



South Pacific Business Development
Microfinance Ltd.

Financial Statements

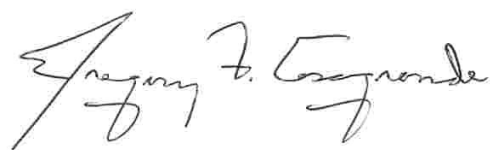
For the Period Ending 31 December 2018

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

BALANCE SHEET
As of 31 December 2018

ASSETS			
Current Assets	<i>Note</i>	2018	2017
Cash on Hand and in Bank	5	732,077	100,500
Loan Portfolio Outstanding	6	7,002,500	6,362,286
Receivables	7	56,447	29,207
Short-Term Investments	8	531,482	758,233
Total Current Assets		8,322,506	7,250,226
Fixed Assets			
Fixed Assets	9	640,827	604,529
Less: Accumulated Depreciation		(531,466)	(440,593)
Net Fixed Assets		109,361	163,936
Other Assets	10	15,060	14,651
TOTAL ASSETS		8,446,927	7,428,813
LIABILITIES			
Current Liabilities			
Cash at Bank - Overdraft	5	479,059	492,898
Death Benefit Reserve		(27,138)	29,623
Clients' Savings deposits	11	779,764	741,422
Accounts Payable	12	54,413	233,260
Commercial Loans - Current	13	1,175,683	630,400
Soft Loans - Current	14	970,205	987,328
Accrued Interest Payable	15	14,029	24,149
Taxes Payable	18	187,330	185,695
Total Current Liabilities		3,633,345	3,324,776
Non Current Liabilities			
Commercial Loans - Non Current	13	1,360,646	1,413,383
Soft Loans - Non Current	14	500,546	512,157
Total Long term Liabilities		1,861,192	1,925,540
TOTAL LIABILITIES		5,494,537	5,250,316
EQUITY			
Owner's equity	16	528,233	528,233
Retained Earnings		1,650,264	1,428,098
Excess of Income and Expenditure, current period		773,893	222,166
TOTAL EQUITY		2,952,390	2,178,497
TOTAL LIABILITIES AND EQUITY		8,446,927	7,428,813



Gregory F. Casagrande
Chairman/ President

Date: 3 May 2019

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 period 1 January to 31 December 2018

Financial Income	<i>Note</i>	2018	2017
Interest on Loans		3,105,496	2,238,864
Development Fee		163,780	221,918
Loan Security Fee - LSF		176,910	134,128
Death Benefit Fee - DBF		190,564	186,447
Interest earned on Bank Accounts & Term Deposits		1,181	14,491
Other operating revenues		58,626	79,363
Total Financial Income		3,696,557	2,875,211
Financial Expenses			
Interest and fees on borrowed funds		324,661	213,388
Foreign Exchange Loss		165,782	230,539
Interest on Client Saving		14,579	7,978
Loan Security Loss		55,517	17,510
Death Benefit Loss		38,115	61,807
Total Financial Expenses		598,654	531,222
NET FINANCIAL INCOME		3,097,903	2,343,989
Loan Loss Provision	6	9,363	(37,248)
NET FINANCIAL MARGIN		3,088,540	2,381,237
Operating Expenses			
Computer Support System		6,609	8,000
Conference & Meetings		21,064	17,844
Depreciation	9	90,873	88,743
Electricity and Water		17,421	21,040
Fees and Bank Charges		19,456	23,615
Insurance		9,863	28,065
Management Fees		22,212	102,159
Membership Fees and Subscription		115	19
Office Expenses		14,072	9,624
Postage, Telephone and Communications		38,224	38,561
Printing and Office Stationeries		72,121	69,039
Professional Services		869,949	596,572
Public Relations and Advertisements		2,877	3,916
Office Lease		87,015	76,793
Repairs and Maintenance		1,139	6,519
Salaries and Benefits		547,687	682,315
Staff Training and Development		7,970	30,071
Transportation, Fuel, Oil		62,338	54,122
Travel Local		38,539	40,243
Travel Overseas		19,618	30,667
Board of Directors Fees		2,150	4,600
SPBD Award day		58,971	28,789

