

**KADA POROMAN
MICROFINANCE LIMITED**

**ANNUAL REPORT
31ST DECEMBER 2017**

**SINTON SPENCE
CHARTERED ACCOUNTANTS
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KADA POROMAN MICROFINANCE LIMITED

ANNUAL REPORT – 31ST DECEMBER 2017

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KADA POROMAN MICROFINANCE LIMITED

CORPORATE DIRECTORY

REGISTERED OFFICE

Ground Floor
MiBank Haus
Emmanuel Drive
Allotment 21, Section 21
Kokopo
East New Britain Province
Papua New Guinea

PRINCIPAL BUSINESS ADDRESS

Ground Floor
MiBank Haus
Emmanuel Drive
Allotment 21, Section 21
Kokopo
East New Britain Province
Papua New Guinea
Telephone: 9828458
Website: www.kpml.com.pg

POSTAL ADDRESS

Kada Poroman Microfinance Limited
P.O. Box 200
Kokopo
East New Britain Province
Papua New Guinea

DIRECTORS

Ezekiel Bangin
Jack Walom
Henry Tavul
Nerrie Tololo

COMPANY SECRETARY

Timothy Vatnabar

AUDITOR

Sinton Spence Chartered Accountants
2nd Floor, Brian Bell Plaza
Turumu Street
Boroko
National Capital District
P.O. Box 6861
Boroko
National Capital District
Papua New Guinea

KADA POROMAN MICROFINANCE LIMITED

REPORT OF THE DIRECTORS

The directors of **KADA POROMAN MICROFINANCE LIMITED** have pleasure in presenting the Annual Report of the company for the year ended 31st December 2017.

REGISTERED OFFICE

The company's registered office is situated at Ground Floor MiBank Haus, Emmanuel Drive, Kokopo, East New Britain Province, Papua New Guinea.

COMPANY DIRECTORS

The following persons held office from the date of the last Annual Report to the date of this Annual Report:-

Ezekiel Bangin	Henry Tavul
Esau Niba (ceased 12.01.2016)	Nerrie Tololo
Jack Walom (appointed 22.11.2017)	

RESULTS

The comprehensive loss for the year before taxation amounted to K211,275 (2016 – a comprehensive income for the year before taxation amounting to K443,780).

DIVIDEND

The directors recommend that no dividend be paid.

ACTIVITIES

The company's principal business activity during the year was providing microfinance services.

AUDITOR

These financial statements have been audited by Sinton Spence Chartered Accountants and should be read in conjunction with the Independent Audit Report set out on pages 4 and 5.

FURTHER DISCLOSURES

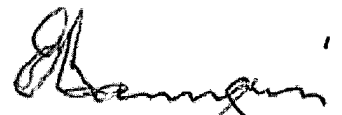
The company has obtained consent from its shareholders not to disclose the matters required under Section 212(1)(a) and (d) to (j) of the Companies Act 1997.

Signed at Kokopo, E.N.B.P.

This *10th* day of *July* 2018

On behalf of the Board
of Directors


.....
DIRECTOR


.....
DIRECTOR

KADA POROMAN MICROFINANCE LIMITED

STATEMENT BY THE DIRECTORS

In the opinion of the directors of **KADA POROMAN MICROFINANCE LIMITED**:

1. (a) the statement of comprehensive income is drawn up so as to give a true and fair view of the results of the business of the company for the financial year ended 31st December 2017;
 - (b) the statement of financial position is drawn up so as to exhibit a true and fair view of the state of affairs of the company as at 31st December 2017;
 - (c) the statement of cash flows is drawn up to exhibit a true and fair view of the movements in cash of the company for the financial year ended 31st December 2017;
 - (d) the statement of changes in equity is drawn up to exhibit a true and fair view of the changes in equity for the financial year ended 31st December 2017;
 - (e) at the date of this statement there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due.
2. the financial statements and the notes to the financial statements, have been prepared in accordance with International Financial Reporting Standards adopted in Papua New Guinea and the Papua New Guinea Companies Act 1997.
 3. The key risks facing the Company are identified on a continuous ongoing basis. Systems have been established to monitor and manage risks including setting and adhering to a series of prudential limits and by adequate and regular reporting. These risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

Signed at Kokopo, E.N.B.P.

