

KADA POROMAN MICROFINANCE LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

KADA POROMAN MICROFINANCE LIMITED

TABLE OF CONTENTS

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

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 2016. 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) – Deceased on 12th January 2016

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

Operating Results

The profit of the company for the financial year before providing for income tax amounted to PGK443,780 (2015 loss PGK1,692,612).

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

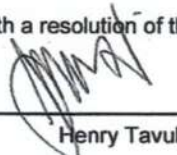
The company's operations are not regulated by any significant environmental regulation under a law of Papua New Guinea.

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



Nerrie Tololo

Dated this **21st** day of **March** 2017

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 PGK	2015 PGK
Revenue	4	2,467,811	2,088,932
Employee benefits expense		(995,312)	(983,994)
Depreciation and amortisation expenses		(319,685)	(146,944)
Advertising		(46,493)	(39,079)
Other expenses		<u>(662,542)</u>	<u>(2,611,527)</u>
Profit before income tax expense		443,780	(1,692,612)
Income tax expense	12	<u>(133,134)</u>	<u>507,784</u>
Profit after income tax expense (loss)		<u>310,646</u>	<u>(1,184,828)</u>

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 PGK	2015 PGK
CURRENT ASSETS			
Cash and cash equivalents	5	7,853,034	6,638,643
Loan to Customers	6	2,594,208	2,862,500
Inventories	7	89,450	78,119
Trade Debtors, Prepayments and Staff Advances	8	557,296	398,699
TOTAL CURRENT ASSETS		11,093,987	9,977,961
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,892,477	2,752,112
Deferred Tax Asset	12	12,192	41,036
TOTAL NON-CURRENT ASSETS		2,904,668	2,793,147
TOTAL ASSETS		13,998,656	12,771,109
CURRENT LIABILITIES			
Customers Savings and other payables	10	14,864,020	13,322,162
Provisions	11	(2,644,324)	(2,429,580)
TOTAL CURRENT LIABILITIES		12,219,696	10,892,581
LONG TERM LIABILITIES			
Deferred Tax Liability	12	2,363	10,264
TOTAL LONG TERM LIABILITIES		2,363	10,264
TOTAL LIABILITIES		12,222,059	10,902,845
NET ASSETS		1,776,596	1,868,263
EQUITY			
Contributed equity	13	3,896,016	3,814,300
Reserves	14	381,969	1,202,689
Accumulated losses	15	(2,501,389)	(3,148,726)
TOTAL EQUITY	13	1,776,596	1,868,263

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Share Capital</u>				<u>Total</u>
	<u>Ordinary Shares</u>	<u>Asset Revaluation</u>	<u>General Reserves</u>	<u>Retained Earnings</u>	
	<u>PGK</u>	<u>Reserves</u> <u>PGK</u>	<u>PGK</u>	<u>PGK</u>	
Balance at 1 January 2016	3,814,300	281,969	920,720	(3,148,726)	1,868,263
Paid in capital	84,225	-	-	-	84,225
Shares Buy Back	(2,509)	-	-	-	(2,509)
Recoupment of Prior Year Losses	-	-	-	484,322	484,322
Current Earnings	-	-	-	163,015	165,349
Balance at 31 December 2016	3,896,016	281,969	920,720	(2,501,389)	2,599,651
Transfers to and from reserves	-	-	(820,720)	-	(820,720)
Balance at 31 December 2016	3,896,016	281,969	100,000	(2,501,389)	1,776,596