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 period 1 January to 31 December 2018

Staff Retreat 2018		15,865	16,529
Financial Diaries Expenses		17,670	38,301
Management Offsite		8,806	-
Total Operating Expenses		2,052,624	2,016,146
Non-Operating Income/(Expenses):			
Grants & Donations		495,095	-
Sale of/ (Writeoff) Fixed Assets		501	5,115
Other non-operating income		(495,095)	-
		501	5,115
NET OPERATING INCOME BEFORE TAXES		1,036,417	370,206
Income Tax	18	(262,524)	(148,040)
NET INCOME		773,893	222,166

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 2018

	2018	2017
Cash flows from operating activities		
Cash was provided from:		
Receipts from Customers	2,355,019	2,521,718
Receipts from other Revenue	495,095	480,409
Total Receipts	2,850,114	3,002,127
Cash was disbursed to:		
Payments to suppliers	(2,709,976)	(2,742,250)
Labour Costs	-	-
Taxes Payable	(187,330)	(114,036)
Total Payments	(2,897,306)	(2,856,286)
Net cash inflows from operating activities	(47,192)	145,841
Cash flows from Investing Activities		
Cash was provided from:		
Short-term Investments	-	(165,203)
Cash was disbursed to:		
Purchase of property, plant and equipment	(36,298)	(82,611)
Purchase of Short Term Investments	-	-
Net Cash Flow used in investing activities	(36,298)	(247,814)
Cash flows from financing activities		
Cash was provided from:		
Borrowings: Client Savings	-	-
Borrowings: Loans	728,906	(336,582)
Cash was disbursed to:		
Dividend paid	-	-
Net Cash Flow from Financing Activities	728,906	(336,582)
Net increase/ (decrease) in cash and cash eq	645,416	(438,555)
Cash and cash equivalents at the beginning o	(392,398)	(46,157)
Cash and cash equivalents at the beginning o	253,018	(392,398)

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 2018

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

	2018	2017
Net Income after Tax	773,893	222,166
Add back non cash items		
Depreciation	90,872	88,743
Loan Loss Provision	9,363	(37,248)
 Movements in working capital:		
(Increase)decrease in Gross Loan Portfolio	(649,577)	(407,508)
(Increase)decrease in Receivables	(27,240)	(2,435)
(Increase)decrease in Other assets	(410)	432
Increase (decrease) in Account Payable	(178,847)	46,709
Increase (decrease) in Taxes Payable	1,635	37,961
Increase (decrease) in Accrued Expenses	(10,119)	15,989
Increase (decrease) in Death Benefit Reserve	(56,762)	15,827
Increase (decrease) in Short Term Investments	-	165,203
Net Cash Flow from Operating Activities	(47,192)	145,841

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 2018

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 2018

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.

Interest due on Restructured Loans is treated as fully paid and fully realised on the date the loan was restructured. During the current year the total amount of interest recognised from restructured loans was \$535,586. The restructuring of loans are only in exceptional circumstances (note 6) which happened in 2018 due to the effects of Cyclone Gita.

- 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 Security Fee – 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 Security Fee is deducted from the loan proceeds.
- iv. Death Benefit Fee –
 - a) SPBD offers a Death Benefit 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 Death Benefit fee is deducted from the loan proceeds.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.*NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDING 31 DECEMBER 2018*

Size of Death Benefit Pa'anga	Death Benefit 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

- b) SPBD also offers a Spousal Death Benefit Product for the same reason in a). When an SPBD member spouse dies during the period of the loan, his beneficiaries will receive a fixed payment of amount between TOP1,000 to TOP5,000. The Spousal death benefit Fee is deducted from the loan proceeds asstated below in 2017.

Size of Benefit Pa'anga	Spousal Death Benefit Fee in Pa'anga	
Minimum 1,000	20	Compulsory
2,000	40	Voluntary
3,000	60	Voluntary
4,000	80	Voluntary
5,000	100	Voluntary

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

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:

	2018	2017
	495,095	-

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.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

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 (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.