This 10th day of July 2018

On behalf of the Board
of Directors


.....
DIRECTOR


.....
DIRECTOR

KADA POROMAN MICROFINANCE LIMITED
INDEPENDENT AUDIT REPORT
ON THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2017

Report on the Financial Statements

We have audited the accompanying financial statements of **KADA POROMAN MICROFINANCE LIMITED**, which comprise the statement of financial position as at 31st December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 in 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 on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the 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.

Independence

As auditor, we are required to be independent of the company and free of interests that could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by Certified Practising Accountants Papua New Guinea.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **KADA POROMAN MICROFINANCE LIMITED** as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Papua New Guinea Companies Act 1997.

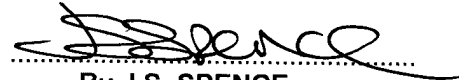
KADA POROMAN MICROFINANCE LIMITED
INDEPENDENT AUDIT REPORT
ON THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31ST DECEMBER 2017

Other Assignments

This firm has not carried out any other assignments for **KADA POROMAN MICROFINANCE LIMITED** apart from the audit of the financial statements in respect of the year ended 31st December 2017.

Signed at Boroko

This *Monday* day of *July* 2018



By **J.S. SPENCE**
(Registered under the Accountants Act - 1996)

SINTON SPENCE
CHARTERED ACCOUNTANTS
2nd Floor Brian Bell Plaza,
Turumu Street, Boroko, NCD
PO Box 6861, Boroko, NCD
Papua New Guinea

KADA POROMAN MICROFINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017

	NOTES	2017 K	2016 K
Operating income		<u>2,575,685</u>	<u>2,467,811</u>
Operating expenses			
Depreciation		280,399	319,685
Staff costs		767,675	744,937
Other operating expenses		<u>1,721,771</u>	<u>951,089</u>
		<u>2,769,845</u>	<u>2,015,711</u>
Loss from operations		<u>(194,160)</u>	<u>452,100</u>
Finance expenses			
Bank charges		<u>17,115</u>	<u>8,320</u>
Comprehensive loss before taxation		<u>(211,275)</u>	<u>443,780</u>
Taxation	13		
Current period		-	-
Prior year taxation adjustment		2,722,164	-
Deferred tax		<u>(1,061,086)</u>	<u>133,134</u>
		<u>1,661,078</u>	<u>133,134</u>
Total comprehensive loss for the year after taxation		<u>K (1,872,353)</u>	<u>K 310,646</u>

The accompanying notes form part of these financial statements.

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	NOTES	2017 K	2016 K
SHAREHOLDERS' EQUITY			
Share capital	4	4,177,197	3,896,016
Reserves		(3,992,020)	(2,119,420)
SURPLUS OF SHAREHOLDERS' EQUITY		K185,177	K1,776,596
Represented by:-			
ASSETS			
CURRENT			
Cash on hand and at bank	5	581,119	503,034
Treasury bills	6	6,835,527	7,240,977
Receivables	8	373,574	557,296
Inventory	9	64,466	89,450
Taxation refundable	13	43,248	2,722,164
Consumer finance loans	7	3,230,134	2,594,208
		<u>11,128,068</u>	<u>13,707,129</u>
NON CURRENT			
Fixed assets	14	2,760,344	2,892,478
Future income tax benefit	13	1,070,914	12,192
		<u>3,831,258</u>	<u>2,904,670</u>
TOTAL ASSETS		<u>14,959,326</u>	<u>16,611,799</u>
LIABILITIES			
CURRENT			
Payables	10	60,541	592,631
Savings accounts and deposits	12	14,619,129	14,162,369
Provision for employee benefits	11	29,260	26,085
		<u>14,708,930</u>	<u>14,781,085</u>
NON CURRENT			
Provision for employee benefits	11	65,219	51,755
Provision for deferred taxation	13	-	2,363
		<u>65,219</u>	<u>54,118</u>
TOTAL LIABILITIES		<u>14,774,149</u>	<u>14,835,203</u>
NET ASSETS		<u>K185,177</u>	<u>K1,776,596</u>

The accompanying notes form part of these financial statements.

