2013 annual report

NATIONWIDE MICROBANK

GROW WITH US

contents

our vision

To be the most innovative micro bank in Papua New Guinea and the Pacific region.

our mission

To enable access to banking services for the un-banked and small business; offering superior customer service by delivering innovative banking solutions, and providing long term shareholder value through an inspired team.

our slogan

Grow with us

chairman's report

I am pleased to report that in 2013 the Bank made a modest profit, after depreciation and provisions, of K171,913. This is the third successive year of profitability and demonstrates the solid business basis on which the Bank is now operating.

Mr Ray Clark

One must, however, look further than the financial bottom line to fully appreciate the extensive achievements of the Bank during the year.

Our mission is to provide financial services to the unbanked people of Papua New Guinea and we are now doing that for close to 140,000 people. The number of MiCash accounts doubled in 2013 and, as the agent network grows, so will this unique mobile phone banking system that continues to be sourced by an increasingly large proportion of women.

In 2013 there was another dramatic increase in lending of over 40%, taking the loan book to K36m, whilst Portfolio at Risk reduced further from 9.2% to 7.5%.

A most innovative new product, MiLife, was introduced to provide a simple means by which grassroots people can obtain insurance that will reduce the burden of a death in the family.

Extensive efforts have been made by our Women's Banking Unit in providing financial literacy to over 3,000 women in 2013. An agreement has been entered into with the United Church of PNG to make these services available to church members throughout PNG, and a pilot scheme to provide mobile money and bill pay services is underway in the NCD's Gerehu market, with a view to extending these services to other major markets in due course of time.

Another new product is MiPei, being a system whereby institutions can pay their employee salaries and wages directly into a MiCash bank account and this has enormous potential for application in our Universities.

These products and services are elaborated upon in the MDs report but I mention them here to emphasise the impact that Nationwide Microbank is having on financial inclusion throughout PNG.

It is a credit to the Bank that it is providing, and will continue to expand these services, to the grass roots people of Papua New Guinea, whilst being profitable and sustainable without reliance upon grant funds.

That is not to say that the Bank is averse to further capital investment. Indeed it continues to be very active in seeking additional equity in order that it can aggressively expand its operations and loan book and further satisfy the financial needs of the PNG people. In this regard negotiations are ongoing with a number of potential investors and, with shareholder approval, the Board may seek to re-open the negotiations with the Asian Development Bank that lapsed in 2012.

Regrettably progress is continually hampered by fraud, theft and dishonesty and the incidence of misappropriation by one means or another has continued. The P & L shows that some K117,000 was lost in this way in 2013 but all due effort is continually being made to bring the offenders to justice and to obtain recompense.

In October 2013 the Board unfortunately lost the valuable services of two fine Directors, Douglas Anayabere, who resigned due to the pressure of other commitments and Garry Tunstall who was appointed to another financial institution and was therefore obliged to resign under the Central Bank's Prudential Standards. The Board is in the process of finding suitably qualified and experienced replacement Directors.

On behalf of the Board I express sincere thanks to Managing Director Tony Westaway, his management team and all staff for their sterling efforts throughout the year and my personal thanks to my fellow directors for their valuable contribution and support.

In our efforts to spread financial inclusion to the still many unbanked people of Papua New Guinea, we are fortunate in being supported by programs made available through the United Nations, AusAID, ADB and the European Union and I record our thanks for the partnerships that they are able to offer. The continuing support and advice that we have received from the Bank of PNG is also acknowledged and very much appreciated.

Nationwide Microbank first opened its doors in 2004 as a single branch entity under the name Wau Microbank and in April 2014 it will celebrate its 10th anniversary. It is worthy of reflection that the total assets for the first year of operations were K1.6m.

This compares with K63m in 2013 and a Microbank recognised as being the most prominent in the South Pacific region having 12 Branches, serving 140,000 customers, with 170 staff and a range of financial products that any MFI throughout the world would be proud of.

Having consolidated over the past three years, Nationwide Microbank is now extremely well placed to grow from strength to strength, to provide financial literacy and services to more and more PNG people and to become an icon for the microfinance industry during its second ten years.

Mr Ray Clark
Chairman

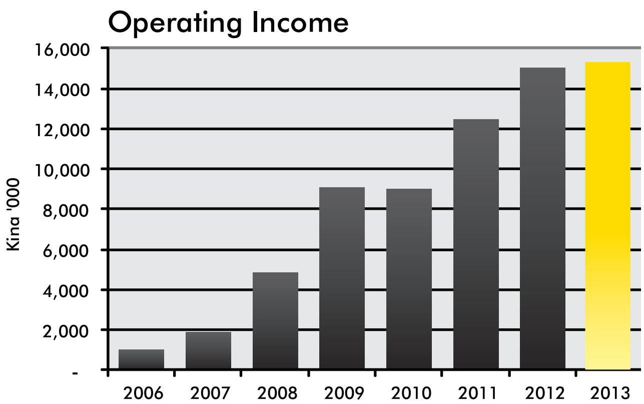
managing directors report

Mr Tony Westaway

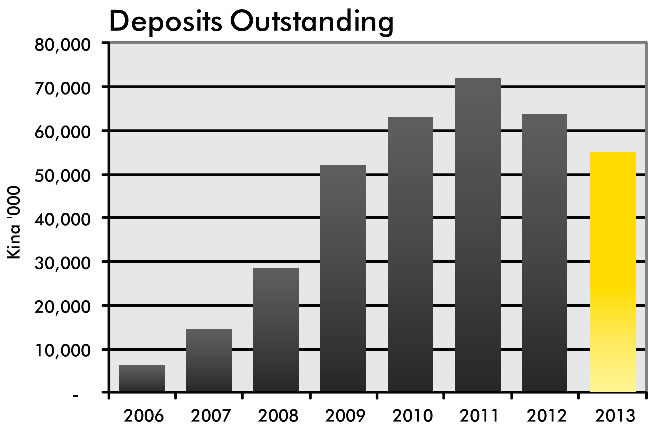
At NMB we embrace gender diversity; there is a strong focus on extending outreach to women.

