



South Pacific Business Development
Microfinance Ltd.

Financial Statements

For the Period Ending 31 December 2015

South Pacific Business Development Microfinance Ltd.
Taufa'ahau Road, Fanga 'o Pilolevu, P.O. Box 21, Nuku'alofa, Kingdom of Tonga
Tel. No. (676) 27087 and 8440400

**AUDIT REPORT
TO THE READERS OF THE
SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Unqualified opinion

In our opinion, proper accounting records have been kept by South Pacific Business Development Microfinance Limited (the Company), so far as it appears from our examination of those records, and the accompanying financial statements, which have been prepared in accordance with generally accepted accounting practises, give a true and fair view of the state of affairs of the Company's financial position as at 31 December 2015 and the Company's financial results of operations and cashflow for the year then ended.

We conclude that the financial statements together with notes thereon have been drawn up in conformity with the Disclosure Guidelines for financial reporting by microfinance institutions in all material respects.

The audit was completed on 28 March 2016, and is the date at which our opinion is expressed.

The basis of the opinion is explained below.

Basis of Opinion

We carried out the audit in accordance with the International Auditing Standards. We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error. Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, an assessment of accounting policies and significant accounting estimates made by management, and evaluation of the overall financial statement presentation. We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We believe we have obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting principles. The financial statements must give a true and fair view of the Company's financial results of operations and cash flows for the year ended 31 December 2015.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you.

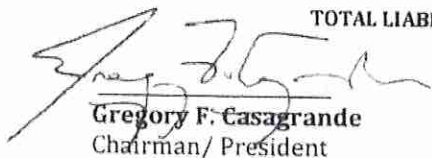


Kisione Tupou, CA
JK Chartered Accountants
Nuku'alofa, Tonga

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

BALANCE SHEET
As of 31 December 2015

ASSETS			
Current Assets	<i>Note</i>	2015	2014
Cash on Hand and in Bank	5	260,972	374,097
Loan Portfolio Outstanding	6	4,793,097	4,151,328
Receivables	7	21,180	17,603
Short-Term Investments	8	575,121	350,789
Total Current Assets		5,650,370	4,893,817
Fixed Assets			
Fixed Assets	9	484,644	386,358
Less: Accumulated Depreciation		(275,682)	(222,284)
Net Fixed Assets		208,962	164,074
Other Assets	10	11,695	10,449
TOTAL ASSETS		5,871,027	5,068,340
LIABILITIES			
Current Liabilities			
Cash at Bank - Overdraft	5	497,585	356,237
Life Insurance Reserve		25,526	15,086
Grant Funds Received		-	54,373
Clients' Savings deposits	11	623,216	547,547
Accounts Payable	12	29,646	28,970
Commercial Loans - Current	13	745,192	448,425
Soft Loans - Current	14	101,168	170,290
Accrued Interest Payable	15	33,206	37,296
Taxes Payable	18	75,516	144,940
Total Current Liabilities		2,131,055	1,803,164
Non Current Liabilities			
Commercial Loans - Non Current	13	1,523,997	825,039
Soft Loans - Non Current	14	649,295	1,137,983
Total Long term Liabilities		2,173,293	1,963,022
TOTAL LIABILITIES		4,304,348	3,766,186
EQUITY			
Owner's equity	16	528,233	528,233
Retained Earnings		773,920	614,330
Less Dividend		-	(200,000)
Excess of Income and Expenditure, current period		264,526	359,591
TOTAL EQUITY		1,566,679	1,302,154
TOTAL LIABILITIES AND EQUITY		5,871,027	5,068,340


Gregory F. Casagrande
 Chairman/ President

Date: 28 March 2016

These financial statements are to be read in conjunction with the accompanying notes and accounts.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