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017

	SHARE CAPITAL K	ASSET REVALUATION K	GENERAL K	RETAINED EARNINGS K	TOTAL K
Balance at 31.12.2015	3,896,016	281,969	470,720	(2,812,035)	1,836,670
Issue of shares	-	-	-	-	-
Comprehensive income after taxation	-	-	-	310,646	310,646
Transferred to interest subsidy	-	-	(370,720)	-	(370,720)
Dividend	-	-	-	-	-
Balance at 31.12.2016	<u>3,896,016</u>	<u>281,969</u>	<u>100,000</u>	<u>(2,501,389)</u>	<u>1,776,596</u>
Issue of shares 236,274 ordinary shares at K1.19 per share	281,166	-	-	-	281,166
Comprehensive income after taxation	-	-	-	(1,872,353)	(1,872,353)
Prior year premium paid for share buy back	-	-	-	(247)	(247)
Prior year share value discrepancy	15	-	-	-	15
Dividend	-	-	-	-	-
Balance at 31.12.2017	<u>K4,177,197</u>	<u>K 281,969</u>	<u>K 100,000</u>	<u>K (4,373,989)</u>	<u>K 185,177</u>

The accompanying notes form part of these financial statements.

KADA POROMAN MICROFINANCE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	NOTE	2017 K	2016 K
Cash flows from operating activities			
Interest and commission receipts		2,273,155	2,467,811
Loan repayments and customer deposits		456,760	3,347,933
Loan disbursements and customer withdrawals		(1,011,709)	(1,862,746)
Payments to suppliers and employees		(2,509,578)	(2,587,459)
Borrowing expenses		-	(2,894)
Net cash used in operating activities	15	<u>(791,372)</u>	<u>1,362,645</u>
Cash flows from investing activities			
Interest received		238,057	236,437
Purchase of fixed assets		(174,239)	(465,536)
Sale of fixed assets		10,000	(871)
Net cash used in investing activities		<u>73,818</u>	<u>(229,970)</u>
Cash flows from finance activities			
Issue of shares		281,166	84,225
Share buyback		-	(2,509)
Net cash generated from finance activities		<u>281,166</u>	<u>81,716</u>
Net cash used during the year		(436,388)	1,214,391
Cash and equivalents at the beginning of the year		7,853,034	6,638,643
Cash and equivalents at end of the year		<u><u>K 7,416,646</u></u>	<u><u>K 7,853,034</u></u>
Cash and equivalents are comprised of the following balances:			
Cash on hand		74,280	124,910
Cash at bank		506,839	378,124
Treasury bills		6,835,527	7,350,000
Cash and equivalents at end of the year		<u><u>K 7,416,646</u></u>	<u><u>K 7,853,034</u></u>

The accompanying notes form part of these financial statements.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with applicable financial reporting standards and other mandatory professional reporting requirements approved for use in Papua New Guinea by the Accounting Standards Board (ASB). The ASB has adopted International Financial Reporting Standards (IFRS) and interpretations issued by the Standing Interpretations Committee as the applicable financial reporting framework.

The fundamental accounting assumptions recognised as appropriate for the measurement and reporting of results, cashflows and the financial position have been followed in the preparation of these financial statements.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The financial statements have been prepared on a going concern basis.

(a) **Historical Cost Convention**

The financial statements have been prepared under the historical cost convention and have not been adjusted to take account of the current costs of specific assets or their impact on the operating results, or changes in the general purchasing power of the kina.

(b) **Foreign Currencies**

Foreign currency transactions are recorded in Kina at the exchange rate at the date of the transaction. Monetary assets and liabilities are recorded at the exchange rate at the statement of financial position date. All gains and losses arising from exchange rate fluctuations are included in the statement of comprehensive income.

(c) **Employee Benefits**

The liability or amounts expected to be paid to employees for their pro-rata entitlement to long service leave, annual leave and leave fares are accrued annually at current pay rates having regard to period of service and statutory obligations.

(d) **Recognition of Revenue and Expenditure**

All revenue and expenditure is taken to account in accordance with the principle of matching income and expenses.

(e) **Interest Income and Expenses**

Interest income and expenses are recognised in the statement of comprehensive income for all interest bearing instruments on an accruals basis using the effective yield method based on the purchase price. Interest income includes coupons earned on fixed income investments and available-for-sale securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful for collection, such as when the borrower or securities issuer defaults. Such income is excluded from interest income until received.