A modest net profit before tax of K171,913 was recorded for the year ending 31 December 2013. Although this result does not reflect a number of achievements and new initiatives undertaken in 2013, in particular the substantive growth in the lending book.

In the past three years the NMB lending portfolio has grown nearly threefold. At the same time the portfolio at risk has fallen dramatically from 34.7% during 2010 to a low of 7.5% as at the end of 2013. Whilst lending is the core driver of profitability, falling interest rates on investments together with a reduced deposit base had an adverse impact on the 2013 result.



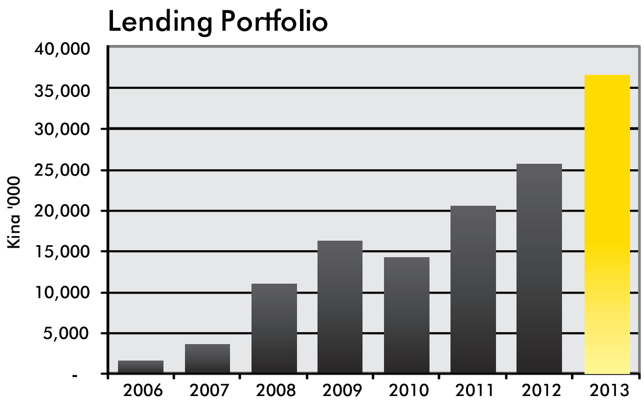
All industry sectors contributed to growth in the lending portfolio, although a significant share of financing was in the transport sector, with many Papua New Guineans leasing vehicles to various contractors on the PNG LNG project. With the construction of the pipeline ending NMB has already begun to further diversify the loan book and looks forward to new opportunities in 2014. The Risk Share



facility to be introduced under the Microfinance Expansion Project will also assist our aims, as will a new Agreement entered in to in early 2014 with the National Fisheries Authority, to provide financing to fishing activities.

Focus on women & financial education

At NMB there is strong focus on extending outreach to women. Traditionally women comprise less than 30% of the accounts in the financial services sector. However through MiCash Mobile Money provided by NMB we have been able to lift that percentage to greater than 37%. It is apparent that women find the MiCash Mobile wallet both convenient and confidential. As the Bank account is on the mobile phone, other people do not realise the women have a bank account. This is important to women in terms of their personal safety and security.



During 2013 the Women's Banking Unit of NMB, delivered financial literacy training to over 3,000 women throughout Papua New Guinea. Financial education is an important life skill for people across all socio economic levels, but it is particularly important for rural communities, as comprehension of formal financial services is generally limited for rural people. Therefore the need for focused financial literacy education becomes even more apparent. In rural households it is often the women that take care of the welfare needs of the family group. That is why NMB focuses its financial literacy training particularly to rural women.

It is through our financial literacy training, that women gain the ability to use credit responsibly, the confidence to manage their money and financial risks, and receive the understanding of the long term benefits of savings. Women who attended these financial literacy training programs, have the opportunity to open a MiCash Mobile wallet, which often marks the woman's first step to becoming financially independent and empowered to confidently manager her family and business finances.

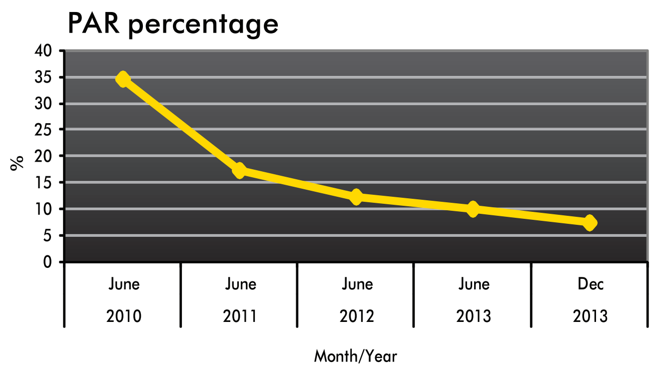
On 15 August 2013 NMB signed an historic Memorandum of Agreement (MOA) with the Moderator of the United Church in PNG, Mr Bernard Saia. Under this agreement, NMB will provide financial education for in the first instance women in the church, and then men will also be included.

The first training was conducted with 80 women and 9 men of the Kamadang District in Kavieng, New Ireland Province. During that time NMB also opened a new MiCash Mobile Money Agency at Ligga Fuel Station which is operated by the Uniting church. Bishop Rev. Salot Taren became the first MiCash Mobile Money customer at Ligga. In early 2014 the Women's Banking team will be heading to other Provinces to continue with the training for the members of the United Church.

Mobile Money introduced to Safe Cities Program with UN Women & NCDC

In June 2013 NMB was awarded a tender by UN Women and the National Capital District Commission (NCDC); to provide Mobile Money and Bill Payment services to produce market vendors in Port Moresby. A pilot program was commenced at Gerehu market with the intention to roll out through the remaining city markets.

The Mobile Money and Bill Payment system is part of a wider multi country, UN Women global initiative entitled, Safe Cities Free of Violence against Women and Girls. This initiative aims to develop a model for adaptation and scaling up that makes cities safer for women by focusing on the rights of women to utilise and enjoy public urban spaces. A central objective of the program is to address how the public safety of women and girls can be promoted in markets; the most heavily populated of city public spaces used by women working to earn a living.