INCOME STATEMENT

For the year ended 31 December 2015

Financial Income	<i>Note</i>	2015	2014
Interest on Loans		2,018,582	1,783,166
Development Fee		174,163	145,250
Loan Insurance Fee		86,981	78,160
Life Insurance Fee		92,430	91,876
Interest earned on Bank Accounts & Term Deposits		4,654	2,343
Other operating revenues		23,629	30,900
Total Financial Income		2,400,439	2,131,695
Financial Expenses			
Interest and fees on borrowed funds		274,449	220,530
Foreign Exchange Loss/(Gain)		87,184	136,885
Interest on Client Saving		6,244	8,627
Loan Insurance Loss		12,393	22,557
Life Insurance Loss		31,436	31,243
Total Financial Expenses		411,706	419,842
NET FINANCIAL INCOME		1,988,733	1,711,853
Loan Loss Provision	6	11,785	12,649
NET FINANCIAL MARGIN		1,976,948	1,699,204
Operating Expenses			
Computer Support System		16,858	11,137
Conference & Meetings		12,774	15,181
Depreciation	9	53,398	56,386
Electricity and Water		16,138	15,379
Fees and Bank Charges		13,545	70,713
Insurance		6,942	8,857
Management Fees		645,192	307,448
Membership Fees and Subscription		535	411
Office Expenses		11,534	19,504
Postage, Telephone and Communications		34,194	25,488
Printing and Office Stationeries		59,740	48,326
Professional Services		16,010	10,834
Public Relations and Advertisements		6,677	949
Office Lease		74,000	68,700
Repairs and Maintenance		18,720	12,123
Salaries and Benefits		543,513	519,580
Staff Training and Development		34,177	18,446
Transportation, Fuel, Oil		39,330	41,560
Travel Local		29,935	32,763
Travel Overseas		40,457	41,549
Board of Directors Fees		4,000	4,000
SPBD Award day		42,047	45,575
Staff Retreat 2015		9,110	9,320
Financial Diaries Expenses		8,324	3,949
Total Operating Expenses		1,737,150	1,388,178

These financial statements are to be read in conjunction with the accompanying notes to accounts.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

INCOME STATEMENT

For the year ended 31 December 2015

	Note	239,798	311,026
Net Operating Income			
Non-Operating Income/(Expenses):		2015	2014
Grants & Donations		348	154,097
Ha'apai Relief		-	(50,439)
Other non-operating income		99,896	62,343
		100,244	166,001
NET OPERATING INCOME BEFORE TAXES		340,042	477,027
Income Tax	18	(75,516)	(117,436)
NET INCOME		264,526	359,591

These financial statements are to be read in conjunction with the accompanying notes to accounts.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
CASH FLOW STATEMENT
For the year ended 31 December 2015

Cash flows from operating activities	Note	2015	2014
Cash was provided from:			
Receipts from Customers		1,754,016	1,272,392
Receipts from other Revenue		104,899	272,213
Total Receipts		1,858,915	1,544,605
Cash was disbursed to:			
Payments to suppliers		(2,159,413)	(1,796,918)
Income Tax Paid		(144,940)	(36,909)
Net cash inflows from operating activities		(445,438)	(289,222)
Cash flows from Investing Activities			
Cash was provided from:			
Short-term Investments		-	10,282
Cash was disbursed to:			
Purchase of property, plant and equipment		(98,286)	(72,538)
Purchase of Short Term Investments		(224,333)	-
Net Cash Flow from investing activities		(322,619)	(62,256)
Cash flow from financing activities			
Cash was provided from:			
Borrowings- Client Savings		75,670	98,989
Borrowings- Loans		437,915	271,126
Cash was disbursed to:			
Dividends paid		-	(200,000)
Net Cash Flows from Financing Activities		513,585	170,115
Net increase/ (decrease) in cash and cash equivalents		(254,472)	(181,363)
Cash and cash equivalents at the beginning of the year		17,860	199,223
Cash and cash equivalents at the end of the year		(236,612)	17,860

These financial statements are to be read in conjunction with the accompanying notes to accounts.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
STATEMENT OF CASHFLOW
For the period 1 January to 31 December 2015

Reconciliation of reported net profit/ (loss) after taxation with Cash flows from operating activities