KADA POROMAN MICROFINANCE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 PGK	2015 PGK
CASH FLOW FROM OPERATING ACTIVITIES			
Interest and commission receipts		2,467,811	1,827,298
Loan Repayments and customer deposits		3,347,933	15,949,404
Loan Disbursements and customer withdrawals		(1,862,746)	(10,426,246)
Payments to suppliers and employees		(2,587,459)	(6,751,666)
Borrowing Expenses		<u>(2,895)</u>	<u>(3,083)</u>
Net cash used in operating activities		<u>1,362,645</u>	<u>595,708</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(465,536)	(671,275)
Proceeds from sale of assets		(871)	-
Interest received		<u>236,437</u>	<u>261,634</u>
Net cash used in investing activities		<u>(229,970)</u>	<u>(409,641)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		84,225	217,740
Share Buy Back		<u>(2,509)</u>	<u>(119)</u>
Net cash provided by financing activities		<u>81,716</u>	<u>217,621</u>
Net increase in cash held		1,214,391	403,689
Cash at beginning of financial year		<u>6,638,643</u>	<u>6,234,954</u>
Cash at end of financial year	5	<u><u>7,853,034</u></u>	<u><u>6,638,643</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 2016

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 2016**

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 2016**

	Notes	2016 PGK	2015 PGK
(b) Asset Impairment			
<p>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.</p>			
NOTE 4: REVENUE			
- Loan Interest and Fees		1,651,216	1,144,570
- Loan Establishment Fees		150,227	172,649
- Non Lending Fees		405,599	414,436
- Interest from short term investments (IBD)		236,437	261,634
- Other Income		<u>24,332</u>	<u>95,642</u>
		<u><u>2,467,811</u></u>	<u><u>2,088,932</u></u>
NOTE 5: CASH AND CASH EQUIVALENTS			
Cash on hand		1,000	1,000
Bank South Pacific Ltd – KPML 1		217,562	358,007
Bank South Pacific Ltd - KPML 2		76,207	189,821
Kada Poroman Microfinance Ltd		60	-
–ANZ Operating A/c#15061081		80,839	263,453
ANZ Keverat A/c# 15061116		1,312	1,482
ANZ Warangoi A/c# 15061149		2,144	2,314
Term Deposit		7,350,000	5,799,970
Main and Teller Cash		20,000	16,396
ATM 1		28,880	3,860
ATM 2		36,820	2,340
ATM Float		<u>38,210</u>	<u>-</u>
		<u><u>7,853,034</u></u>	<u><u>6,638,643</u></u>
<p>A floating charge over cash and cash equivalents has been provided for certain debts.</p>			
NOTE 5: SHORT TERM INVESTMENT			
<p>Term Deposit is held with Bank of Papua New Guinea. The term deposits consist of various maturity dates at mostly a term of 182 days respectively at an interest rate of 4.72% all throughout the year 2016.</p>			
NOTE 6: LOAN TO CUSTOMERS			
CURRENT			
Loan to Customers		2,930,182	6,448,040
Provision for Bad Loans		<u>(335,974)</u>	<u>(3,585,540)</u>
		<u><u>2,594,208</u></u>	<u><u>2,862,500</u></u>
NOTE 7: INVENTORIES			
CURRENT			
Passbook Inventory		35,114	41,244
Other Inventory		<u>54,336</u>	<u>36,875</u>
		<u><u>89,450</u></u>	<u><u>78,119</u></u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 PGK	2015 PGK
NOTE 8: TRADE DEBTORS, PREPAYMENTS AND STAFF ADVANCES			
CURRENT			
Anton Banit		-	4,500
BPNG Annual License		1,250	-
Brian Bell		-	942
Cheque Clearing Account		78,680	(80,890)
Fraud Recovery Account		-	13,518