(f) **Provision for doubtful debts**

Provisions for doubtful debts comprise a specific provision for identified doubtful debts and general provisions, where necessary, to cover unidentified risks inherent in the overall loan portfolio which experience has indicated could emerge in the future. Specific provisioning is raised against the income account as and when appraisals of all outstanding advances determine that recovery is doubtful with subsequent favourable appraisals being re-credited to the income account. The general provision is raised periodically through the year based upon average bad debts experience and growth in the overall level of loans and advances.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) **Impairment of Assets**

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(h) **Fixed Assets**

Fixed assets are stated at cost or at valuation less accumulated depreciation. The carrying amount of fixed assets is reviewed annually by the directors to ensure it is not in excess of the recoverable amount for those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal.

Depreciation is calculated on the diminishing value method so as to write off the net costs of the various classes of fixed assets during their effective working lives. Additions are depreciated from the date of purchase in the year of acquisition.

The principal annual rates in use are: -

Land	Nil
Buildings	4.25%
Plant and equipment	22.50%, 30.00%
Motor vehicles	30.00%
Office equipment	11.25%, 15.00%, 22.50%, 30.00%

(i) **Income Tax**

Tax effect accounting procedures have been adopted whereby the income tax expense in the income account is matched with the accounting profit (after allowing for permanent differences). The future tax benefit is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future tax benefit accounts at the rates which are expected to apply when those timing differences reverse. The current rates have been used for this purpose.

(j) **Cash**

For the purposes of the statement of cash flows, cash includes cash on hand, in "at call" deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(k) **Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In which case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Financial services are exempt supplies hence GST paid on expenses incurred in relation to the derivation of exempt supplies are recognised as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) **Receivables**

Receivables are initially valued at cost. Provisions are made at the balance date to account for revaluations of receivables due to non recoverability.

(m) **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.

(n) **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.

2 FINANCIAL INSTRUMENTS

The nature of activities and management policies with respect to financial instruments is as follows: -

(a) **Financial risk management**

The company's activities expose it to a variety of financial risks, including the effects of changes in market prices and interest rates. The company monitors these financial risks and seeks to minimise the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

(b) **Currency**

The company does not undertake any significant transactions in foreign currencies and consequently is not exposed to any foreign currency risks.

(c) **Credit risk**

In the normal course of its business the company incurs credit risk from consumer loans. The company performs credit evaluations of all entities to which it has credit risk exposure. The company maintains its cash and bank balances with financial institutions which have a high credit standing. The company has satisfactorily provided for bad and doubtful debts at balance date.

(d) **Liquidity risk**

The company aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities to meet its financial obligations as and when they arise.

(e) **Interest rate risk**

The company earns interest on deposits. The management monitor market rates for interest on deposits and makes investment decisions based on the market and the company's income requirement.

(f) **Fair value**

The face values less any estimated credit adjustments for financial assets and liabilities are assumed to approximate their fair values.

3 AUDITOR'S REMUNERATION

- audit
- other services

2017
K

2016
K

-	-
-	-
<hr/>	<hr/>

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Shares issued		2017	2016
	2017	2016	K	K
4 <u>SHARE CAPITAL</u>				
Issued and fully paid				
Ordinary shares issued at K1.00 per share	330,190	330,190	330,190	330,190
Ordinary shares issued at K1.19 per share	3,232,779	2,996,505	3,847,007	3,565,841
	<u>3,562,969</u>	<u>3,326,695</u>	<u>4,177,197</u>	<u>3,896,031</u>
5 <u>CASH AND BANK</u>				
Cash on hand			1,500	1,000
Main and teller cash			13,000	20,000
ATM 1			13,440	28,880
ATM 2			31,240	36,820
ATM float			13,000	38,210
ATM test			2,100	-
Bank South Pacific - KPML 1			128,829	217,562
Bank South Pacific - KPML 2			16,203	76,207
Kada Poroman Microfinance Limited			106,574	60
ANZ operating account 15061081			221,459	80,839
ANZ Kerevat account 15061116			1,162	1,312
ANZ Warangoi account 15061149			2,014	2,144
KPML Rabaul			30,598	-
			<u>581,119</u>	<u>503,034</u>
6 <u>TREASURY BILLS</u>				
Treasury Bills - Bank of Papua New Guinea			6,900,000	7,350,000
Unearned interest			64,473	109,023
			<u>6,835,527</u>	<u>7,240,977</u>
The company holds Treasury Bills issued by the Bank of Papua New Guinea.				
The Treasury Bills were issued on a 182 day maturity period with yield rates between 4.72% and 4.74%.				
7 <u>CONSUMER FINANCE LOANS</u>				
Loans to customers			3,941,891	2,930,182
Provision for non recoverable loans			(711,757)	(335,974)
			<u>3,230,134</u>	<u>2,594,208</u>