The Safe Cities for Women and Girls Programme in Port Moresby is piloting the Mobile Money initiative with NMB in order to assist in reducing some of the security and violence problems that market vendors have experienced, and allow for a more transparent and efficient management of the fees being collected. A better management of the fees will enable the NCDC to provide increased maintenance and development in the markets. Providing access to financial services such as Mobile Money will have a positive effect on the levels of savings and control over financial resources that the women market vendors have. In the longer term, the mobile money system could also assist in slowly reducing cash transactions happening in the market. This program complements other initiatives promoted by NMB such as financial literacy training and women's banking.

managing directors report *continued*

Microinsurance

Following extensive market research by NMB and Pacific MMI Insurance Limited, supported by the Pacific Financial Inclusion Programme (PFIP), an innovative microinsurance product was specifically developed and designed with low-income people in mind.

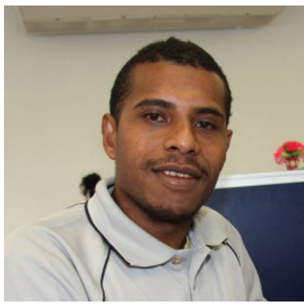
In April 2013 MiLife became the first microinsurance product to be launched in PNG and the first mobile microinsurance scheme in the South Pacific. MiLife protects families from the financial burden following an unexpected death and builds on the convenience of MiCash Mobile Money. MiLife is a term life or funeral cover that will cover the life of both the husband and wife for a duration of one year and provide a payout of K5,000 in the event of either insured's death. The cost of the MiCash Mobile Bank Account together with Insurance premium is K60 (sixty kina). Clients will have access to both a state of the art mobile banking account and insurance. Nationwide believes that a bundled MiCash Mobile Banking and MiLife Insurance product represents a major milestone in making financial inclusion a reality in PNG. Formal risk protection for the low income people of PNG is an historic step and NMB is pushing into new territory. MiLife Insurance is currently being piloted on Lihir Island.

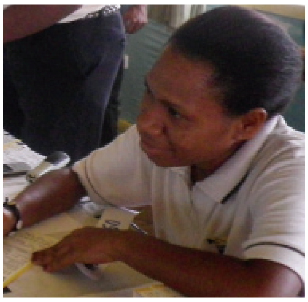
NMB is a key stakeholder in the Microfinance Expansion Project and the Centre for Excellence in Financial Inclusion. We will continue to work with these bodies in 2014 to support them and the Bank of Papua New Guinea, in efforts to extend financial inclusion throughout PNG.

I thank the staff for their efforts in 2013 and also our key development partners, in particular Asian Development Bank and Pacific Financial Inclusion Programme. Last but not least I thank our customers for their ongoing support of NMB.

Tony Westaway

Managing Director





corporate governance

Corporate Governance is an important issue for Nationwide Microbank Limited and the Board is committed to achieving the highest standards of Corporate Governance.

The Board sets the strategic direction for the Bank and meets quarterly or as required. Matters discussed include but are not limited to, the financial and social performance of the Bank, the achievement of objectives, and the management of risks.

Board Composition

The Board has a maximum of seven members in terms of its constitution.

During the greater part of the year there were six Directors. Dame Carol Kidu joined the Board in January 2013 and Directors D. Anayabere and G. Tunstall resigned in October 2013.

Directors retire each year and are eligible for re-election. The members of the Board seek to ensure that the Board maintains a blend of experience and skills appropriate to the Bank. Board attendance is detailed in table below.

Douglas Anayabere - resigned 3/10/13	2/2
Ray Clark (Chairman)	4/4
Dame Carol Kidu	3/4
Anthony Smare	4/4
Garry Tunstall - resigned 31/10/13	3/3
Tony Westaway (Managing Director)	4/4

Committees

The board has established three committees whose functions and powers are governed by their respective charters. These Committees are the Appointments & Remuneration Committee, the Audit & Risk Committee, and the Credit Committee.

Committee members are chosen for the skills, experience and other qualities they bring to the Committee. Membership of these committees and a record of attendance at Committee meetings during the year is detailed in table below.

Membership of Board Committees as at 31 December 2013

	Appointments & Remuneration Committee	Audit & Risk Committee	Credit Committee
Ray Clark	3/3	4/4	
Dame Carol Kidu			
Anthony Smare	1/2	1/2	
Tony Westaway	3/3	4/4	2/2

Risk Management

The Board accepts the responsibility for ensuring it has a clear understanding of the types of risks inherent with the Bank's activities. These risks include but are not limited to, Credit Risk, Market Risk, Liquidity Risk, Interest Risk, and Operational Risk.

The Executive Management through the Asset & Liability Committee (ALCO) monitors Market Risk, Interest Risk, and Liquidity Risk and reports through the Managing Director, to the Board. The Credit Risk is monitored by the Board Credit Committee and Operational Risk is monitored by the Board Audit & Risk Committee.

The Executive Committee (EXCO) which is chaired by the Managing Director comprises the senior management of the Bank. This Committee ensures compliance of all regulations and laws. It meets at least once per fortnight to review operations and make operational decisions.

The Internal Audit function of the Bank provides independent assurance that the design and operation of the risk and control framework across the Bank is effective. Its operations are guided by an Internal Audit Manual. The team reports direct to the Board's Audit & Risk Committee with a dotted reporting line to the Managing Director for administrative purposes. This ensures independence of the Internal Audit team.

board of directors

Mr Ray Clark Chairman

Ray Clark was associated with the establishment and development of the PNG-ADB Microfinance Project at its inception in 2002. This Project led to the opening of the Wau Microbank in 2004, which subsequently became Nationwide Microbank Limited. In addition to an in-depth knowledge and understanding of the financial services industry, over a lengthy career he has gained diverse business experience in airlines, mining, stock broking, telecommunications and public utilities. He was formerly the Executive Director of the PNG Institute of Banking and Business Management (IBBM) from 1995 to 2011, has served on a number of Boards, is a Fellow of the Australian Institute of Company Directors and is a Founding Member of the PNG Institute of Directors.

