES			
Customers Savings and other payables	10	13,322,162	12,540,072
Provisions	11	<u>(2,429,580)</u>	<u>(1,760,219)</u>
TOTAL CURRENT LIABILITIES		<u>10,892,581</u>	<u>10,876,898</u>
LONG TERM LIABILITIES			
Deferred Tax Liability	12	<u>10,264</u>	<u>37,727</u>
TOTAL LONG TERM LIABILITIES		<u>10,264</u>	<u>37,727</u>
TOTAL LIABILITIES		<u>10,902,845</u>	<u>10,914,625</u>
NET ASSETS		<u>1,868,263</u>	<u>641,824</u>
EQUITY			
Contributed equity	13	3,814,300	1,596,679
Reserves	14	1,202,689	1,333,052
Accumulated losses	15	<u>(3,148,726)</u>	<u>(2,287,907)</u>
TOTAL EQUITY	13	<u>1,868,263</u>	<u>641,824</u>

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share Capital	Asset Revaluation Reserves	General Reserves	Retained Earnings	Total				
	Ordinary Shares					PGK	PGK	PGK	PGK
	PGK					PGK	PGK	PGK	PGK
Balance at 31 December 2014	1,596,679	281,969	1,051,083	(2,287,907)	641,824				
Paid In Capital	217,740	-	-	-	217,740				
Share Buy Back	(119)	-	-	-	(119)				
Recoupment of Prior Year Losses	-	-	-	483,443	483,443				
Current Earnings	-	-	-	(1,344,261)	(1,344,261)				
	1,814,300	281,969	1,051,083	(3,148,726)	(1,374)				
Transfers to and from reserves	2,000,000	-	(2,000,000)	-	-				
Migration Difference	-	-	1,869,637	-	1,869,637				
Balance At 31 December 2015	3,814,300	281,969	920,720	(3,148,726)	1,868,263				

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 PGK	2014 PGK
CASH FLOW FROM OPERATING ACTIVITIES			
Interest and commission receipts		1,827,298	2,424,859
Loan Repayments and customer deposits		15,949,404	6,901,553
Loan Disbursements and customer withdrawals		(10,426,246)	-
Payments to suppliers and employees		(6,751,666)	(5,957,229)
Borrowing Expenses		<u>(3,083)</u>	-
Net cash used in operating activities		<u>595,708</u>	<u>3,369,183</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(671,275)	(1,504,670)
Proceeds from sale of assets		-	(23,395)
Interest received		<u>261,634</u>	<u>37,314</u>
Net cash used in investing activities		<u>(409,641)</u>	<u>(1,490,751)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		217,740	26,499
Share Buy Back		(119)	-
Proceeds from borrowings		<u>-</u>	<u>-</u>
Net cash provided by financing activities		<u>217,621</u>	<u>26,499</u>
Net increase in cash held		403,689	1,904,931
Cash at beginning of financial year		<u>6,234,954</u>	<u>4,330,023</u>
Cash at end of financial year	5	<u><u>6,638,643</u></u>	<u><u>6,234,954</u></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 2015