Inter Bank Transfers Account		5,575	5,394
Interest Receivable – IBD		-	34,213
Interest Withholding Tax		21,275	13,398
Kwila Haus Rental Bond		22,383	22,383
Ovin Nohan		-	1,500
Prepaid Banksoft AMC		2,243	5,111
Prepaid Capital Works – Kokopo Block		16,120	-
Prepaid Capital Works – Ulaveo Block		99,493	108,452
Prepaid Consulting Fees		34,440	-
Prepaid Insurance		8,611	10,822
Prepaid Salary		130,000	130,000
Prepaid Training		14,127	35,201
Prepaid Travel		6,279	5,487
Quinto TV Cable		200	200
Trade Debtors		110,120	86,469
Tupet Enterprise		2,000	2,000
Vatson Ltd		4,500	-
		<u>557,296</u>	<u>398,699</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 PGK	2015 PGK
NOTE 12: TAX RECONCILIATION/PROVISION FOR TAX FOR THE YEAR ENDED 31 DECEMBER 2016			
Net Profit before Tax		443,780	(1,692,611)
Tax effect of permanent difference			
Add:			
Entertainment		-	-
Superannuation		7,781	-
Staff rental – loan repayment		-	48,000
Net permanent differences		<u>451,561</u>	<u>(1,644,612)</u>
Tax effect of temporary differences			
Add:			
Provision for annual leave – current year		(11,473)	11,028
Provision for long service leave – current year		21,230	8,533
Bad Debts written off – current year		-	2,017,123
Accrued revenue – current year (decrease)		34,213	47,644
Depreciation expense – accounting		319,685	146,944
Accrued expenses – current year (increase)		-	50,539
Less:			
Accrued expenses – current year (decrease)		(3,332)	-
Depreciation – expense – Tax		(319,685)	(146,944)
Interest Withholding Tax Grossed up Amount		<u>(7,877)</u>	<u>(6,813)</u>
Net temporary differences		32,761	2,128,054
Provision for Doubtful Debts – prior year		-	-
Estimated taxable income		<u>484,322</u>	<u>483,442</u>
Recoup prior year loss		<u>484,322</u>	<u>483,442</u>
Tax thereon @ 30%		-	-
Less: Credit for interest withholding tax (IWT) 15%		<u>7,877</u>	<u>6,813</u>
Net Tax Payable Due		<u>(7,877)</u>	<u>(6,813)</u>
Summary			
Prima facie tax expense at 30% (2015: 30%)		133,134	(507,784)
Deferred Tax Liability		(2,363)	(10,264)
Deferred Tax Asset		<u>12,192</u>	<u>41,036</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 utilized.			
NOTE 13: EQUITY			
Total equity at the beginning of the financial year		1,868,263	(641,824)
Total changes in equity recognized in the income statement		165,349	(1,344,261)
Transactions with owners as owners			
- Contributions of equity		1,591,326	4,982,583
- Reduction of Capital		<u>(1,848,343)</u>	<u>(1,128,235)</u>
Total equity at the financial year		<u>1,776,596</u>	<u>1,868,263</u>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 PGK	2015 PGK
NOTE 14: RESERVES			
Asset revaluation reserve - Land	(a)	281,969	281,969
Grant - Kokopo District Treasury	(b)	100,000	470,720
East New Britain Provincial Government	(c)	-	450,000
		<u>381,969</u>	<u>1,202,689</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	470,720	470,720
Transfer to Interest Subsidy for 2015	<u>(370,720)</u>	-
Closing balance	<u>100,000</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 – Grant ENB Provincial Government	450,000	2,450,000
Transfer to PPP Funds Payable	<u>(450,000)</u>	-
Transfer to Paid in Capital	-	<u>(2,000,000)</u>
Closing Balance	<u>-</u>	<u>450,000</u>