	2015	2014
Net Income after Tax	264,526	359,591
Add back non cash items		
Depreciation	53,398	56,386
Loan Loss Provision	11,785	12,649
Movements in working capital:		
(Increase) decrease in Gross Loan Portfolio	(653,554)	(599,740)
(Increase) decrease in Receivables	(3,576)	(154)
(Increase) decrease in Other Assets	(1,246)	949
Increase (decrease) in Accounts Payable	676	(204,106)
Increase (decrease) in Taxes Payable	(69,424)	10,995
Increase (decrease) in Accrued Expenses	(4,090)	28,591
Increase (decrease) in Life Insurance Reserve	10,440	(8,756)
Increase (decrease) in Grant Funds Received	(54,373)	54,373
Net Cash Flow from Operating Activities	(445,438)	(289,222)

These financial statements are to be read in conjunction with the accompanying notes to accounts.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2015

1. GENERAL INFORMATION

South Pacific Business Development Microfinance Ltd. (or SPBD) is a privately owned microenterprise development organization with a mission to provide financial services to economically disadvantaged people particularly women who cannot access savings and loan products from traditional banks. SPBD provides unemployed and low income women entrepreneurs with financial services, training, ongoing guidance and motivation to help them start or grow micro-businesses so that they can improve their lives and that of their families. It was incorporated under the Companies Act 1995 on July 7, 2009 and licensed by the Ministry of Commerce, Tourism and Labour to provide financial services. SPBD have four office branches operating in the Kingdom of Tonga: Nuku'alofa, Tongatapu; Neiafu, Vava'u; Pangai, Ha'apai; and Mu'a, 'Eua.

2. MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of income statement and balance sheet on a historical cost basis are followed.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with generally accepted accounting practices represented by International Financial Reporting Standards.

The Financial Statements comply with the Disclosure Guidelines for financial reporting of Microfinance Institutions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Currency

All amounts are expressed in Tongan Pa'anga (TOP) currency.

b. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and balances held with banks but exclude short term deposits.

c. Investments

Investments are classified as held to maturity. These investments are with fixed or determinable payments and fixed maturity in which SPBD has the positive intent and ability to hold the investment till maturity. Investments in bank deposits are initially measured at fair value plus transaction costs.

d. Depreciation

Fixed assets are depreciated on a straight-line basis. The following associated depreciation rates of major classes of fixed assets are used and are in accordance with the rates prescribed in the Tonga Income Tax 2007:

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

d. Depreciation continued

Office Equipment	12.5%
Computers and Peripherals	25.0%
Software and Electronics System	25.0%
Furniture and Fittings	12.5%
Leasehold Improvements	5.0%
Used Motor Vehicles	25.0%

e. Revenue

Revenues are presented as Financial Income in the income statement which is comprised of income generated from providing financial services to its target clientele. The main sources of financial income are:

- i. Interest Income - Interest income from loan portfolio and term deposits is recognized using a cash-based method where they are recognised at the time they are received.
- ii. Development Fee – SPBD charges a fee of 2% of principal loan amount to be used to cover the cost of training the clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds.
- iii. Loan Insurance – This fee is 1% of the loan principal to cover the risk in the event of death of the client. A member’s loan obligations to SPBD will be eliminated upon the death of that member. The loan insurance fee is deducted from the loan proceeds.
- iv. Life Insurance – SPBD offers a Life Micro-insurance Product to help the families of SPBD members to reduce the burden of bereavement and funeral expenses when the member dies. When an SPBD member dies during the period of the loan, her beneficiaries will receive a fixed payment of between 1,000 to 5,000 Pa’anga. The life insurance fee is deducted from the loan proceeds.

Size of Benefit Pa’anga	Insurance Fee in Pa’anga	
Minimum 1,000	15	Compulsory for all members
2,000	35	Voluntary
3,000	55	Voluntary
4,000	75	Voluntary
5,000	95	Voluntary

- v. Savings Fees – A TOP\$1.00 fee is charged by SPBD to its member when they withdraw from their savings account and are recognised in the period in which they are received.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

f. Grants

SPBD records all grants and donations in the income statement in the period they are received. It is recorded after the net operating income. Grants and Donations for the period:

	2015	2014
	348	154,097

g. Expenses

Expenses are recorded on an accrual basis.

h. Leases

SPBD leases the premises from which it conducts its business under an operating lease.