	2018	2017
Exchange rate used at balance sheet date (TOP/USD)	0.4502	0.4526
Exchange Rate used at balance sheet date (TOP/NZD)	0.6702	0.6413
Exchange Rate used at balance sheet date (TOP/AUD)	0.6372	0.5962

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.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

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.

5. CASH ON HAND AND IN BANK

	<u>Cash on Hand</u>	<u>2018</u>	<u>2017</u>
Undeposited Collections		-	(12,568)
Petty Cash Imprest		2,000	2,000
Saving Reserve Imprest		36,801	50,000
Money Transfer Reserve Imprest		25,000	25,000
SUB_TOTAL		63,801	64,432
	<u>Cash in Bank</u>		
ANZ Dollar Account 165-3890		13,449	2,406
BSP Account 2000732848		632,549	3,372
BSP Account 2001343143		15,272	19,175
TDB- Ha'apai Bank Account 149464 S1		7,006	11,115
TDB- 'Eua Bank Account 149961 S1		-	-
SUB_TOTAL		668,276	36,068
	<u>Bank Overdraft</u>		
ANZ Bank Account 165-3787		(479,059)	(492,898)
TOTAL		253,018	(392,398)

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

6. LOAN PORTFOLIO

	<u>Loans Receivables</u>	<u>2018</u>	<u>2017</u>
Opening Balance		6,427,450	4,992,172
Total Loan Disbursement		12,823,272	11,180,109
Less: Total Principal Loan Repayments		12,173,695	9,744,831
Gross Loan Portfolio		7,077,027	6,427,450
Less: Loan Loss Reserve		(74,527)	(65,164)
Net Loan Portfolio		7,002,500	6,362,286

6. LOAN PORTFOLIO continued

GROSS LOAN PORTFOLIO

	<u>2018</u>	<u>2017</u>
Opening Balance (Nuku'alofa)	5,271,654	3,761,237
Plus: 2018 Loan Disbursement	10,325,612	8,925,887
Less: 2018 Loan Repayments	(9,429,497)	(7,415,470)
Gross Loan Portfolio (Nuku'alofa)	6,167,769	5,271,654
Opening Balance (Vava'u)	738,194	764,070
Plus: 2018 Loan Disbursement	1,215,959	1,269,100
Less: 2018 Loan Repayments	(1,424,521)	(1,294,976)
Gross Loan Portfolio (Vava'u)	529,632	738,194
Opening Balance (Ha'apai)	168,241	193,031
Plus: 2018 Loan Disbursement	631,455	488,581
Less: 2018 Loan Repayments	(673,364)	(513,371)
Gross Loan Portfolio (Ha'apai)	126,332	168,241
Opening Balance ('Eua)	249,361	273,834
Plus: 2018 Loan Disbursement	651,130	496,541
Less: 2018 Loan Repayments	(647,197)	(521,014)
Gross Loan Portfolio ('Eua)	253,294	249,361
SPBD Gross Loan Portfolio	7,077,027	6,427,450

No. of Loans Outstanding

	<u>2018</u>	<u>2017</u>
SPBD Group Loan Product	6074	4,755

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.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2018

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.

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. A total of \$2,255,026 of loans (principal) were renegotiated and restructured in 2018. Cyclone Gita caused widespread damage to Tonga and to assist its members the Chairman/President approved affected members to restructure their loans. Further affected members were able to apply for Rehabilitation Loans established specifically for members suffering from the impact of Cyclone Gita.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

Portfolio Quality	Outstanding Loan Balance	Portfolio at Risk	Loan Loss Reserve Rate	Loan Loss Reserve Amount
Current	7,044,950	0%	1%	70,450
1 to 4 weeks in arrears	29,473	0%	5%	1,474
21 + weeks in arrears	2,604	0%	100%	2,604
Total	7,077,027	0%		74,528

The Board of Directors approved in a special resolution to set a minimum general provision floor of at least 1% of the loan portfolio due to Portfolio at Risk being consistently below 1%.

