



South Pacific Business Development
Microfinance Ltd.

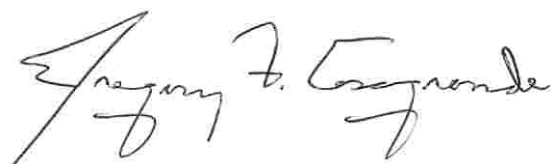
Financial Statements

For the Period Ending 31 December 2017

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

BALANCE SHEET
As of 31 December 2017

ASSETS			
Current Assets	<i>Note</i>	2017	2016
Cash on Hand and in Bank	5	100,500	336,524
Loan Portfolio Outstanding	6	6,362,286	4,889,760
Receivables	7	29,207	26,772
Short-Term Investments	8	758,233	593,030
Total Current Assets		7,250,226	5,846,086
Fixed Assets			
Fixed Assets	9	604,529	521,917
Less: Accumulated Depreciation		(440,593)	(351,850)
Net Fixed Assets		163,936	170,067
Other Assets	<i>10</i>	14,651	15,083
TOTAL ASSETS		7,428,813	6,031,236
LIABILITIES			
Current Liabilities			
Cash at Bank - Overdraft	5	492,898	290,367
Death Benefit Reserve		29,623	13,796
Clients' Savings deposits	11	741,422	664,093
Accounts Payable	12	233,260	423,340
Commercial Loans - Current	13	630,400	530,296
Soft Loans - Current	14	987,328	797,648
Accrued Interest Payable	15	24,149	8,160
Taxes Payable	18	185,695	147,734
Total Current Liabilities		3,324,776	2,875,434
Non Current Liabilities			
Commercial Loans - Non Current	13	1,413,383	670,331
Soft Loans - Non Current	14	512,157	529,140
Total Long term Liabilities		1,925,540	1,199,471
TOTAL LIABILITIES		5,250,316	4,074,905
EQUITY			
Owner's equity	16	528,233	528,233
Retained Earnings		1,428,098	1,038,446
Excess of Income and Expenditure, current period		222,166	389,652
TOTAL EQUITY		2,178,497	1,956,331
TOTAL LIABILITIES AND EQUITY		7,428,813	6,031,236



Gregory F. Casagrande
Chairman/ President

Date: 5/31/2018

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 2017

Financial Income	<i>Note</i>	2017	2016
Interest on Loans		2,238,864	2,250,985
Development Fee		221,918	181,985
Loan Security Fee - LSF		134,128	95,220
Death Benefit Fee - DBF		186,447	94,205
Interest earned on Bank Accounts & Term Deposits		14,491	16,666
Other operating revenues		79,363	22,207
Total Financial Income		2,875,211	2,661,268
Financial Expenses			
Interest and fees on borrowed funds		213,388	249,462
Foreign Exchange Loss		230,539	19,043
Interest on Client Saving		7,978	10,949
Loan Security Loss		17,510	32,210
Death Benefit Loss		61,807	28,728
Total Financial Expenses		531,222	340,392
NET FINANCIAL INCOME		2,343,989	2,320,876
Loan Loss Provision	6	(37,248)	2,881
NET FINANCIAL MARGIN		2,381,237	2,317,995
Operating Expenses			
Computer Support System		8,000	13,334
Conference & Meetings		17,844	14,780
Depreciation	9	88,743	81,531
Electricity and Water		21,040	14,330
Fees and Bank Charges		23,615	15,255
Insurance		28,065	8,175
Management Fees		102,159	132,763
Membership Fees and Subscription		19	241
Office Expenses		9,624	11,910
Postage, Telephone and Communications		38,561	24,855
Printing and Office Stationeries		69,039	40,237
Professional Services		596,572	549,424
Public Relations and Advertisements		3,916	11,618
Office Lease		76,793	74,265
Repairs and Maintenance		6,519	13,112
Salaries and Benefits		682,315	618,804
Staff Training and Development		30,071	11,561
Transportation, Fuel, Oil		54,122	35,209
Travel Local		40,243	34,936
Travel Overseas		30,667	28,812
Board of Directors Fees		4,600	4,600
SPBD Award day		28,789	47,175

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 2017

Staff Retreat 2017	16,529	12,566
Financial Diaries Expenses	38,301	27,693
Management Offisite	-	6,595
Total Operating Expenses	2,016,146	1,833,781
Non-Operating Income/(Expenses):		
Grants & Donations	-	3,950
Sale of/ (Writeoff) Fixed Assets	5,115	(3,995)
Other non-operating income	-	19,519
	5,115	19,474
NET OPERATING INCOME BEFORE TAXES	370,206	503,688
Income Tax	18	(114,036)
NET INCOME	222,166	389,652