Mr Douglas Anayabere Deputy Chairman - resigned 3/10/13

Douglas Anayabere commenced his career in October 1993 with Renison Gold field as a Financial Accountant based initially in Port Moresby and later in Sydney, Australia. In January 1996 Douglas joined Coopers & Lybrand as a Graduate Auditor and was promoted to Audit Supervisor, the position which he held up to the time of his resignation in October 1997. He also worked in leading private sector companies such as Remington Technologies Group and Kiddie & Associates. In 2002 Douglas established his own accounting practice as A&A Associates. Douglas holds an MBA in Accounting from Trinity University, Utah, USA, a Degree in Accounting from the PNG University of Technology and is an Associate Practicing Accountant (CPAPNG). He is the Chairman of the NMB Audit and Risk Committee.

Mr Tony Westaway Managing Director

Tony Westaway is a long term resident of Papua New Guinea and has been involved in PNG's Banking sector for over 20 years. In 2002 Tony led the merger exercise of BSP and the former PNGBC. Tony is a Fellow of the Financial Services Institute of Australasia; a Director of the PNG Institute of Banking & Business Management, a member of the Project Steering Committee for the PNG Microfinance Expansion Project, a Board member of the Centre for Excellence in Financial Inclusion, and a member of the Executive Committee for the Microfinance Pasifika Network.
Tony has participated in many community interests in PNG.

Mr Anthony Smare Director

Anthony has a Bachelor of Law and Bachelor of Applied Science (Geology) from the Queensland University of Technology. He is Lawyer with expertise in corporate finance and natural resources law and practiced law in Australia and PNG. Formerly a partner in the Port Moresby office of Australian law firm Allens Arthur Robinson, he is currently General Manager Corporate & Legal for Barrick Gold (PNG) Limited, owners of the Porgera Gold Mine. He is also a Director on the Boards of Nambawan Super Limited, City Pharmacy Limited, Scope Media Limited and the Kumul Foundation Limited.
He is also Executive Trustee of disaster fund Halvim Wantok Disaster Fund and a director of the |Kumul Foundation. Anthony is a member of the Bank's Board Sub Committee on Credit.

Mr Garry Tunstall Director - resigned 31/10/13

Garry Tunstall is an experienced international Banker with 40 years involvement from Institutional Banking to Microfinance. Now based in Australia, Garry was a former Country Head for ANZ Group in both the Pacific region and the Middle East. His most recent position was that of CEO of North West Pacific for ANZ. Garry is a Fellow of the Financial Services Institute of Australasia and holds qualifications in Accounting and Banking. Garry is the Chairman of the Board's Credit Committee.

Dame Carol Kidu DBE Dr (Hons) Director

Dame Carol served three terms as a member of the PNG National Parliament. During her time in Parliament Dame Carol was a Minister, Leader of the Opposition, and Chair of a number of Parliamentary Committees. Dame Carol has received many awards recognising her commitment to improving the rights of marginalised groups such as the disabled, children, women, HIV positive people and indigenous minorities. Dame Carol currently provides consulting services and strategic advice in various aspects of community development.

report of the directors

FOR THE YEAR ENDED 31ST DECEMBER 2013

The Directors of NATIONWIDE MICROBANK LIMITED have pleasure in presenting the annual report of the company for the year ended 31st December 2013.

ACTIVITIES

The principal activity was the provision of banking services including credit and savings to the general public of Papua New Guinea. During the year the company continued to expand its banking network within Papua New Guinea.

RESULTS

The operating profit for the year before taxation amounted to K171,913 (2012 – a profit before taxation of K488,823).

DIVIDEND

No dividend was paid or declared during the year.

AUDITOR

The financial statements for the company have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the Independent Audit Report as set out on page 12.

FURTHER DISCLOSURES

In compliance with Section 212(3) of the Companies Act 1997 the company has obtained consent from all of its shareholders not to disclose the matters required under Section 212(1)(a) and (d) to (j) of the Companies Act 1997.

Signed at Port Moresby
For and on behalf of the Board of Directors

This 27th day of March 2014
Port Moresby

DIRECTOR

DIRECTOR

statement by the directors

FOR THE YEAR ENDED 31ST DECEMBER 2013

In the opinion of the Directors of NATIONWIDE MICROBANK 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 year ended 31st December 2013,
   (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 2013,
   (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 year ended 31st December 2013,
   (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 2013,
   (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 have been prepared in accordance with International Financial Reporting Standards as adopted in Papua New Guinea and the Companies Act 1997 of Papua New Guinea.

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 Port Moresby
For and on behalf of the Board of Directors

This 27th day of March 2014
Port Moresby

DIRECTOR

DIRECTOR

Deloitte.

Deloitte Touche Tohmatsu

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Douglas Street
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Papua New Guinea

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Independent Auditor's Report to the members of Nationwide Microbank Limited

We have audited the accompanying financial statements of Nationwide Microbank Limited, which comprise the statement of financial position as at December 31, 2013, 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 information.