At 31.12.2017, there were approximately 1,304 consumer loans outstanding. The loans range from K625 upwards. Loan periods range from 12 to 36 months with Interest accruing at a rate of 25% per annum.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017 K	2016 K
8 <u>RECEIVABLES</u>		
Other debtors	77,640	110,120
Cheque clearing account	60,360	78,680
Interbank transfer account	5,121	5,575
Interest withholding tax	-	21,275
Prepayments	196,970	312,563
Rental bonds	33,483	29,083
	<u>373,574</u>	<u>557,296</u>
9 <u>INVENTORY</u>		
Passbooks	27,199	35,114
ATM cards, stationery and consumables	37,267	54,336
	<u>64,466</u>	<u>89,450</u>
10 <u>PAYABLES</u>		
Accrued expenses	36,805	51,279
Accrued wages	21,068	-
Sundry creditors	2,668	33,352
PPP funds payable	-	508,000
	<u>60,541</u>	<u>592,631</u>
<p>Funds held under the ENB Provincial Administration, PPP program were fully repaid to the ENB Development Corporation on 12th September 2017.</p> <p>The funds were originally provided for the purpose of funding the Hatchery Project for the benefit of the 18 LLGs of ENB.</p>		
11 <u>PROVISION FOR EMPLOYEE BENEFITS</u>		
Current		
Annual leave	29,260	26,085
Non-current		
Long service leave	65,219	51,755
	<u>94,479</u>	<u>77,840</u>
12 <u>SAVINGS ACCOUNTS AND DEPOSITS</u>		
Savings accounts and deposits	<u>14,619,129</u>	<u>14,162,369</u>

At 31.12.2017, there were a total of 39,297 savings account holders.

The savings accounts do not incur interest.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017 K	2016 K
13 TAXATION		
(i) Taxation expense		
Comprehensive loss for the year	(211,275)	443,780
Prima facie tax on loss	(63,383)	133,134
Tax effect of permanent differences Note 13(iv)(a)	-	2,334
Tax effect of timing differences Note 13(iv)(b)	115,476	12,191
Transfer to taxation loss	-	-
Taxation losses utilised	(52,093)	(147,659)
Taxation expense	-	-
(ii) Provision for taxation		
Opening balance	(2,722,164)	(2,714,287)
Prior year taxation adjustment	2,722,164	-
Tax expense for the year	-	-
Interest withholding tax deducted at source	(43,248)	(7,877)
Taxation paid	-	-
Taxation refundable	(43,248)	(2,722,164)
(iii) Deferred tax assets		
Taxation losses	2,705,604	-
Provision for doubtful debts	711,757	-
Provision for employee benefits	94,479	9,757
Accrued wages	21,068	-
Accrued expenses	36,805	(3,332)
Accrued revenue	-	34,213
Interest withholding tax	-	(7,877)
	3,569,713	32,761
Future income tax benefit at 30%	1,070,914	9,828
(iv) Reconciliation of taxation expense		
(a) Permanent differences		
Superannuation	-	7,781
	-	7,781
Tax effect at 30%	-	2,334
(b) Timing differences		
Provision for annual leave	3,175	(11,473)
Provision for long service leave	13,464	21,230
Provision for doubtful debts	375,783	-
Accrued revenue	-	34,213
Accrued wages	6,974	-
Accrued expenses	(14,475)	(3,332)
	384,921	40,638
Tax effect at 30%	115,476	12,191