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 2017

	2017	2016
Cash flows from operating activities		
Cash was provided from:		
Receipts from Customers	2,521,718	2,533,807
Receipts from other Revenue	480,409	214,185
Total Receipts	3,002,127	2,747,992
Cash was disbursed to:		
Payments to suppliers	(2,742,250)	(1,877,802)
Labour Costs	-	-
Taxes Payable	(114,036)	(75,516)
Total Payments	(2,856,286)	(1,953,318)
Net cash inflows from operating activities	145,841	794,674
Cash flows from Investing Activities		
Cash was provided from:		
Short-term Investments	(165,203)	(17,909)
Cash was disbursed to:		
Purchase of property, plant and equipmer	(82,611)	(42,636)
Purchase of Short Term Investments	-	-
Net Cash Flow used in investing activities	(247,814)	(60,545)
Cash flows from financing activities		
Cash was provided from:		
Borrowings: Client Savings	-	-
Borrowings: Loans	(336,582)	(451,360)
Cash was disbursed to:		
Dividend paid	-	-
Net Cash Flow from Financing Activities	(336,582)	(451,360)
Net increase/ (decrease) in cash and cash	(438,555)	282,769
Cash and cash equivalents at the beginnin	46,157	(236,612)
Cash and cash equivalents at the beginnin	(392,398)	46,157

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 2017

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

	2017	2016
Net Income after Tax	222,166	389,652
Add back non cash items		
Depreciation	88,743	81,531
Loan Loss Provision	(37,248)	2,881
 Movements in working capital:		
(Increase)decrease in Gross Loan Portfoli	(407,508)	(99,544)
(Increase)decrease in Receivables	(2,435)	(5,593)
(Increase)decrease in Other assets	432	(3,388)
Increase (decrease) in Account Payable	46,709	390,202
Increase (decrease) in Taxes Payable	37,961	75,710
Increase (decrease) in Accrued Expenses	15,989	(25,046)
Increase (decrease) in Death Benefit Rese	15,827	(11,731)
Increase (decrease) in Short Term Investm	165,203	-
Net Cash Flow from Operating Activities	145,841	794,674

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 2017

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 2017

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 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 insurance 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.

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

FOR THE YEAR ENDING 31 DECEMBER 2017

- 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 between 1,000 to 5,000 Pa'anga. The life insurance fee is deducted from the loan proceeds as stated 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 SPBD to 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:

2017	2016
-	3,950

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.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2017

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.

	2017	2016
Exchange rate used at balance sheet date (TOP/USD)	0.4526	0.4436
Exchange Rate used at balance sheet date (TOP/NZD)	0.6413	0.6409

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.

5. CASH ON HAND AND IN BANK

	<u>Cash on Hand</u>	<u>2017</u>	<u>2016</u>
Undeposited Collections		(12,568)	(5,719)
Petty Cash Imprest		2,000	1,800
Saving Reserve Imprest		50,000	50,000
Money Transfer Reserve Imprest		25,000	25,000
SUB_TOTAL		64,432	71,081
	<u>Cash in Bank</u>		
ANZ Dollar Account 165-3890		2,406	538
BSP Account 2000732848		3,372	249,748
BSP Account 2001343143		19,175	-
TDB- Ha'apai Bank Account 149464 S1		11,115	6,127
TDB- 'Eua Bank Account 149961 S1		-	9,030
SUB_TOTAL		36,068	265,443
	<u>Bank Overdraft</u>		
ANZ Bank Account 165-3787		(492,898)	(290,367)
TOTAL		(392,398)	46,157

6. LOAN PORTFOLIO

	<u>Loans Receivables</u>	<u>2017</u>	<u>2016</u>
Opening Balance		4,992,172	4,892,628
Total Loan Disbursement		11,180,109	9,231,925
Less: Total Principal Loan Repayments		9,744,831	9,132,381
Gross Loan Portfolio		6,427,450	4,992,172
Less: Loan Loss Reserve		(65,164)	(102,412)
Net Loan Portfolio		6,362,286	4,889,760

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2017

6. LOAN PORTFOLIO continued

GROSS LOAN PORTFOLIO

	<u>2017</u>	<u>2016</u>
Opening Balance (Nuku'alofa)	3,761,237	3,814,118
Plus: 2017 Loan Disbursement	8,925,887	6,924,388
Less: 2017 Loan Repayments	(7,415,470)	(6,977,269)
Gross Loan Portfolio (Nuku'alofa)	5,271,654	3,761,237
Opening Balance (Vava'u)	764,070	673,607
Plus: 2017 Loan Disbursement	1,269,100	1,244,072
Less: 2017 Loan Repayments	(1,294,976)	(1,153,609)
Gross Loan Portfolio (Vava'u)	738,194	764,070
Opening Balance (Ha'apai)	193,031	154,658
Plus: 2017 Loan Disbursement	488,581	490,503
Less: 2017 Loan Repayments	(513,371)	(452,130)
Gross Loan Portfolio (Ha'apai)	168,241	193,031
Opening Balance ('Eua)	273,834	250,245
Plus: 2017 Loan Disbursement	496,541	572,962
Less: 2017 Loan Repayments	(521,014)	(549,373)
Gross Loan Portfolio ('Eua)	249,361	273,834
SPBD Gross Loan Portfolio	6,427,450	4,992,172