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%

(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 2015**

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 2015**

	Notes	2015 PGK	2014 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		1,144,570	1,957,318
- Loan Establishment Fees		172,649	185,809
- Non Lending Fees		414,436	103,562
- Interest from short term investments (IBD)		261,634	125,756
- Other Income		95,642	31,847
- Gain in Disposal of Assets		-	33,285
		<u>2,088,932</u>	<u>2,437,577</u>
NOTE 5: CASH AND CASH EQUIVALENTS			
Cash on hand		1,000	1,000
Bank South Pacific Ltd – KPML 1		358,007	152,403
Bank South Pacific Ltd - KPML 2		189,821	108,171
ANZ Operating A/c#15061081		263,453	54,368
ANZ Keverat A/c# 15061116		1,482	1,590
ANZ Warangoi A/c# 15061149		2,314	2,421
Short Term Investment		5,799,970	5,900,000
Main and Teller Cash		16,396	15,000
ATM 1		3,860	-
ATM 2		2,340	-
		<u>6,638,643</u>	<u>6,234,953</u>
A floating charge over cash and cash equivalents has been provided for certain debts.			
SHORT TERM INVESTMENT			
Term Deposit is held with Kina Bank Ltd and Bank of Papua New Guinea. The term deposits will mature in 4th March, 1st April and 1st July of 2016 with interest rates at 4.00% and 4.65% respectively.			
NOTE 6: LOAN TO CUSTOMERS			
CURRENT			
Loan to Customers		6,448,040	6,701,601
Provision for Bad Loans		<u>(3,585,540)</u>	<u>(4,041,249)</u>
		<u>2,862,500</u>	<u>2,660,352</u>
NOTE 7: INVENTORIES			
CURRENT			
Passbook Inventory		41,244	44,225
Other Inventory		<u>36,875</u>	<u>11,824</u>
		<u>78,119</u>	<u>56,049</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 PGK	2014 PGK
NOTE 8: TRADE DEBTORS, PREPAYMENTS AND STAFF ADVANCES			
CURRENT			
Anton Banit		4,500	4,500
Brian Bell		942	942
Cheque Clearing Account		(80,890)	-
CPAPNG – 2014 Membership Fees		-	1,540
Fraud Recovery Account		13,518	13,518
Inter Bank Transfers Account		5,394	-
Interest Receivable -IBD		34,213	81,858
Interest Withholding Tax		13,398	6,585
Kwila Haus Rental Bond		22,383	22,383
Ovin Nohan		1,500	-
Prepaid Banksoft AMC		5,111	-
Prepaid Capital Works		108,452	5,970
Prepaid Insurance		10,822	11,653
Prepaid Salary		130,000	130,000
Prepaid Training		35,201	43,328
Prepaid Travel		5,487	-
Quinto TV Cable		200	200
Trade Debtors		86,469	25,912
Tupet Enterprise		2,000	-
Vunapalauva Property		-	4,400
		<u>398,699</u>	<u>352,789</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 PGK	2014 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 2014		505,800	310,293	578,688	19,744	36,844	-	1,451,369
Additions		1,237,500	236,194	16,513	10,286	1,430	-	1,501,923
Disposal/Transfers		-	(206,707)	(34,524)	(1,831)	-	-	(243,062)
Balance at 31 December 2014		1,743,300	339,780	560,677	28,199	38,274	-	2,710,230
Additions		30,510	-	627,128	9,304	4,333	-	671,275
Disposals/Transfers		-	-	(7,241)	-	-	-	(7,241)
Balance at 31 December 2015		1,773,810	339,780	1,180,564	37,503	42,607	-	3,374,264
Accumulated Depreciation								
Balance at 1 January 2014		8,243	182,115	258,546	8,841	11,189	-	468,933
Depreciations		3,870	93,043	73,879	3,298	3,010	-	177,101
Disposals/Transfers		-	(139,992)	(25,143)	(301)	-	-	(165,436)
Balance at 31 December 2014		12,113	135,166	307,281	11,839	14,199	-	480,598
Depreciation Expense		4,388	61,384	73,679	4,574	2,918	-	146,944
Disposal / Transfers		-	-	(5,389)	-	-	-	(5,389)
Balance at 31 December 2015		16,501	196,550	375,571	16,413	17,116	-	622,152
Carrying Amount 31 December 2015		1,757,309	143,230	804,992	21,090	25,491	-	2,752,111
Carrying Amount 31 December 2014		1,731,187	204,614	253,395	16,361	24,075	-	2,229,632

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)	77,296	27,054
Unearned Interest	42,351	-
Customers Savings, Tellers cash Surplus	13,202,514	12,513,019
	<u>13,322,162</u>	<u>12,540,073</u>