The 5 year financial assistance for SME expired on 20th January 2016 as per the MOA, KPML refunded K450,000

NOTE 15: RETAINED EARNINGS

Accumulated losses at the beginning of the financial year	(3,148,726)	(2,287,907)
Recoupment of Prior Years Losses	484,322	483,443
Net profit (loss) attributable to shareholders of the company	<u>163,015</u>	<u>(1,344,261)</u>
Accumulated losses at the end of the financial year	<u>(2,501,389)</u>	<u>(3,148,726)</u>

NOTE 16: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit after income tax

Profit/(Loss) from operating activities after income tax	310,646	(1,184,828)
<i>Non-cash flows in profit</i>		
Depreciation	319,685	146,944
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(202,317)	253,562
(Increase)/decrease in other assets	(23,650)	(45,911)
(Increase)/decrease in inventories	(11,331)	(22,070)
Increase/(decrease) in payables	959,855	(1,428,450)
Increase/(decrease) in provisions	<u>9,757</u>	<u>19,561</u>
Cash flows from operations	<u>1,362,645</u>	<u>595,708</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 2016

	Note	2016 PGK	2015 PGK
Financial Assets			
Cash and cash equivalents		7,839,834	6,638,643
Loan to Customers and other receivables		<u>3,555,652</u>	<u>6,911,460</u>
		<u>11,395,486</u>	<u>13,550,103</u>
Financial Liabilities			
Customers Savings and other payables		<u>14,941,860</u>	<u>13,390,245</u>
		<u>14,941,860</u>	<u>13,390,245</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 2016 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



Nerrie Tololo

Dated this **21st** day of **March** 2017



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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 2016, 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 2016 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 **21st** day of **March** 2017

DFK Mayberry Chartered Accountants

A handwritten signature in black ink, appearing to read 'Mayberry', written in a cursive style.

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

KADA POROMAN MICROFINANCE LIMITED

ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2016 FINANCIAL STATEMENTS

**DETAIL COMPREHENSIVE STATEMENT OF ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 PGK	2015 PGK
INCOME		
Loan Interest and Fees	1,651,216	1,144,570
Loan Establishment fee	150,227	172,649
Non Lending Fees	405,599	414,436
Other Income	24,322	95,642
Interest from Short Term Investments (IBD)	<u>236,437</u>	<u>261,635</u>
	2,467,811	2,088,932
GROSS PROFIT		
	<u>2,467,811</u>	<u>2,088,932</u>
LESS EXPENSES		
Advertising	3,195	1,505
Audit fees	12,345	10,496
Bank Charges	8,320	11,375
Bonus & Productivity	62,135	48,287
Casual Labour	28,794	11,741
Cleaning	163	108
Computer Expenses	51,407	40,166
Consultancy Fees	3,131	-
Depreciation	319,685	146,944
Doubtful Delinquent Loans	-	2,017,123
Directors' emoluments	4,900	20,050
Directors' Expenses	39,327	23,538
Electricity	51,232	49,850
Employees' amenities	22,282	7,697
Freight and cartage	-	1,671
General expenses	20,669	3,564
Holiday pay	38,447	37,062
Insurance	12,105	11,091
Leave fares	5,184	4,878
Licensing fees	16,750	15,750
Long Service Leave	30,836	11,462
Loss on Disposal of Assets	871	1,852
Marketing Expenses	45,443	39,564
Maravut Interest Expense	2,895	3,083
Medical supplies	1,575	4,400
Motor vehicle expenses	63,032	54,796
Office expenses	2,852	1,598
Other Employment cost	157	-
Postage	1,715	955
Printing and stationery	33,678	34,146
Rent	436,640	340,509
Repairs and maintenance	<u>9,679</u>	<u>3,894</u>
Expenses carried forward	1,329,444	2,959,156

KADA POROMAN MICROFINANCE LIMITED

ADDITIONAL INFORMATION FOR THE DIRECTORS ON THE 2016 FINANCIAL STATEMENTS

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 PGK	2015 PGK
Expenses brought forward	1,329,444	2,959,156
Repossession cost	5,343	6
Salaries and wages	466,088	586,382
School Fees	3,200	3,000
Staff training and welfare	42,886	34,580
Staff Uniforms	305	182
Subscriptions	2,299	3,839
Superannuation	41,256	44,332
Telephone and internet	92,319	102,206
Training Customer-MEP	6,330	5,868
Travelling expenses	4,863	6,559
Transport Allowance	17,843	21,669
Utilities	8,487	6,262
Workers compensation	3,367	7,503
TOTAL EXPENSES	<u>2,024,031</u>	<u>3,781,544</u>
NET PROFIT/(LOSS)	<u>443,780</u>	<u>(1,692,612)</u>
OTHER INCOME / (EXPENSES)		
Subsidies and grants	-	-
PROFIT/(LOSS)	<u>443,780</u>	<u>(1,692,612)</u>