Movement in Loan Loss Reserve	2018	2017
Loan Loss Reserve, January 1	65,164	102,412
Loan Loss Provision for the year	9,363	(37,248)
Loan Loss Reserve, December 31	74,527	65,164

7. RECEIVABLES

	<u>2018</u>	<u>2017</u>
Other Receivables	45,815	16,564
Prepaid Expenses	10,632	12,643
Total Receivables	56,447	29,207

8. SHORT-TERM INVESTMENTS

	<u>2018</u>	<u>2017</u>
Term Deposit BSP	214,890	214,278
Term Deposit ANZ Bank	166,592	169,837
Term Deposit TDB	150,000	150,000
Term Deposit MBF Bank	-	224,118
Total	531,482	758,233

9. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	65,150	53,114	5,188	12,036
Computer Equipment and Peripherals	97,667	79,013	14,058	18,654
Motor Vehicles	333,551	316,907	62,615	16,644
Office Equipment	59,806	38,226	5,537	21,580
Software and Electronics System	41,101	35,179	1,761	5,922
Leasehold Improvements	43,552	9,027	1,714	34,525
2018 TOTAL	640,827	531,466	90,873	109,361
2017 TOTAL	604,529	440,592	88,743	163,936

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

10. OTHER ASSETS

	<u>2018</u>	<u>2017</u>
Stocks of Passbooks	39	149
Stocks of Receipt Books	711	276
Stocks of Secretary Books	117	768
Stocks of Financial Diaries Booklets	1,193	458
Rental Bond - Head Office	13,000	13,000
Total	<u>15,060</u>	<u>14,651</u>

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.

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 BSP 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>2018</u>	<u>2017</u>
No. of Saving Accounts	10,058	9,657
Clients Saving Balances	779,764	741,422

11. ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
Accounts Payable	41,022	214,713
Employees Entitlement	13,391	18,547
Total	<u>54,413</u>	<u>233,260</u>

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2018

12. COMMERCIAL LOANS

	2018	2017
Tonga Development Bank	1,867,871	1,224,162
Bank of South Pacific	224,211	377,730
Responsability	444,247	441,891
Total	2,536,329	2,043,783
Commercial Loan - Current	1,175,683	630,400
Commercial Loan - Non-Current	1,360,646	1,413,383
Total	2,536,329	2,043,783

a) Tonga Development Bank

The fluctuating credit facility with Tonga Development Bank is secured by a charge of 120% of SPBD loan portfolio or 480,000 facility amount.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
04-04-17	TOP	799,000	9.0%	31-03-22	671,859		138,818	-	533,041	55,882
31-07-15	TOP	1,000,000	8.5%	30-06-23	552,303	500,000	183,421	-	868,882	67,129
28-06-18	TOP	500,000	9.0%	30-06-23	-	500,000	34,052		465,948	18,936
TOTAL					1,224,162	1,000,000	356,291	-	1,867,871	141,947

13. COMMERCIAL LOANS continued

b) Bank of South Pacific

BSPloan is secured by the 4 vehicles purchased with loan Fund ie. Honda 2000chasis 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 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
25-05-17	TOP	60,000	9.65%	25-01-19	42,061		33,425	-	8,636	2,575
25-05-17	TOP	400,000	9.11%	31-05-21	335,669		120,094	-	215,575	25,526
TOTAL					377,730	-	153,519	-	224,211	28,101

c) ResponsAbility

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
21/04/2017	USD	200,000	8.0%	8-04-19	441,891		-	2,356	444,247	19,003
TOTAL					441,891	-	-	2,356	444,247	19,003

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
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13. SOFT LOANS

	2018	2017
Microdreams Foundation	333,185	486,081
Good Return	35,000	98,067
Whole Planet Foundation	146,460	286,908
SPBD Holdings	346,467	628,429
KIVA	609,639	-
Total	1,470,751	1,499,485
Soft Loans - Current	970,205	987,328
Soft Loans - Long Term	500,546	512,157
Total	1,470,751	1,499,485