NOTE 11: PROVISIONS

CURRENT

Employee benefits (Provision for Long Service and Annual Leave)	68,083	48,522
Income Tax Provision	(2,497,664)	(1,711,697)
	<u>(2,429,580)</u>	<u>(1,760,219)</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 PGK	2014 PGK
NOTE 12: TAX RECONCILIATION/PROVISION FOR TAX FOR THE YEAR ENDED 31 DECEMBER 2015			
Net Profit before Tax		(1,692,612)	(3,199,408)
Tax effect of permanent difference			
Add:			
Entertainment		-	-
Donations		-	-
Staff rental – loan repayment		48,000	-
Net permanent differences		<u>(1,644,612)</u>	<u>(3,199,408)</u>
Tax effect of temporary differences			
Add:			
Provision for annual leave – current year		11,028	8,896
Provision for long service leave – current year		8,533	16,421
Provision for Bad debts – current year		2,017,123	3,863,637
Accrued revenue – current year (decrease)		47,644	74,244
Depreciation expenses - accounting		146,944	177,100
Accrued expense – current year (increase)		50,539	-
Less:			
Accrued expenses (decrease)		-	(10,565)
Depreciation expense – Tax		(146,944)	(177,100)
Interest Withholding Tax Grossed up Amount		(6,813)	(6,585)
Net temporary differences		<u>2,128,054</u>	<u>3,946,048</u>
Estimated taxable income		<u>483,442</u>	<u>746,640</u>
Recoup prior year loss		<u>(483,442)</u>	<u>(746,640)</u>
Tax Payable @ 30%		-	-
Less: Credit for interest withholding tax (IWT) 15%		<u>6,813</u>	<u>6,585</u>
Net Tax Payable (Due)		<u>(6,813)</u>	<u>(6,585)</u>
Summary			
Prima facie tax expense at 30% (2015: 30%)		(507,784)	(959,824)
Temporary differences (DTL)		(10,264)	(37,727)
Temporary differences (DTA)		<u>41,036</u>	<u>22,673</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.

NOTE 13: EQUITY

Total equity at the beginning of the financial year	(641,824)	915,782
Total changes in equity recognised in the income statement	(1,344,261)	(2,239,586)
Transactions with owners as owners		
- Contributions of equity	4,982,583	1,263,999
- Reduction of Capital	<u>(1,128,235)</u>	<u>(582,019)</u>
Total equity at the financial year	<u>1,868,263</u>	<u>(641,824)</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 PGK	2014 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>450,000</u>	<u>2,450,000</u>
		<u>1,202,689</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 to fund the future expansion of the company.

(c) Other reserves

Movements during the financial year:

Opening balance – Grant ENB Provincial Government	2,450,000	2,450,000
Transfer to Paid in Capital	<u>(2,000,000)</u>	<u>-</u>
Closing balance	<u>450,000</u>	<u>2,450,000</u>

At its meeting dated 20 March 2015, the Board resolved to transfer K2m from ENBPG grant to Paid In Capital.

NOTE 15: RETAINED EARNINGS

Accumulated losses at the beginning of the financial year	(2,287,907)	(794,961)
Recoupment of Prior Year Losses	483,443	746,640
Net profit (loss) attributable to shareholders of the company	<u>(1,344,261)</u>	<u>(2,239,586)</u>
Accumulated losses at the end of the financial year	<u>(3,148,726)</u>	<u>(2,287,907)</u>

NOTE 16: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after income tax

Loss from operating activities after income tax	(1,184,828)	(2,239,586)
Non-cash flows in profit		
Depreciation	146,944	177,100
Changes in assets and liabilities		
(Increase)/decrease in receivables	253,562	2,779,337
(Increase)/decrease in other assets	(45,911)	281,224
(Increase)/decrease in inventories	(22,070)	(1,227)
Increase/(decrease) in payables	1,428,450	2,524,629
Increase/(decrease) in provisions	<u>19,561</u>	<u>(152,295)</u>
Cash flows from operations	<u>595,708</u>	<u>3,369,183</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 IAS 39 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 2015

	Note	2015 PGK	2014 PGK
Financial Assets			
Cash and cash equivalents		6,638,643	6,234,953
Loan to Customers and other receivables		<u>6,911,460</u>	<u>7,110,439</u>
		<u>13,550,103</u>	<u>13,345,392</u>
Financial Liabilities			
Customers Savings and other payables		<u>13,390,245</u>	<u>12,588,595</u>
		<u>13,390,245</u>	<u>12,588,595</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

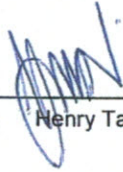
The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

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 2015 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.

