

AUDIT REPORT
TO THE READERS OF THE
SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LIMITED
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

Report of the independent auditor to the shareholders of South Pacific Business Development Microfinance Limited (the Company).

Opinion

In our opinion proper books of account have been kept by the Company, so far as it appears from our examination of those books, 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 2011 and the Company's results of its operations and cash flows for the year then ended.

We conclude that the financial statements together with the notes thereon have been drawn up in conformity with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions.

The audit was completed on 19 April 2012, and is the date at which our opinion is expressed.

Basis of Opinion

We have audited the accompanying financial statements of the Company which comprise the balance sheet as of 31 December 2011 and the income statement, and cash flow statement for the year then ended.

The directors of the Company are responsible for the preparation and presentation of the financial statements and the information they contain. Our responsibility is to express an opinion on these financial statements based on our audit. We are also required in our letter of engagement for this audit to express a conclusion as to whether the financial statements of the Company comply with the Disclosure Guidelines for Financial Reporting by Microfinance Institutions. This report is made solely to the Company's shareholders, as a body, in accordance with Section 220 of the Tonga Companies Act 1995.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements. An audit also includes an evaluation of accounting policies and significant accounting estimates made by management, as well as the overall financial statement presentation.

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

Jennifer Tupou, CA
JK Chartered Accountant
Tonga



South Pacific Business Development Microfinance Ltd.

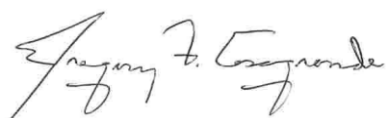
Financial Statements

For the Period Ending 31 December 2011

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
BALANCE SHEET
As of 31 December 2011

ASSETS			
Current Assets	<i>Note</i>	2011	2010
Cash on Hand and in Bank	5	20,403	252,993
Loan Portfolio Outstanding	6	2,764,085	1,449,951
Receivables	7	15,026	15,385
Short-Term Investments	8	383,344	248,703
Total Current Assets		3,182,858	1,967,032
Fixed Assets			
Fixed Assets	9	208,832	184,265
Less: Accumulated Depreciation		97,336	53,766
Net Fixed Assets		111,496	130,499
Other Assets	10	1,185	2,809
TOTAL ASSETS		3,295,539	2,100,339
LIABILITIES			
Current Liabilities			
Clients' Savings deposits	11	334,760	223,117
Accounts Payable	12	11,697	6,413
Taxes Payable	17	86,664	31,878
Accrued Interest Payable	15	4,618	52,102
Commercial Loans	13	830,515	200,413
Life Insurance Reserve		20,366	0
Total Current Liabilities		1,288,620	513,922
Long-term Liabilities			
Soft Loans	14	1,409,247	1,393,747
Total Long term Liabilities		1,409,247	1,393,747
TOTAL LIABILITIES		2,697,867	1,907,669
EQUITY			
Owner's equity	16	354,624	182,882
Retained Earnings		9,788	(208,898)
Excess of Income and Expenditure, current period		233,259	218,686
TOTAL EQUITY		597,671	192,670
TOTAL LIABILITIES AND EQUITY		3,295,539	2,100,339

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



Gregory F. Casagrande
Chairman/President

Date: 17 May, 2012

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
INCOME STATEMENT
For the period 1 January to 31 December 2011

Financial Income	<i>Note</i>	2011	2010
Interest on Loans		1,019,156	486,313
Development Fee		107,664	57,241
Loan Insurance Fee		59,134	71,876
Life Insurance Fee		87,795	23,180
Interest earned on Bank Accounts & Term Deposits		7,077	5,467
Other operating revenues		32,501	15,125
Total Financial Income		1,313,327	659,202
Financial Expenses			
Interest and fees on borrowed funds		166,879	89,888
Foreign Exchange Loss/(Gain)		(27,702)	(12,815)
Interest on Client Saving		4,891	2,463
Loan Insurance Loss		6,302	1,904
Life Insurance Loss		29,366	0
Total Financial Expenses		179,736	81,440
NET FINANCIAL INCOME		1,133,591	577,762
Loan Loss Provision	6	13,129	14,566
NET FINANCIAL MARGIN		1,120,462	563,196
Operating Expenses			
Computer Support System		4,390	4,205
Conference & Meetings		3,780	1,124
Depreciation	9	43,570	41,312
Electricity and Water		7,803	5,567
Fees and Bank Charges		6,043	3,239
Insurance		7,919	5,227
Management Fees		176,660	143,730
Membership Fees and Subscription		235	256
Office Expenses		15,997	14,803
Postage, Telephone and Communications		18,418	9,168
Printing and Office Stationeries		30,807	16,766
Professional Services		4,946	8,094
Public Relations and Advertisements		13,007	3,127
Rentals		32,400	24,000
Repairs and Maintenance		7,577	6,583
Salaries and Benefits		305,967	154,970
Staff Training and Development		17,589	7,303
Transportation, Fuel, Oil		31,297	13,438
Travel		60,910	42,280
Board of Directors Fees		3,000	0
SPBD Award day		18,026	0
Total Operating Expenses		810,341	505,190