No. of Loans Outstanding

	<u>2017</u>	<u>2016</u>
SPBD Group Loan Product	4,755	4,428

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 2017

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	6,425,403	0%	1%	64,254
1 to 4 weeks in arrears	1,197	0%	5%	60
21 + weeks in arrears	850	0%	100%	850
Total	6,427,450	0%		65,164

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

Movement in Loan Loss Reserve	2017	2016
Loan Loss Reserve, January 1	102,412	99,531
Loan Loss Provision for the year	(37,248)	2,881
Loan Loss Reserve, December 31	65,164	102,412

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2017

7. RECEIVABLES

	<u>2017</u>	<u>2016</u>
Other Receivables	16,564	24,238
Prepaid Expenses	12,643	2,534
Total Receivables	29,207	26,772

8. SHORT-TERM INVESTMENTS

Term Deposit BSP	214,278	205,594
Term Deposit ANZ Bank	169,837	175,704
Term Deposit TDB	150,000	-
Term Deposit MBF Bank	224,118	211,732
Total	758,233	593,030

9. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	64,831	47,926	5,829	16,905
Computer Equipment and Peripherals	78,245	64,955	11,494	13,290
Motor Vehicles	333,551	254,291	63,143	79,260
Office Equipment	57,659	32,688	6,648	24,970
Software and Electronics System	33,418	33,418	-	-
Leasehold Improvements	36,825	7,314	1,629	29,511
2017 TOTAL	604,529	440,592	88,743	163,936
2016 TOTAL	521,917	351,850	81,531	170,067

10. OTHER ASSETS

	<u>2017</u>	<u>2016</u>
Stocks of Passbooks	149	219
Stocks of Receipt Books	276	1,407
Stocks of Secretary Books	768	1,524
Stocks of Financial Diaries Booklets	458	1,933
Rental Bond - Head Office	13,000	10,000
Total	14,651	15,083

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 2017

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>2017</u>	<u>2016</u>
No. of Saving Accounts	9,657	8,342
Clients Saving Balances	741,422	664,093

12. ACCOUNTS PAYABLE

	<u>2017</u>	<u>2016</u>
Accounts Payable	214,713	413,982
Employees Entitlement	18,547	9,358
Total	233,260	423,340

13. COMMERCIAL LOANS

	<u>2017</u>	<u>2016</u>
Tonga Development Bank	1,224,162	1,042,331
Cresud	-	142,926
Bank of South Pacific	377,730	15,370
Responsability	441,891	-
Total	2,043,783	1,200,627
Commercial Loan - Current	630,400	530,296
Commercial Loan - Non-Current	1,413,383	670,331
Total	2,043,783	1,200,627

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 31-12-16 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-17 (TOP\$)	Interest Repayment (TOP\$)
10-05-13	TOP	600,000	9.0%	31-12-19	294,831	500,000	122,972	-	671,859	52,871
15-07-15	TOP	1,000,000	8.5%	30-06-20	747,500	-	195,197	-	552,303	55,873
TOTAL					1,042,331	500,000	318,169	-	1,224,162	108,744

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2017

13. COMMERCIAL LOANS continued

b) Cresud

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 Tonga.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-16 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-17 (TOP\$)	Interest Repayment (TOP\$)
5-10-13	USD	400,000	9.5%	31-03-17	142,926	-	140,619	- 2,307	-	8,733
TOTAL					142,926	-	140,619	- 2,307	-	8,733

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 31-12-16 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-17 (TOP\$)	Interest Repayment (TOP\$)
19-08-15	TOP	40,000	9.65%	30-06-17	15,370	-	15,370	-	-	413
25-05-17	TOP	60,000	9.65%	25-01-19	-	60,000	17,939	-	42,061	3,053
25-05-17	TOP	400,000	9.11%	25-05-21	-	400,000	64,331	-	335,669	20,492
TOTAL					15,370	460,000	97,640	-	377,730	23,958

d. 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 31-12-16 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-17 (TOP\$)	Interest Repayment (TOP\$)
21/04/2017	USD	200,000	8.5%	8-04-19	-	488,558	-	- 46,667	441,891	18,699
TOTAL					-	488,558	-	- 46,667	441,891	18,699