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 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
19-11-14	USD	60,000	6.5%	31-12-18	126,494	-	140,057	(13,563)	-	7,243
19-05-17	USD	100,000	6.5%	31-05-18	218,726	-	226,949	(8,223)	-	9,276
21-12-17	USD	60,000	6.5%	16-03-18	140,861	-	139,205	1,656	-	5,386
19-09-18	USD	150,000	6.5%	30-09-22	-	353,941	-	(20,756)	333,185	-
TOTAL					486,081	353,941	506,211	(40,886)	333,185	21,905

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 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
01-04-11	TOP	53,698	0%	On Going	58,067	-	59,147	1,080	-	-
09-05-16	TOP	40,000	5%	28/02/2018	40,000	-	40,000	-	-	2,000
12-12-18	TOP	35,000	0%	31/12/2019	-	35,000	-	-	35,000	-
TOTAL					98,067	35,000	99,147	1,080	35,000	2,000

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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 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
07-11-12	TOP	243,115	0	28-11-18	60,772	-	60,772	-	-	-
28-11-13	TOP	154,699	0	28-11-20	103,133	-	38,675	-	64,458	-
14-04-14	TOP	123,003	0	01-04-20	123,003	-	41,001	-	82,002	-
TOTAL					286,908	-	140,448	-	146,460	-

d. SPBD Holdings

The loan with SPBD Holdings is in a form of a promissory note between Issuer: SPBD Microfinance Ltd and Note Holder: SPBD Microfinance Holdings (Singapore) PTE LTD.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
15/09/2017	AUD	100,000	10.0%	31/12/2020	172,525	-	-	(15,588)	156,937	21821
18/10/2017	USD	50,000	7.0%	31/12/2019	112,323	-	-	(1,261)	111,062	9782
20/09/2017	AUD	100,000	10.0%	30/09/2018	172,061	-	172,061.00	-	-	6459
12/12/2017	AUD	100,000	10.0%	31/12/2019	171,520	-	85,760.00	(7,292)	78,468	15769
TOTAL					628,429	-	257,821	(24,141)	346,467	53,831

14. SOFT LOANS continued

e. KIVA

The loan with KIVA 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 31-12-17 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-18 (TOP\$)	Interest Repayment (TOP\$)
31/11/2017	USD	359,168	0%	On Going	-	729,379	172,031	52,291	609,639	-
TOTAL					-	729,379	172,031	52,291	609,639	-

15. ACCRUED INTEREST

	2018	2017
Microdreams Foundation	5,835	11,067
SPBD Holdings	-	5,030
Respons-Ability	8,194	8,052
Total	14,029	24,149

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16. OWNER'S EQUITY

SPBD Microfinance Holdings (Singapore) Pte Limited:

	<u>2018</u>	<u>2017</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 2017.

17. SPBD Staff Loans

Borrower	Balance	Term	Status
Staff	\$57,347.44	12 months	Current

The above balance of \$57,347.44 for SPBD Staff Loan is included in the balance of \$7,077,027 for Loan Receivables in note 6 above.

18. TAXATION

a. Income Tax

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

Operating Income as per Financials	1,036,417
<i>Add: Non deductible expenses</i>	
Unrealised Forex Loss	165,782
Death Benefit Provision	38,115
Loan Security Loss	55,517
Loan Loss Provision	9,363
	<u>268,777</u>
<i>Less: Deductible expenses</i>	
Death Benefit 2017	61,807
Forex 2017	230,539
Loan Loss Provision 2017	(37,248)
	<u>255,098</u>
Taxable Income	<u>1,050,096</u>
Income Tax Payable	<u>262,524</u>
b. Tax Payable	
Income Tax Payable	262,524
Withholding Tax Payable	(75,195)
Total	<u>187,330</u>

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19. CAPITAL COMMITMENTS

There were no capital commitments for the year ended 31 December 2018.

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 2018.

21. CONTINGENT LIABILITY

There is no contingent liability for the year ended 31 December 2018.

22. MISAPPROPRIATION OF FUNDS

The \$7,484.55 were misappropriated at two of the SPBD office branches in 2017, have been fully reimbursed in 2018.