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the Companies Act 1997, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 the directors, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Nationwide Microbank Limited as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial report of Nationwide Microbank Limited is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Company.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Zanie Theron
Registered under the Accountants Act 1996
Partner

Port Moresby, 28 March 2014

statement of comprehensive income

OR THE YEAR ENDED 31ST DECEMBER 2013

	Note	2013 K	2012 K
Revenue from principal operations		15,364,703	15,047,579
Finance expenses			
Interest and charges		624,498	1,016,648
		14,740,205	14,030,931
Operating expenses			
Depreciation		1,154,954	1,209,839
Staff costs		5,931,385	5,964,033
Other operating expenses		7,628,685	6,593,899
		14,715,024	13,767,771
Profit/(Loss) before other income		25,181	263,160
Other income		146,732	225,663
Profit before taxation	3	171,913	488,823
Taxation	12		
Current period		-	-
Deferred taxation		243,717	(104,282)
Profit after taxation		415,630	384,541
Other Comprehensive Income		-	-
Total comprehensive income for the year after taxation		**415,630**	**384,541**

The accompanying notes form part of these financial statements.

statement of financial position

OR THE YEAR ENDED 31ST DECEMBER 2013

	Note	2013 K	2012 K
SHAREHOLDERS' EQUITY			
Issued share capital	4	9,518,506	9,518,506
Reserves		(2,641,358)	(3,656,988)
SHAREHOLDERS' EQUITY		**6,877,148**	**5,861,518**
Represented by:			
ASSETS			
CURRENT ASSETS			
Cash and equivalents	14	9,483,963	26,451,433
Consumer loans	7	16,773,410	9,286,203
Investments	13	5,978,949	6,972,119
Receivables	8	2,217,054	1,524,430
		34,453,376	44,234,185
NON CURRENT ASSETS			
Consumer loans	7	19,602,138	16,411,755
Deferred tax	12	2,521,884	2,278,167
Investments	13	6,100,000	5,517,168
Goodwill on acquisition	10	-	98,421
Property, Plant and Equipment	15	1,930,878	2,435,961
		30,154,900	26,741,472
TOTAL ASSETS		**64,608,276**	**70,975,657**
LIABILITIES			
CURRENT LIABILITIES			
Payables	5	1,699,287	931,280
Deposits	6	55,586,062	63,727,832
Provision for employee benefits	9	115,256	135,867
Non lending losses	11	-	(8,259)
Provision for taxation	12	148,440	148,440
		57,549,045	64,935,160
NON CURRENT LIABILITIES			
Provision for employee benefits	9	182,083	178,979
		182,083	178,979
TOTAL LIABILITIES		57,731,128	65,114,139
NET ASSETS		**6,877,148**	**5,861,518**

The accompanying notes form part of these financial statements.

statement of changes in equity
OR THE YEAR ENDED 31ST DECEMBER 2013

	SHARE CAPITAL	ACCUMULATED RESERVES	TOTAL
	K	K	K
Balance at 01.01.2011	**8,150,202**	**(4,180,027)**	**3,970,175**
Total comprehensive income for the year after taxation	-	138,498	138,498
Share application pending issue	1,368,304		1,368,304
Balance at 31.12.2011	**9,518,506**	**(4,041,529)**	**5,476,977**
Total comprehensive income for the year after taxation	-	384,541	384,541
Balance at 31.12.2012	**9,518,506**	**(3,656,988)**	**5,861,518**
Total comprehensive income for the year after taxation	-	415,630	415,630
Unrealised Gain on Investments Reserve		600,000	600,000
Balance at 31.12.2013	**9,518,506**	**(2,641,358)**	**6,877,148**

The accompanying notes form part of these financial statements.

statement of cash flows

OR THE YEAR ENDED 31ST DECEMBER 2013

	Note	2013 K	2012 K
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		171,913	488,823
Depreciation		1,154,954	1,209,839
Gain on property, plant and equipment disposal, net		(73,758)	(5,532)
Impairment of goodwill		98,421	19,959
Provision for non lending		103,642	(148,259)
Allowance for doubtful debts		1,433,308	725,000
Bad debts		116,863	172,269
Provision for employee benefits		94,768	73,973
Taxation paid		-	(159,150)
(Decrease)/Increase In deposits		(8,141,770)	(8,264,236)
		(5,041,659)	(5,887,314)
Movements in working capital			
- Increase in receivables		(936,341)	(718,547)
- Consumer loan advances - net		(10,677,589)	(5,080,640)
- (Decrease)/Increase in payables		768,007	(1,538,145)
		(10,845,923)	(7,337,332)
Net cash utilised by operating activities		(15,887,582)	(13,224,646)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(673,739)	(446,138)
Sale of property, plant and equipment			20,432
Investment at BSP Capital		(406,148)	(635,045)
Net cash utilised by investing activities		(1,079,887)	(1,060,751)
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease)/Increase in deposits		-	-
Net cash utilised by financing activities		-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(16,967,469)	(14,285,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		26,451,433	40,736,830
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	9,483,964	26,451,433

The accompanying notes form part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) These financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with applicable financial reporting standards to the extent IFRS complies with Bank of PNG prudential 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.

(b) Foreign Currency

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.

The Company's financial statements are presented in Papua New Guinea Kina, which is also the functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

(c) Expense Recognition

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(d) Unearned Income

Unearned income on instalment loans and leasing is brought to account progressively over the term of the contract.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. The principal sources of revenue are Interest Income, Fees and Commissions.

Interest Income and Expense

Financial assets are classified in the manner described in Note 1 (l). Some are measured by reference to amortised cost, others by reference to fair value.

For financial assets measured at amortised cost, the effective interest method is used to measure the interest income or expense recognised in the statement of comprehensive income. Interest income is suspended when the collection of a loan becomes doubtful, such as when overdue by more than 90 days, or when the borrower or securities issuer defaults, if earlier than 90 days. Such income is excluded from interest income until received.

For financial assets measured at fair value, interest income or expense is recognised on an accrual basis, either daily or on a yield to maturity basis.

Fees and Commission Income

Fees and Commissions are generally recognised on an accrual basis when the service has been provided.All fees relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised in the period in which they are levied.

(f) Goodwill

Goodwill is tested for impairment annually as at 31st December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each segment to which the goodwill relates. When the recoverable amount of the segment is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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.