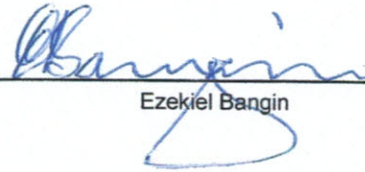
This declaration is made in accordance with a resolution of the Board of Directors.

Director



Henry Tavul

Director



Ezekiel Bangin

Dated this 18th day of March 2016

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 2015, 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.

Unqualified Audit 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 2015 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 18th day of **March** 2016

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 2015 FINANCIAL STATEMENTS

**DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 PGK	2014 PGK
INCOME		
Loan Interest and Fees	1,144,570	1,957,318
Loan Establishment fee	172,649	185,809
Non Lending Fees	414,437	103,562
Other Income	95,642	31,847
Gain on Disposal of Assets	-	33,285
Interest from Short Term Investments (IBD)	<u>261,634</u>	<u>125,756</u>
	<u>2,088,932</u>	<u>2,437,578</u>
GROSS PROFIT	<u>2,088,932</u>	<u>2,437,578</u>
LESS EXPENSES	<u>2,088,932</u>	<u>2,437,578</u>
Advertising	1,505	13,305
Audit fees	10,496	11,122
Bank charges	11,375	28,138
Bonus & Productivity	48,287	19,688
Casual labour	11,741	14,353
Cleaning	108	451
Computer expenses	40,166	70,124
Depreciation	146,944	177,100
Doubtful Delinquent Loan	2,017,123	3,863,637
Directors' emoluments	20,050	24,700
Directors' Expenses	23,538	11,540
Electricity	49,850	41,600
Employees' amenities	7,697	6,787
Freight and cartage	1,671	727
General expenses	3,564	1,770
Holiday pay	37,062	40,849
Insurance	11,091	12,879
Leave fares	4,878	6,872
Licensing fees	15,750	16,250
Long Service Leave	11,462	21,273
Loss on Disposal of Assets	1,852	9,890
Marketing Expenses	39,564	32,424
Maravut Interest Expense	3,083	-
Medical supplies	4,400	160
Motor vehicle expenses	54,796	71,440
Office expenses	1,598	1,686
Other Employment cost	-	502
Postage	955	492
Printing and stationery	34,146	29,432
Recruitment costs	-	600
Rent	340,509	281,599
Repairs and maintenance	3,894	204
Repatriation Costs	-	1,054
Expenses carried forward	<u>2,959,156</u>	<u>4,812,650</u>

KADA POROMAN MICROFINANCE LIMITED

ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2015 FINANCIAL STATEMENTS

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 PGK	2014 PGK
Expenses brought forward	2,959,156	4,812,650
Repossession cost	6	5,751
Salaries and wages	586,382	603,418
School Fees	3,000	1,410
Security costs	-	5,835
Staff training and welfare	34,580	44,038
Staff Uniforms	182	3,859
Subscriptions	3,839	1,668
Superannuation	44,332	59,599
Telephone and internet	102,206	52,720
Training Customer-MEP	5,868	-
Travelling expenses	6,559	11,124
Transport Allowance	21,669	25,997
Utilities	6,262	5,552
Workers compensation	7,503	3,364
TOTAL EXPENSES	<u>3,781,544</u>	<u>5,636,986</u>
NET PROFIT/(LOSS)	<u>(1,692,612)</u>	<u>(3,199,408)</u>
OTHER INCOME / (EXPENSES)		
Subsidies and grants	-	-
PROFIT/(LOSS)	<u>(1,692,612)</u>	<u>(3,199,408)</u>