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are recognized in the determination of the net income of the company as rentals paid.

i. Borrowing Costs

All borrowing costs are expensed.

j. Financial Instruments

Financial instruments are recognized in the balance sheet when SPBD becomes a party to a financial contract. These include cash balances, borrowings, related-party advances, receivables and payables. All financial instruments are initially recorded at cost and subsequently carried at the balance outstanding at the balance date.

k. Income Tax

Income tax is accounted for using the taxes payable method. The corporate income tax rate is 25%.

l. Tonga Consumption Tax

Provision of financial services is exempted from Consumption Tax by the order of the Commissioner of the Revenue Services Department with the consent of the Privy Council.

m. Foreign Currencies

Transactions in foreign currency have been converted into Tongan Pa'anga (TOP) amount at rates ruling at the particular balance sheet date. The source for exchange rates are the published rates of either Bank of South Pacific (BSP) Ltd or ANZ Bank (Tonga) Ltd using the average of the buying and selling rates. Exchange differences should be taken to the income statement as foreign exchange gain or loss.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

m. Foreign Currencies continued

	2015	2014
Exchange rate used at balance sheet date (TOP/USD)	0.4582	0.5109
Exchange Rate used at balance sheet date (TOP/NZD)	0.6363	0.6444

n. Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.

o. Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

p. Employee entitlements

Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date and sick leave.

Long term employee entitlements

There are no long term employee entitlements.

q. Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

r. Change in Accounting Estimate

There have been no changes to accounting policies during the financial year.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

5. CASH ON HAND AND IN BANK

CASH ON HAND & IN BANK

	<u>Cash on Hand</u>	<u>2015</u>	<u>2014</u>
Undeposited Collections		8,583	15,519
Petty Cash Imprest		1,278	1,400
Saving Reserve Imprest		23,392	40,000
SUB_TOTAL		<u>33,252</u>	<u>56,919</u>
	<u>Cash in Bank</u>		
ANZ Bank Account 165-3787		-	-
ANZ Dollar Account 165-3890		522	449
BSP Account 2000732848		198,410	271,167
BSP Account 2000921573		-	-
TDB- Ha'apai Bank Account 149464 S1		26,891	20,714
TDB- 'Eua Bank Account 149464 S1		1,897	24,848
SUB_TOTAL		<u>227,720</u>	<u>317,178</u>
	<u>Bank Overdraft</u>		
ANZ Bank Account 165-3787		(497,585)	(356,237)
TOTAL		<u>(236,612)</u>	<u>17,860</u>

6. LOAN PORTFOLIO

	<u>Loans Receivables</u>	<u>2015</u>	<u>2014</u>
Opening Balance		4,239,074	3,639,335
Total Loan Disbursement		8,804,753	7,931,685
Less: Total Principal Loan Repayments		(8,151,199)	(7,331,946)
Gross Loan Portfolio		4,892,628	4,239,074
Less: Loan Loss Reserve		(99,531)	(87,746)
Net Loan Portfolio		4,793,097	4,151,328

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

6. LOAN PORTFOLIO continued

GROSS LOAN PORTFOLIO

	<u>2015</u>	<u>2014</u>
Opening Balance (Nuku'alofa)	3,333,454	3,138,729
Plus: 2015 Loan Disbursement	6,926,053	5,965,067
Less: 2015 Loan Repayments	(6,445,389)	(5,770,342)
Gross Loan Portfolio (Nuku'alofa)	3,814,118	3,333,454
Opening Balance (Vava'u)	330,669	260,324
Plus: 2015 Loan Disbursement	1,211,500	1,000,902
Less: 2015 Loan Repayments	(868,562)	(930,557)
Gross Loan Portfolio (Vava'u)	673,607	330,669
Opening Balance (Ha'apai)	420,557	184,477
Plus: 2015 Loan Disbursement	192,200	548,165
Less: 2015 Loan Repayments	(458,099)	(312,085)
Gross Loan Portfolio (Ha'apai)	154,658	420,557
Opening Balance ('Eua)	154,394	55,805
Plus: 2015 Loan Disbursement	475,000	417,550
Less: 2015 Loan Repayments	(379,149)	(318,961)
Gross Loan Portfolio ('Eua)	250,245	154,394
SPBD Gross Loan Portfolio	4,892,628	4,239,074