The depreciation rates in use are: -

Furniture and fittings	20%
Plant and equipment	20%
Motor vehicles	20%
Leasehold improvements	20%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(h) Cash and Equivalents

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

(i) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and leave fares when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

(j) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(k) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

(l) Financial Assets

The company classifies its financial assets in the following categories: loans and receivables and held to maturity investments. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money directly to a debtor with no intention of trading the receivable. They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for provisions for impairment losses and unearned income. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

(ii) Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. Where the company is to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

(m) Impairment

Impairment of Financial Assets

The company assesses at balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the company about the following loss events:-

(i) Significant financial difficulty of the issuer or obligor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties; or

(m) Impairment *continued*

(vi) Observable data indicating that there is a measurable decrease in the estimate of future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- Adverse changes in the payment status of borrowers in the group; or
- National or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

A provision is established if there is sufficient evidence as determined by management that the company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Impaired loans are loans and lease debts where income may no longer be accrued ahead of its receipt because reasonable doubt exists as to the collectability of principal and interest. This includes exposures where contractual payments are 90 or more consecutive days in arrears where security is insufficient to ensure repayment.

When a loan is uncollectible, it is written off against the related provision for loan impairment in the year in which the debt is recognised as being irrecoverable. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors crediting rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognised in the income statement.

Provisions for doubtful debts comprise a specific provision for identified doubtful debts and in line with Bank of Papua New Guinea prudential standards, 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.

Interest calculated after accounts are considered doubtful is fully provided against. Bad debts are written off against the provision in the year in which the debt is recognised as being unrecoverable.

Where not previously provided, bad debts are written off directly against the income account. Debts previously written off and subsequently recovered are written back to the income account in the year in which they are recovered.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following asset have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Company of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligations, 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.

(o) Segment Reporting

Operating Segments

An operating segment is a component of the Company which may earn revenue and incur expenses and the operating results are regularly reviewed by the Company's chief decision maker to make decisions about resources to be allocated to the segments and assess its performance. The Company only operates in the banking and finance segments.

Geographic Segments

A geographical segment constitutes the provision of products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Company operates predominantly in Papua New Guinea. On this basis, geographical segment reporting is not applicable.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make adjustments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(i) Allowance for Impairment on Loans and Advances

The Company reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the Statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Fair Value Estimates

For financial instruments presented in the Company's statement of financial position at historical cost, their cost equates to fair value as described below:

Cash and Balances with banks

These assets are short term in nature and the related carrying value is equivalent to their fair value.

Loans and Advances

For Loans and Advances, the carrying amount in the statement of financial position is considered a reasonable estimate of their fair value after making allowances for the fair value of non-accrual and potential problem loans.

Deposits from Customers and Other Liabilities

For Deposits from Customers and Other Liabilities, the carrying amounts in the statement of financial position are a reasonable estimate of their fair value.

(iii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with tax planning strategies.

(iv) Impairment of Investments

An impairment exists when carrying value of the asset exceeds its recoverable amount which is higher of fair valuue less costs to sell and its value in use. Management review impairment by using fair value based on the market quoted price of the investments at year end.

		2013	2012
		K	K
3	**PROFIT BEFORE TAXATION**		
	The profit before taxation is arrived at after charging and crediting the following: -		
	After charging:-		
	Auditor's remuneration		
	- Audit	95,009	95,009
	- Other services	-	-
	Impairment - goodwill	98,421	23,950
	Depreciation	1,154,954	1,209,841
	Directors' fees	220,234	212,477
	Interest and charges	624,498	1,016,648
	Loss on disposal of property, plant and equipment	-	-
	Provisions		
	- doubtful debts	1,433,308	725,000
	- employee benefits	94,768	73,973
	- non lending recovery	103,642	(148,259)
	And crediting:-		
	Interest from lending	9,505,729	7,602,753
	Interest from deposits	847,028	1,640,384
	Proceeds from grants	72,975	220,132
	Proceeds from membership and loan fees	5,011,946	5,804,442
	Profit on disposal of property, plant and equipment	73,758	5,532
4	**SHARE CAPITAL**		
	Issued and fully paid		
	9,518,506 ordinary shares of K1.00 per share	9,518,506	9,518,506
		9,518,506	9,518,506
5	**PAYABLES**		
	Accruals and sundry creditors	1,552,124	784,117
	Funds Guaranted on behalf of others	147,163	147,163
		1,699,287	931,280
6	**DEPOSITS**		
	Deposit liabilities	55,586,062	63,727,832
		55,586,062	63,727,832
7	**CONSUMER LOANS**		
	Loans to customers	37,456,529	26,353,738
	Less: Provision for doubtful debts	(1,080,981)	(655,780)
		36,375,548	25,697,958
	Comprised of:		
	Current	16,773,410	9,286,203
	Non current	19,602,138	16,411,755
		36,375,548	25,697,958