NET OPERATING INCOME BEFORE TAXES & DONATIONS	310,121	58,006
Income Tax	<i>17</i>	
	(77,362)	(21,367)
NET INCOME AFTER TAX AND BEFORE DONATIONS	232,759	36,640
Non-Operating Income/Expenses:		
Grants & Donations	500	184,054
Non operating income/(expense)- Loss on write-off of Fixed Assets	0	(2,008)
NET INCOME	233,259	218,686

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
STATEMENT OF CASH FLOW
For the year ending 31 December 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Net Income after Tax	232,759	36,640
Adjustment for Non-Cash Items:		
Depreciation	43,570	39,557
Loan Loss Provision	13,129	14,566
 (Increase)/Decrease in Operating Assets:		
Gross Loan Portfolio	(1,327,262)	(932,003)
Receivables	359	(9,335)
Other Assets	1,624	1,578
 Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	5,284	4,318
Taxes Payable	54,786	16,276
Accrued Interest Payable	(47,484)	45,661
Life Insurance Reserve	20,366	0
 Net Cash Flow from Operating Activities	 (1,002,869)	 (782,741)
 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(24,567)	(77,330)
Short-term Investments	(134,641)	1,297
Loss on Write-off of Fixed Assets	0	(2008)
Net Cash Flow from Investing Activities	(159,208)	(78,040)
 CASH FLOW FROM FINANCING ACTIVITIES		
Client Savings Deposits	111,643	156,280
Equity	171,742	0
Soft Loans	15,500	488,401
Commercial Loan	630,102	200,413
Grants and Donations	500	184,054
Net Cash Flow from Financing Activities	929,487	1,029,148
 NET INCREASE/(DECREASE) IN CASH	 (232,590)	 168,367
OPENING CASH BALANCE	252,993	84,625
CLOSING CASH BALANCE	20,403	252,993

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2011

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 Labour, Commerce and Industries to provide financial services. Its offices are located in Taufa'ahau Road, Kolofou District in the capital Nuku'alofa, Tongatapu and in Neiafu Vava'u The Kingdom of Tonga.

2. MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed.

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

3. STATEMENT OF COMPLIANCE

The financial statements comply with the Disclosure Guidelines for financial reporting of Microfinance Institutions which guidelines are voluntary norms recommended by a group of international donors under the Consultative Group to Assist the Poor (CGAP) and by the members of the Social Enterprise Education and Promotion Network (SEEP).

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.

d. Depreciation

Fixed assets are depreciated on a straight-line basis using the following useful life of the assets:

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. Hence, if the loan (with the interest) is paid before it is due, then the interest income is recognized at the time of collection; whereas if the loan (with the interest) is in arrears, then no interest income is recognized.
- 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. In 2010 this fee was 2% of the total obligations of the client which is the loan principal plus loan interest
- 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

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:

	2011	2010
	500	184,054

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 TOP amount at rates ruling at the particular balance sheet date. The source for exchange rates are the published rates of either Westpac Bank (Tonga) 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.

	2011	2010
Exchange rate used at balance sheet date (TOP/USD)	0.5785	0.5510

n. Comparative Figures

The financial statements are prepared for the twelve months period ending December 31, 2011 with comparative figures for twelve months operating period in 2010.

o. Change in Accounting Estimate

In 2011 SPBD revised its estimated values for Fixed Assets and changed its depreciation rates with effect from 1 January 2011.

The revisions were accounted for prospectively as a change in accounting estimates and as a result the depreciation charges of SPBD for the current financial year end have decreased by \$16,584.37.