No. of Loans Outstanding

	2015	2014
SPBD Group Loan Product	4,544	4,457

Portfolio Quality Measurement

SPBD's main measure of loan delinquency is an aged portfolio-at-risk (PAR) ratio. Loans are separated into classes depending on the number of days they are in arrears. For each class of loans, the outstanding principal balance of such loans is divided by the outstanding principal balance of the gross loan portfolio. Loans are considered in arrears if any payment has fallen due and remained unpaid. Loan payments are applied first to any interest due, and then to any instalment of principal that is due but unpaid, beginning with the earliest such instalment. The number of days of lateness is based on the due date of the earliest loan instalment that has not been fully paid.

Loan Loss Provisioning and Loan Loss Reserve

Some loans in the portfolio will be uncollectible due to failure of individual members and/or the group/centre guarantee despite SPBD's best efforts. The purpose of loan loss provisioning is to set aside adequate funds or loan loss reserve to cover for potential losses. The loan loss reserve is to be reviewed quarterly and determined by applying predicted loss percentages to aged loans grouped by weeks in arrears.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

6. LOAN PORTFOLIO continued

The following schedule is to be used from the loan portfolio aging report to set the reserve:

Number of weeks in arrears	Percentage of outstanding principal required to be charged as loan loss provision
1 week to 4 weeks in arrears	5%
5 weeks to 8 weeks in arrears	10%
9 weeks to 12 weeks in arrears	25%
13 weeks to 16 weeks in arrears	50%
17 weeks to 20 weeks in arrears	75%
21 + weeks in arrears	100%

Loan Write-off

The purpose of loan write-offs is to remove loans in arrears from SPBD's balance sheet, where there is significant doubt of any material loan payment recovery.

Any loan in arrears exceeding 26 weeks will be short-listed for potential write-off. Write-off decision will be made on a case-by-case basis by the Chairman/President upon review of the recommendations of the General Manager.

Renegotiated Loans

Under exceptional circumstances, management may renegotiate loans—either refinancing the entire loan (issuing a new loan to pay off an existing one) or rescheduling repayment terms for clients who have suffered catastrophic events and who appear willing and able to repay their loans under longer-term agreements. Every renegotiation of a loan must be approved by the Chairman/President. Renegotiated loans are tracked separately because they have a higher risk profile than loans that have not been renegotiated.

Portfolio Quality	Outstanding Loan Balance	Portfolio at Risk	Loan Loss Reserve Rate	Loan Loss Reserve Amount
Current	4,872,505	0%	2%	97,450
1 to 4 weeks in arrears	18,991	0%	5%	950
21 + weeks in arrears	1,132	0%	100%	1,132
Total	4,892,628	0%		99,531

The Board of Directors approved in a special resolution to have a general provision of 2% of the loan portfolio.

Movement in Loan Loss Reserve	2015	2014
Loan Loss Reserve, January 1	87,746	75,097
Loan Loss Provision for the year	11,785	12,649
Loan Loss Reserve, December 31	99,531	87,746

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

7. RECEIVABLES

	<u>2015</u>	<u>2014</u>
Advance to Officers and Staff	1,552	-
Other Receivables	8,030	13,897
Prepaid Expenses	11,598	3,706
Total Receivables	21,180	17,603

8. SHORT-TERM INVESTMENTS

	<u>2015</u>	<u>2014</u>
Term Deposit BSP	204,786	203,989
Term Deposit ANZ Bank	170,335	146,800
Term Deposit MBF Bank	200,000	-
Total	575,121	350,789

9. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	58,093	34,809	7,247	23,284
Computer Equipment and Peripherals	55,715	42,268	8,768	13,447
Motor Vehicles	286,516	147,324	32,272	139,192
Office Equipment	42,396	20,606	4,897	21,790
Software and Electronics System	33,418	26,113	-	7,305
Leasehold Improvements	8,506	4,562	214	3,944
2015 TOTAL	484,644	275,682	53,398	208,962
2014 TOTAL	386,358	222,284	56,386	164,074