		2013	2012
		K	K
8	**RECEIVABLES**		
	Staff advances	8,272	14,753
	Rental deposits	252,271	229,703
	Interest withholding tax	273,594	273,594
	Prepayments	227,986	328,102
	Accrued Interest on loans	846,836	-
	Reimbursement costs	26,153	-
	Due from tellers	57,305	98,771
	Digcel Cellmoni Wallet	20,888	21,623
	Sundry debtors	503,749	557,884
		2,217,054	1,524,430
9	**PROVISION FOR EMPLOYEE BENEFITS**		
	Current		
	Provision for annual leave	115,256	135,867
	Non Current		
	Provision for long service leave	182,083	178,979
		297,339	314,846
10	**GOODWILL**		
	Goodwill	239,496	239,496
	Impairment	(239,496)	(141,075)
		-	98,421
11	**PROVISION FOR NON LENDING**		
		-	(8,259)
12	**TAXATION**		
	Income account charge		
	Prima facie tax on accounting profit	51,574	146,647
	Tax effect - permanent difference	13,161	9,836
	Tax effect - temporary differences	(17,508)	46,375
	Transfer to taxation loss	-47,227	(202,858)
		-	-
	Provision for taxation		
	Taxation payable at 1.1.12	148,440	229,477
	Taxation charge for the year	-	78,113
	Taxation paid during the year	-	(159,150)
	Taxation payable at 31.12.13	148,440	148,440
	Deferred taxation		
	Timing differences with respect to:		
	- taxation loss	6,344,651	6,631,524
	- employee benefits provisions	297,339	314,846
	- bad debts provision	1,080,981	655,780
	- non lending recovery	-	(8,259)
	- provision against revenue interest	683,308	-
		8,406,279	7,593,891
	Deferred tax asset at 30%	2,521,884	2,278,167

		2013 K	2012 K
13	**INVESTMENTS**		
	Non Current		
	BSP Capital notes, maturing on 9th June 2019	5,600,000	5,000,000
	BPNG Inscribed stock, maturing on 15th February 2017	500,000	517,168
		6,100,000	5,517,168
	Current		
	BPNG Inscribed stock, maturing on 15th February 2014	2,210,000	679,215
	BPNG Inscribed stock, maturing on 15th August 2014	3,500,000	6,044,467
	Accrued interest	268,949	248,437
		5,978,949	6,972,119
	Total Current and Non Current Investments	12,078,949	12,489,287
14	**RECONCILIATION OF CASH**		
	For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments.		
	Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows: -		
	Cash on hand	919,286	837,989
	Cash at bank	5,560,507	3,691,421
	Deposits with bank - Bank of PNG	3,000,000	21,922,023
	Interest accrued on Central Bank Bills	4,170	-
	Cash and equivalents	9,483,963	26,451,433

15 FIXED ASSETS

	Cost K	Additions K	Disposals K	Total K
2013				
Furniture and fittings	279,199	7,690	-	286,889
Motor vehicles	1,528,554	450,056	411,919	1,566,691
Plant and equipment	3,005,693	215,993		3,221,686
Leasehold improvements	1,603,827	-		1,603,827
	6,417,273	673,739	411,919	6,679,093

Depreciation:	Accum. Deprec. K	Deprec. K	Disposals K	Total K
Furniture and fittings	169,304	41,407	-	210,711
Motor vehicles	1,072,654	268,029	388,177	952,506
Plant and equipment	1,578,130	569,117		2,147,247
Leasehold improvements	1,161,353	276,398		1,437,751
	3,981,441	1,154,951	388,177	4,748,215
Written down value 31st December 2013				**1,930,878**
2012				
Furniture and fittings	255,007	24,192		279,199
Motor vehicles	1,470,031	160,080	101,557	1,528,554
Plant and equipment	2,748,846	256,847		3,005,693
Leasehold improvements	1,598,937	4,890		1,603,827
	6,072,821	446,009	101,557	6,417,273
Depreciation:				
Furniture and fittings	125,283	44,021		169,304
Motor vehicles	862,163	297,157	86,666	1,072,654
Plant and equipment	1,022,775	555,355		1,578,130
Leasehold improvements	848,045	313,308		1,161,353
	2,858,266	1,209,841	86,666	3,981,441
Written down value 31st December 2012				**2,435,832**

	2013	2012
	K	K
16 STATUTORY COMPLIANCE		
In accordance with the requirements of the Banks and Financial Institutions Act 2000, the following information is disclosed with respect to Nationwide Microbank Limited.		
Core capital (K'000)	3,687	2,996
Supplementary capital (K'000)	116	488
Risk weighted assets (K'000)	46,185	35,645
Tier 1 capital adequacy ratio	8.00%	8.40%
Total capital adequacy ratio	8.20%	9.80%
Required tier 1 capital adequacy ratio minimum	8.00%	8.00%
Required total capital adequacy ratio minimum	12.00%	12.00%

17 MATURITY ANALYSIS OF MONETARY ASSETS AND LIABILITIES

	Due in 12 Months or less	Due after 12 Months to 2 years	Due after 2 years	Total
	K	K	K	K
As at 31st December 2013				
Assets				
Cash on hand and at bank	6,483,963	-	-	6,483,963
Due from financial institutions	3,000,000	-	-	3,000,000
Consumer loans	16,773,410	11,380,383	8,221,755	36,375,548
Investments	5,978,949	-	6,100,000	12,078,949
Receivables	1,943,460	273,594	-	2,217,054
Total Monetary Assets	34,179,782	11,653,977	14,321,755	60,155,514
Liabilities				
Deposits held	55,586,062	-	-	55,586,062
Payables	1,699,287	-	-	1,699,287
Total Monetary Liabilities	57,285,349	-	-	57,285,349
As at 31st December 2012				
Assets				
Cash on hand and at bank	4,529,410	-	-	4,529,410
Due from financial institutions	21,922,023	-	-	21,922,023
Consumer loans	9,286,203	11,380,383	5,031,372	25,697,958
Investments	-	6,972,119	5,517,168	12,489,287
Receivables	1,250,836	273,594		1,524,430
Total Monetary Assets	36,988,472	18,626,096	10,548,540	66,163,108
Liabilities				
Deposits held	63,727,832	-	-	63,727,832
Payables	931,280		-	931,280
Total Monetary Liabilities	64,659,112	-	-	64,659,112

18 SEGMENT INFORMATION

Business segment

Nationwide Microbank Limited operates in the business segment of banking and finance.

Geographical segment

Nationwide Microbank Limited operates exclusively in the geographical segment of Papua New Guinea.