14. SOFT LOANS

	2017	2016
Microdreams Foundation	486,081	182,534
Good Return	98,067	100,076
Whole Planet Foundation	286,908	419,514
SPBD Holdings	628,429	624,664
Total	1,499,485	1,326,788
Soft Loans - Current	987,328	797,648
Soft Loans - Long Term	512,157	529,140
Total	1,499,485	1,326,788

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2017

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 31-12-16 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-17 (TOPS)	Interest Repayment (TOPS)
01-03-10	USD	50,000	5.0%	31-03-17	52,649	-	48,533	- 4,116	-	2,841
19-11-14	USD	60,000	6.5%	31-12-18	129,885	-	-	- 3,391	126,494	4,432
19-05-17	USD	100,000	6.5%	31-05-18	-	230,593	-	- 11,867	218,726	-
21-12-17	USD	60,000	6.5%	16-03-18	-	140,861	-	-	140,861	-
TOTAL					182,534	371,454	48,533	- 19,374	486,081	7,273

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 31-12-16 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-17 (TOPS)	Interest Repayment (TOPS)
01-04-11	TOP	53,698	0%	On Going	60,076	14,993	19,219	-	58,067	-
09-05-16	TOP	40,000	5%	28/02/2018	40,000	-	-	-	40,000	2,307
TOTAL					100,076	14,993	19,219	-	98,067	2,307

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 31-12-16 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-17 (TOPS)	Interest Repayment (TOPS)
07-11-12	TOP	243,115	0	28-11-19	141,812	-	81,040	-	60,772	-
28-11-13	TOP	154,699	0	28-11-19	154,699	-	51,566	-	103,133	-
14-04-14	TOP	123,003	0	01-04-20	123,003	-	-	-	123,003	-
TOTAL					419,514	-	132,606	-	286,908	-

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 31-12-16 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-17 (TOPS)	Interest Repayment (TOPS)
1/10/2016	NZD	200,000	10.0%	31/03/2017	304,849	-	299,020	5,829	-	5,554
1/10/2016	AUD	200,000	10.0%	31/03/2017	319,815	-	327,761	- 7,946	-	0
15/09/2017	AUD	100,000	10.0%	31/12/2020	-	172,525	-	-	172,525	0
18/10/2017	USD	50,000	7.0%	31/12/2019	-	112,323	-	-	112,323	0
20/09/2017	AUD	100,000	10.0%	30/09/2018	-	172,061	-	-	172,061	0
12/12/2017	AUD	100,000	10.0%	31/12/2019	-	171,520	-	-	171,520	0
TOTAL					624,664	628,429	626,781	- 2,117	628,429	5,554

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

*NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2017*

15. ACCRUED INTEREST

	<u>2017</u>	<u>2016</u>
Microdreams Foundation	11,067	2,425
Good Return	-	1,311
Cresud	-	4,424
SPBD Holdings	5,030	-
Respons-Ability	8,052	-
Total	<u><u>24,149</u></u>	<u><u>8,160</u></u>

16. OWNER'S EQUITY

SPBD Microfinance Holdings (Singapore) Pte Limited:

	<u>2017</u>	<u>2016</u>
Opening Balance	528,233	528,233
Equity Injection	-	-
Closing Balance 31 Dec	<u><u>528,233</u></u>	<u><u>528,233</u></u>

There is no dividend payment approved for 2017.

17. SPBD Staff Loans

Borrower	Balance	Term	Status
Staff	\$38,709	12 months	Current

The above balance of \$38,709 for SPBD Staff Loan is included in the balance of \$6,427,450 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		370,206
<i>Add: Non deductible expenses</i>		
Unrealised Forex Loss	230,539	
Death Benefit Provision	61,807	
Loan Security Loss	17,510	
Loan Loss Provision	-	37,248
		<u>272,608</u>
<i>Less: Deductible expenses</i>		
Death Benefit 2016	28,728	
Forex 2016	19,043	
Loan Loss Provision 2016	2,882	
		<u>50,653</u>
Taxable Income		592,161
Income Tax Payable		<u>148,040</u>
b. Tax Payable		
Income Tax Payable		148,040
Withholding Tax Payable		37,655
Total		<u>185,695</u>

19. CAPITAL COMMITMENTS

There were no capital commitments for the year ended 31 December 2017.

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 2017.

21. CONTINGENT LIABILITY

There is no contingent liability for the year ended 31 December 2017.

22. MISAPPROPRIATION OF FUNDS

During the year funds were misappropriated at two of the SPBD office branches. The alleged total funds misappropriated were \$7,484.55. A total of \$3,900.00 of the missing funds have been reimbursed to date. The balance of the unpaid missing funds is being repaid as per agreements with the involved officers. The company has taken no legal actions against the responsible officers.