10. OTHER ASSETS

	<u>2015</u>	<u>2014</u>
Stocks of Passbooks	133	221
Stocks of Receipt Books	645	310
Stocks of Secretary Books	338	1,131
Stocks of CM Books	-	787
Stocks of Financial Diaries Booklets	579	-
Rental Bond - Head Office	10,000	8,000
Total	11,695	10,449

11. CLIENTS SAVINGS DEPOSITS

SPBD promotes good management of household finances by members and a household with a sufficient savings is assured of having cash when an unforeseen event occurs.

SPBD actively encourages its members to develop a regular habit of savings. All members are required to open a savings account and deposit an initial amount of TOP 10. This must be performed prior to any 1st Cycle loan disbursement occurring.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

11. CLIENTS SAVINGS DEPOSITS continued

All members also face a compulsory savings requirement. The compulsory savings requirement is 2.5% of the loan amount and deducted from the loan proceeds. The compulsory savings amount cannot be withdrawn while the loan is outstanding. Only when a loan is fully repaid can a member withdraw the compulsory savings.

Members are also encouraged to make voluntary deposits during centre meetings or at the SPBD office. These voluntary deposits can be withdrawn at any time when needed by the member.

All clients' savings are deposited in a segregated bank account at Westpac Bank. SPBD is not a regulated financial institution and does not use clients' savings for onward lending. The number of savings accounts as of the end of the financial year is:

	<u>2015</u>	<u>2014</u>
No. of Saving Accounts	8,044	8,035
Clients Saving Balances	623,216	547,547

12. ACCOUNTS PAYABLE

	<u>2015</u>	<u>2014</u>
Accounts Payable	23,920	14,710
Employees Entitlement	5,726	14,260
Total	29,646	28,970

13. COMMERCIAL LOANS

	<u>2015</u>	<u>2014</u>
Tonga Development Bank	1,311,644	466,587
Cresud	491,466	782,932
Bank of South Pacific	38,154	23,945
Respons-Ability	427,924	391,466
Total	2,269,189	1,664,930
Commercial Loan - Current	745,192	448,425
Commercial Loan - Non-Current	1,523,997	1,216,505
Total	2,269,189	1,664,930

a) Tonga Development Bank

The fluctuating credit facility with Tonga Development Bank is secured by a charge over a portion of the SPBD loan portfolio equal to 120% of the principal balance of the credit facility.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-15 (TOPS)	Interest Repayment (TOPS)
10-05-13	TOP	600,000	9.0%	31-12-19	466,587	-	82,260	-	384,327	37,175
15-07-15	TOP	1,000,000	8.5%	30-06-20	-	1,000,000	72,683	-	927,317	31,832
TOTAL					466,587	1,000,000	154,943	-	1,311,644	69,007

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
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13. COMMERCIAL LOANS continued

b) Cresud

Cresud Loan is secured by Guarantees from Microdreams for 50% or USD200,000. Microdreams would be responsible for up to a maximum of 50% of any total loss, or USD200,000, whichever is less.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
31-01-2014	USD	400,000	9.5%	31-03-17	782,932	-	344,751	53,285	491,466	25,679
TOTAL					782,932	-	344,751	53,285	491,466	25,679

c) Bank of South Pacific

BSP loan is secured by the 4 vehicles purchased with loan Fund ie. Honda 2000 chasis no RDI-5311336 Reg. No.L17535, Nissan 2003 chasis no.NT30-125891 Reg. NO.L17532, Nissan 2003 chasis no.NT30-130726 Reg. NO.L17534 & Honda Van L15476.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
08-07-14	TOP	30,000	9.65%	01-07-16	23,945	-	23,945	-	-	1,027
19-08-15	TOP	40,000	9.65%	30-06-17	-	40,883	2,729	-	38,154	1,052
TOTAL					23,945	-	26,674	-	-	2,079

d) ResponsAbility

The loan with ResponsAbility is in a form of a promissory note between Issuer: SPBD Microfinance Ltd and Note Holder: responsAbility Global Microfinance Fund.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
28-07-14	USD	200,000	8.5%	28-07-16	391,466	-	-	36,458	427,924	42,032
TOTAL					391,466	-	-	36,458	427,924	42,032