19 CONTINGENT LIABILITIES

At the date of this report, the directors were not aware of any contingent liabilities which would materially affect these financial statements.

20 RELATED PARTIES

There were no related party transactions conducted during this financial year period.

21 EVENTS SUBSEQUENT TO BALANCE DATE

he directors are of the opinion that there has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the company, the results of the operations, or the state of affairs of the company in subsequent financial years.

22 EMPLOYEES

The average number of employees in 2013 was 170 (2012: 172).

23 RISK MANAGEMENT POLICIES

Introduction

The Company is committed to the management of risk to achieve sustainability of service to its customers, employment of its staff and profits to its shareholders and therefore, takes on controlled amounts of risk when considered appropriate. The primary risks are those of credit, market and operational risk.

The Company's risk management strategy is set by the Board of Directors through the following sub-committees:

- Credit Risk Committee (Credit risk);
- Board Audit and Committee (Operational risk);
- Implementation of risk management strategy and the day to day management of risk is the responsibility

The Company has separated risk initiation and monitoring tasks where feasible Periodic reviews of risk management systems are undertaken by internal audit.

The following sections describe the risk management framework components.

Credit Risk

Credit risk is the potential risk for loss arising from failure of a debtor or counterparty to meet their contractual obligations. Credit risk principally arises within the Company from its core business in providing lending facilities. The Company is selective in targeting credit risk exposures and avoids exposures to any high risk area. The Company has a comprehensive, clearly defined credit policy for the approval and management of all Credit risk.

Lending standards and criteria are clearly defined into different business sectors for all Company products. The Company relies primarily on the integrity of the debtor or counterparty and their ability to meet the obligations to the Company Credit risk is strongly monitored and reviewed, with regular independent inspections being undertaken.

Market Risk

Market risk is the potential for change in the value of on and off Balance Sheet positions caused by a change in the value, volatility or relationship between market rates and prices.

Market risk arises from the mismatch between assets and liabilities, both on and off Balance Sheet exposed to diverse financial instruments and foreign currencies and transacts in physical instruments.

Market risk includes Liquidity, Funding, Price, Interest Rate risks, which are explained as follows:

Liquidity Risk

Management of Liquidity risk is designed to ensure that the Company has the ability to meet financial obligations asthey fall due.

The objectives of the Company's funding and liquidity policies are to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios, at lowest cost; and
- achieve sustainable, lowest cost funding within the limitations of funding diversification requirements.

Funding Risk

Funding risk is the risk of over reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments of a specific type traded in the market.

Interest Rate Risk

Interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years.   Interest rate risk arises from the structure and characteristic of the Company's assets, liabilities and capital, and in the mismatch in repricing dates of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net interest. earnings in the long term.

23 RISK MANAGEMENT POLICIES *continued*

Operational Risk

The Company's operational risk management framework supports the achievement of the Company's financial and business goals.

Operational risk is defined as the risk of economic gain or loss resulting from:

- inadequate or failed internal processes and methodologies;
- people;
- systems; or
- external events.

A formal reporting structure and policy approved by the Board of Directors for the management of operational risk is in place. Under this policy, processes and practices for the identification, monitoring, measurement and day to day management of operational risks have been established.

A formal programme is in place for reporting back to the Board Audit and Committee

Internal Audit

The Company maintains an independent Internal Audit function which is ultimately accountable to the Board of Directors through the Board Audit and Committee. Operational audits of all areas of the Company's operations are reviewed based on an assessment of risk.

The Board Audit and Committee meet on a regular basis to consider the Company's financial reporting, internal control and corporate governance issues. It reviews the annual Financial Statements, the activities of the internal and external auditors and monitors the relationship between management and the external auditors.

Capital Management

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Company operates;
- to safeguard the Comapny's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

unaudited detailed income statement

FOR THE YEAR ENDED 31ST DECEMBER 2013

	2013	2012
	K	K
INCOME		
Interest on members loans	9,505,729	7,602,753
Interest on investments	847,028	1,640,384
Membership and loan fees	5,011,946	5,804,442
	15,364,703	15,047,579
COST OF FUNDS		
Interest	263,732	663,085
GROSS PROFIT FROM FINANCE ACTIVITIES	15,100,971	14,384,494
OTHER INCOME		
Grants	72,974	220,131
Profit on disposal of property, plant and equipment	73,758	5,532
	15,247,703	14,610,157
EXPENSES		
Accountancy and audit	88,000	95,009
Advertising and promotion	174,936	295,585
Impairment of goodwill	98,421	23,950
Bank charges	360,766	353,563
Cleaning	7,992	6,282
Consultants	27,379	12,242
Depreciation	1,154,954	1,209,839
Directors fees	220,234	212,477
Electricity and water	266,934	238,371
Fees and registrations	76,576	67,222
Insurance	286,717	212,075
Legal	85,483	47,782
Motor vehicles	338,211	307,005
Office	155,292	172,022
Postage, freight and courier	107,586	87,180
Printing and stationery	85,320	73,245
Provision for non lending loans	103,642	120,000
Provision for doubtful debts	1,433,308	725,000
Provision for employee benefits	94,768	73,973
Recruitment	5,543	25,934
Rent	1,698,415	1,545,502
Repairs and maintenance	62,426	44,500
Salaries and wages	5,163,535	5,107,001
Security	507,564	556,510
Staff training	131,491	167,726
Staff welfare	42,108	40,213
Subscriptions	31,585	26,582
Telephone, facsimile and internet	1,870,492	1,846,912
Theft	116,863	64,989
Travel and accomodation	279,249	362,643
TOTAL EXPENSES	15,075,790	14,121,334
OPERATING PROFIT FOR THE YEAR	**171,913**	**488,823**

corporate directory

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