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

14 FIXED ASSETS

	Land and Buildings at fair value K	Motor Vehicles at cost K	Computers at cost K	Office Equipment at cost K	Office Furniture at cost K	Total K
2017						
Cost	1,498,985	339,780	1,611,516	51,350	48,884	3,550,515
Valuation (land)	281,969	-	-	-	-	281,969
	<u>1,780,954</u>	<u>339,780</u>	<u>1,611,516</u>	<u>51,350</u>	<u>48,884</u>	<u>3,832,484</u>
Additions	19,364	26,631	98,138	23,189	6,917	174,239
Disposals	-	(26,631)	-	-	-	(26,631)
	<u>1,800,318</u>	<u>339,780</u>	<u>1,709,654</u>	<u>74,539</u>	<u>55,801</u>	<u>3,980,092</u>
Depreciation						
Opening	21,967	239,519	635,635	22,555	20,330	940,006
Charge	6,019	30,735	230,730	9,196	3,718	280,398
Disposals	-	(656)	-	-	-	(656)
	<u>27,986</u>	<u>269,598</u>	<u>866,365</u>	<u>31,751</u>	<u>24,048</u>	<u>1,219,748</u>
NBV	<u>1,772,332</u>	<u>70,182</u>	<u>843,289</u>	<u>42,788</u>	<u>31,753</u>	<u>2,760,344</u>
2016						
Cost	1,491,841	339,780	1,180,564	37,503	42,607	3,092,295
Valuation (land)	281,969	-	-	-	-	281,969
	<u>1,773,810</u>	<u>339,780</u>	<u>1,180,564</u>	<u>37,503</u>	<u>42,607</u>	<u>3,374,264</u>
Additions	7,144	-	432,995	19,119	6,277	465,535
Disposals	-	-	(2,043)	(5,272)	-	(7,315)
	<u>1,780,954</u>	<u>339,780</u>	<u>1,611,516</u>	<u>51,350</u>	<u>48,884</u>	<u>3,832,484</u>
Depreciation						
Opening	16,501	196,550	375,571	16,413	17,116	622,151
Charge	5,466	42,969	261,237	6,799	3,214	319,685
Disposals	-	-	(1,173)	(657)	-	(1,830)
	<u>21,967</u>	<u>239,519</u>	<u>635,635</u>	<u>22,555</u>	<u>20,330</u>	<u>940,006</u>
NBV	<u>1,758,987</u>	<u>100,261</u>	<u>975,881</u>	<u>28,795</u>	<u>28,554</u>	<u>2,892,478</u>

Valuation

	K
Portion 3777, Ulaveo subdivision, Kokopo, ENBP	100,000
Portion 3798, Ulaveo subdivision, Kokopo, ENBP	97,200
Portion 3809, Ulaveo subdivision, Kokopo, ENBP	112,400
Portion 3805, Ulaveo subdivision, Kokopo, ENBP	91,200
Allotment 42, Section 21, Kokopo, ENBP	1,237,500

The valuation of Kada Poroman Microfinance Limited's land was performed by Simeon Tausi Wakias of Kokopo Urban / Rural and Thomas C. Bullen of Gazelle Realty. The valuation is dated 6th July 2010.

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	2017	2016
	K	K
15 <u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Reconciliation of cash generated from operating activities with comprehensive income before taxation:		
Operating loss before taxation	(211,275)	310,646
Non cash flow items		
Interest from IBD's	(302,530)	-
Depreciation	280,399	319,685
Loss on disposal of fixed assets	15,975	-
Equity adjustment	(232)	-
Provision for doubtful debts	375,783	-
Increase in other assets	-	(23,650)
Increase in provision for employee benefits	16,639	9,757
Increase in stock and work in progress	24,984	(11,331)
Decrease in debtors and prepayments	183,718	(202,317)
Increase in loans to customers	(1,011,709)	-
Decrease in creditors	(119,876)	959,855
Taxation	(43,248)	-
Net cash generated from operating activities	<u>(791,372)</u>	<u>1,362,645</u>

16 CONTINGENT LIABILITIES

The directors of Kada Poroman Microfinance Limited are not aware of any contingent liabilities which existed at the date of this annual report.

17 RELATED PARTIES

Transactions with related parties, if any, are in accordance with the company's normal trading conditions and occurred in the ordinary course of business.

18 POST BALANCE DATE EVENTS

The directors are not aware of any events which occurred since the end of the financial year to the date of this report which would materially affect these financial statements.

19 EMPLOYEES

The company's average number of employees during the year was 35 (2016: 35)

KADA POROMAN MICROFINANCE LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

20 SEGMENT INFORMATION

Business segment

Kada Poroman Microfinance Limited operates in the business segments of:

- Banking and financial services

Geographical segment

Kada Poroman Microfinance Limited operates exclusively in East New Britain Province, Papua New Guinea.