5. CASH ON HAND AND IN BANK

<i>Cash on Hand</i>	2011	2010
Undeposited Collections	2,338	1,770
Petty Cash Imprest	800	500
Savings Reserve Imprest	14,114	4,863
SUB-TOTAL	17,251	7,133
<i>Cash in Bank</i>		
ANZ Bank Account 165-3787	(103,395)	143,493
ANZ Dollar Account 165-3890	8,712	87,452
Westpac Bank Account 2000732848	97,835	14,914
SUB-TOTAL	3,152	245,860
TOTAL	20,403	252,993

6. LOAN PORTFOLIO

LOANS RECEIVABLES

	2011	2010
Total Loan Disbursements	5,392,950	2,899,328
Less: Total Principal Loan Repayments	4,065,687	1,967,326
Gross Loan Portfolio	2,791,779	1,464,517
Less: Loan Loss Reserve	27,694	14,566
Net Loan Portfolio	2,764,085	1,449,951

GROSS LOAN PORTFOLIO

	2011	2010
Opening Balance (Nuku'alofa)	1,464,517	532,514
Plus: 2011 Loan Disbursement	4,743,867	2,899,328
Less: 2011 Loan Repayments	3,739,130	1,967,326
Gross Loan Portfolio (Nuku'alofa)	2,469,253	1,464,517

Opening Balance (Vava'u)		
Plus: 2011 Loan Disbursement	649,083	0
Less: 2011 Loan Repayment	326,557	0
Gross Loan Portfolio (Vava'u)	322,526	0
SPBD Gross Loan Portfolio	\$2,791,779	\$1,464,517

No. of Loans Outstanding

	2011	2010
SPBD Group Loan Product	4,090	2,555

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, 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.

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	2,769,425	0%	1%	27,694
1 to 4 weeks in arrears	0	0%	5%	0
5 to 8 weeks in arrears	0	0%	10%	0
9 to 12 weeks in arrears	0	0%	25%	0
13 to 16 weeks in arrears	0	0%	50%	0
17 to 20 weeks in arrears	0	0%	75%	0
21 + weeks in arrears	0	0%	100%	0
Total	2,769,425	0%		27,694

The Board of Directors approved in a special resolution to have a general provision of 1% of the loan portfolio.

Movement in Loan Loss Reserve	2011	2010
Loan Loss Reserve, January 1	14,566	0
Loan Loss Provision for the year	13,129	14,566
Less: Loans Written-off during the year	0	0
Loan Loss Reserve, December 31	27,694	14,566

7. RECEIVABLES

	2011	2010
Advances to Officers and Staff	1,251	6,000
Other Receivables	5,222	4,483
Prepaid Expenses	8,553	4,902
Total Receivables	15,026	15,385

8. SHORT-TERM INVESTMENTS

	2011	2010
Term Deposits – Westpac Bank	208,690	203,331
Term Deposits – ANZ	174,654	45,372
Total	383,344	248,703

9. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	36,424	9,115	3,936	27,309
Computer Equipment and Peripherals	24,769	11,499	5,988	13,270
Motor Vehicle	112,007	61,993	27,921	50,014
Office Equipment	18,784	4,735	2,600	14,049
Software and Electronics System	12,613	5,758	3,125	6,855
Leasehold Improvements	4,236	4,236	0	0
2011 TOTAL	208,832	97,336	43,570	111,496
2010 TOTAL	184,265	53,766	41,312	130,499

10. OTHER ASSETS

	2011	2010
Stocks of Passbooks	267	1,361
Stocks of Receipt Books	918	1,447
Total	1,185	2,809

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 occurs.

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:

	2011	2010
<i>No. of Savings Accounts</i>	4,841	2,925
<i>Clients Saving Balances</i>	334,760	223,116

12. ACCOUNTS PAYABLE

	2011	2010
Accounts Payable	7,674	6,413
Employees Entitlement	4,023	0
Total	11,697	6,413

13. COMMERCIAL LOANS

	Type of Facility	Facility Amount	Outstanding balance	Interest Rate	Start Date	Maturity Date
Tonga Development Bank	Fluctuating Credit Facility (FCF)	TOP600,000	TOP400,000	10.5%	6/9/2010	On demand
Cresud	Loan	USD250,000	TOP430,515	9.50%	31/1/2011	31/1/2014
TOTAL OUTSTANDING BALANCE			TOP\$830,515			

1. The FCF with Tonga Development Bank is secured by a charge of 120% of the loan portfolio of SPBD or 720,000 to cover the 600,000 facility amount.
2. Cresud loan is secured by Guarantees from Microdreams for 40% or USD150,000 and MCC Servire for 60% or USD75,000. It is also secured by a USD25,000 term deposit at a local commercial Bank in Samoa.