14. SOFT LOANS

	<u>2015</u>	<u>2014</u>
Microdreams Foundation	232,129	362,108
Good Return	17,777	33,882
Whole Planet Foundation	500,557	520,817
Total	750,463	916,807
Soft Loans - Current	101,168	170,290
Soft Loans - Long Term	649,295	746,517
Total	750,463	916,807

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

14. SOFT LOANS continued

a. MicroDreams Foundation

The loans with Microdreams Foundation are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
01-03-10	USD	50,000	5.0%	31-03-17	100,178	-	-	6,360	106,538	2,841
04-11-14	USD	75,000	6.5%	28-02-15	144,952	-	141,209	(3,743)	-	3,189
19-11-14	USD	60,000	6.5%	31-12-18	116,977	-	-	8,614	125,591	4,432
TOTAL					362,107	-	141,209	11,231	232,129	10,462

b. Good Return

The loan with Good Return is unsecured. There are no deposits tied to this loan and no guarantee was obtained to secure it.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
01-04-11	TOP	53,698	0%	On Going	33,882	15,674	31,779	-	17,777	-
TOTAL					33,882	15,674	31,779	-	17,777	-

c. Whole Planet Foundation

The loan with Whole Planet Foundation is unsecured. There are no deposits tied to this loan and no guarantee was obtained to secure it.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-14 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-15 (TOP\$)	Interest Repayment (TOP\$)
07-11-12	TOP	243,115	0	28-11-19	243,115	-	20,260	-	222,855	-
28-11-13	TOP	154,699	0	28-11-19	154,699	-	-	-	154,699	-
14-04-14	TOP	123,003	0	01-04-20	123,003	-	-	-	123,003	-
TOTAL					520,817	-	20,260	-	500,557	-

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

15. ACCRUED INTEREST

	<u>2015</u>	<u>2014</u>
Accrued Interest Payable		
Microdreams Foundation	3,707	3,677
Cresud	13,290	19,167
Respons-Ability	16,209	14,453
Total	<u>33,206</u>	<u>37,296</u>

16. OWNER'S EQUITY

SPBD Microfinance Holdings (Singapore) Pte Limited:

	<u>2015</u>	<u>2014</u>
Opening Balance	528,233	528,233
Equity Injection	-	-
Closing Balance 31 Dec	<u>528,233</u>	<u>528,233</u>

There is no dividend payment approved for 2015.

17. RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	\$39,437	12 months	Current

The above balance of \$39,437 for Related Party Transactions is included in the balance of \$4,892,628 for Loan Receivables in note 6 above.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
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18. TAXATION

a. Income Tax

Income tax payable is 25% of Net Operating Income for the financial period.

Operating Income as per Financials		340,042
<i>Add: Non deductible expenses</i>		
Unrealised Forex Loss	87,184	
Life Insurance Provision	31,436	
Loan Insurance Loss	12,393	
Loan Loss Provision	11,785	
		<u>142,798</u>
<i>Less: Deductible expenses</i>		
Life Insurance 2014	31,243	
Forex 2014	136,885	
Loan Loss Provision 2014	12,649	
		<u>180,777</u>
Taxable Income		302,063
		<u>75,516</u>
Income Tax Payable		75,516
b. Tax Payable		
Income Tax Payable		75,516
Withholding Tax Payable		-
		<u>75,516</u>
Total		75,516

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2015

19. CAPITAL COMMITMENTS

There were no capital commitments for the year ended 31 December 2015.

20. OPERATING LEASE COMMITMENTS

Except for the month- by- month rental obligations of SPBD business premises, there are no other operating lease commitments for the year ended 31 December 2015.

21. CONTINGENT LIABILITY

There is no contingent liability for the year ended 31 December 2015.