14. SOFT LOANS

SPBD availed of long-term loans at below market interest rates with the following balances:

Outstanding Balance of Soft Loans	2011	2010
Microdreams Foundation (USA)	251,721	393,747
Jasmine Charitable Trust (NZ)	800,000	1,000,000
Deutsche Bank	303,808	0
Good Return	53,718	0
Total	1,409,247	1,393,747

a. MicroDreams Foundation

Five (5) long term loans were received during the period with the following terms:

Loan Amount and Currency	Amount in TOP	Interest Rate	Date Granted	Maturity Date	Grace Period on Principal (years)	Principal Repayment during the period	Interest Payments during the period	Outstanding Balance at 31/12/11	Accrued Interest Payable
TOP 4,000	4,000	7%	20-7-2009	30-9-2012	3.25	0	0	4,000	280
USD 75,000	136,116	5%	6-8-2009	30-9-2013	3.65	132,743	2,489	0	0
TOP 162,888	162,887	7%	1-9-2009	30-9-2014	4.30	0	11,402	162,887	0
USD 50,000	90,744	5%	2-10-2009	15-12-2014	5.00	88,496	1,659	0	0
USD 50,000	94,482	5%	21-6-2010	30-9-2011	1 month	0	0	0	0
NZD 70,000	84,854	7%	1/12/2011	15-12-2014	1.75yrs	0	0	84,834	587
TOTAL OUTSTANDING BALANCE								251,721	867

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

b. Jasmine Charitable Trust

Loan Amount and Currency	Amount in TOP*	Interest Rate	Date Granted	Maturity Date	Grace Period on Principal (years)	Principal Repayment during the period	Interest Payments during the period	Outstanding Balance at 31/12/11	Accrued Interest Payable
TOP 1,000,000	1,000,000	5%	15-10-2009	31-12-2013	2.0	200,000	93,392	800,000	0
TOTAL OUTSTANDING BALANCE								800,000	0

The loan with Jasmine Charitable Trust is unsecured. There are no deposits tied to this loan and no guarantee was obtained to secure it.

c. Deutsche Bank

Loan Amount and Currency	Amount in TOP*	Interest Rate	Date Granted	Maturity Date	Grace Period on Principal (years)	Principal Repayment during the period	Interest Payments during the period	Outstanding Balance at 31/12/11	Accrue Interest Payable
USD 100,000	172,206	5%	15-10-2009	31-12-2013	2.0	0	5,557	172,206	1345
USD75,000	131,602	5%	2-12- 2011	28-2- 2013	0	0	0	131,602	396
TOTAL OUTSTANDING BALANCE								303,808	1,741

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

d. Good Return

Loan Amount and Currency	Amount in TOP*	Interest Rate	Date Granted	Maturity Date	Grace Period on Principal (years)	Principal Repayment during the period	Interest Payments during the period	Outstanding Balance at 31/12/11	Accrued Interest Payable
TOP 53,698	53,718	0%	1-4- 2011	On Going	0	0	0	53,718	0
TOTAL OUTSTANDING BALANCE								53,718	0

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

15. ACCRUED INTEREST

Accrued Interest Payable	2011	2010
Microdreams Foundation (USA)	867	1,417
Jasmine Charitable Trust (NZ)	0	50,685
Deutsche bank	1,741	0
CreSud	2,010	0
Total	4,618	52,102

16. OWNER'S EQUITY

On 1 July 2011 Greg F. Casagrande transferred 100,000 shares in the SPBD (Tonga) to SPBD Microfinance Holdings (Singapore) Pte Limited. The transfer was recorded in the 2011 Annual Return filed with the Ministry of Labour & Commerce on 24 October 2011.

SPBD Microfinance Holdings (Singapore) Pte Limited:

	2011	2010
Opening Balance	182,882	182,882
Equity injection	171,742	0
Closing Balance 31 Dec	354,624	182,882

17. TAXATION

a. Income Tax

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

Operating Income as per financials		310,121
<i>Add: Non deductible expenses</i>		
Unrealised Forex Loss	16,179	
Life Insurance Provision	29,366	
Loan Loss Provision	13,128	58,673
		<u>368,794</u>
<i>Less: Deductible expenses</i>		
Life Insurance Paid		9,000
Unrealised Forex Gain		35,567
Depreciation Adj		212
Loan Loss Provision 2010		14,566
		<u>59,345</u>
Taxable Income		<u>309,449</u>
Income Tax Payable		<u>\$77,362</u>
b. Tax Payable		
Income Tax Payable		77,362
Withholding Tax Payable		9,302
Total		<u>\$86,664</u>

18. RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	\$22,354	12 months	Current

The above balance of \$22,354 for Related Party Transactions is included in the balance of \$2,764,085 for Loan Receivables in note 6 above.