

SPBD MICROFINANCE (VANUATU) LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

**SPBD MICROFINANCE (VANUATU) LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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## SPBD MICROFINANCE (VANUATU) LIMITED

### Report of the directors For the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017 and the auditors' report thereon.

#### Directors

The directors of the company at the date of this report, who served throughout the year except where otherwise indicated, are:

	Date Appointed
Gregory Francis Casagrande	10/08/2016

#### Principal activities

The principal activity of SPBD is to improve the quality of life of families living in poverty by providing unsecured credit, training, and on-going motivation and guidance to help them start, grow and maintain micro-businesses, build assets, as well as, finance home improvements and childhood education.

Its corporate vision is to create a network of micro-enterprise development organizations in the South-Pacific and neighbouring regions to empower women through financial access and economic development to help lift themselves and their families permanently out of poverty and improve self-esteem.

SPBD also provides a comprehensive Financial Education program (FEP) to provide meaningful and practical financial education to all its clients which helps them to manage their economic life better.

There were no significant changes in the nature of the activities of the company during the year.

#### State of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the company that occurred during the financial year not otherwise disclosed in this report or the financial statements. Further, it is the opinion of the directors that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable and that the going concern presumption is therefore appropriate.

#### Result

The operating loss for the year was Vt 16,127,357 (2016: Vt 1,620,372).

#### Reserves

The directors propose that no transfer be made to reserves (2016: Vt Nil).

#### Dividends

The Directors recommend that no dividends be paid for the year. (2016: Vt Nil).

#### Directors' benefits

During the financial year, the directors of the company have not received or become entitled to receive any benefits, other than:

- (a) a benefit included in the aggregate amount of the directors' benefit as shown in the financial statements;
- (b) the fixed salary of a full-time employee of the company or of a related company, by reason of a contract made by the company or related company with the directors.

**SPBD MICROFINANCE (VANUATU) LIMITED**

**Report of the directors  
For the year ended 31 December 2017 (continued)**

**Directors' interests in contracts and related party transactions**

Directors serving during the year had no interests in the activities of the company.

**Directors' declaration**

It is the responsibility of the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its statement of comprehensive income, statement of cash flows and statement of changes in equity for that year. In the directors' opinion, the financial statements for the year ended 31 December 2017 have been drawn up so as to give a true and fair view.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2017. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records and for safeguarding the assets of the company by taking reasonable steps to prevent and detect fraud.

For and on behalf of the Board and in accordance with a resolution of the directors.

Dated at Port Vila, the 12<sup>th</sup> of June 2018.

  
Director

## **Independent Auditors' Report to the members of SPBD Microfinance (Vanuatu) Limited**

### **Audit Opinion**

We have audited the accompanying financial statements of SPBD Microfinance (Vanuatu) Limited which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 19.

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Vanuatu Companies Act No. 25 of 2012 of the Republic of Vanuatu and give a true and fair view of the financial position of the company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Responsibilities of directors for the financial statements**

The directors of the company are responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Financial Reporting Standards and the Vanuatu Companies Act No. 25 of 2012;
- implementing necessary internal controls to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an auditor's report that includes our opinion.

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PRINCIPALS  
JONATHAN LAW  
VICKI JOE

**Independent Auditors' Report to the members of SPBD Microfinance (Vanuatu) Limited**

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website [https://www.ifac.org/system/files/publications/files/ISA-700-Revised\\_3.pdf](https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf). This description forms part of our auditor's report.

*Law Partners*

**LAW PARTNERS**

**Chartered Accountants**

(Qualified auditors under Section 130 of the Companies Act No. 25 of 2012 of the Republic of Vanuatu)



**Jonathan Law**

**Partner**

Port Vila

12 June 2018

**SPBD MICROFINANCE (VANUATU) LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Financial income</b>			
Interest income on loans		7,484,056	-
Development fee		3,006,150	-
Loan security fee		3,817,811	-
Death benefit fee		1,604,000	-
Savings withdrawal fee		228,200	-
Financial booklet issuance fee		1,996,500	-
Interest on bank account and term deposits		691	-
Miscellaneous income		12,616	-
<b>Total financial income</b>		<u>18,150,024</u>	<u>-</u>
<b>Financial expenses</b>			
Interest and fee on loans		2,808,251	-
Interest on client savings		70,920	-
Foreign exchange loss / (gain)		1,585,767	(326)
<b>Total financial expenses</b>		<u>4,464,938</u>	<u>(326)</u>
Net financial income		13,685,086	326
Loan loss provision		721,050	-
Death benefit provision		613,088	-
<b>Net financial margin</b>		12,350,948	326
Operating expenses	5	<u>(28,478,305)</u>	<u>(1,620,698)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(16,127,357)</u></u>	<u><u>(1,620,372)</u></u>

*The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 19.*

**SPBD MICROFINANCE (VANUATU) LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital	Retained losses	Total
<b>Balance at 1 January 2017</b>	-	(1,620,372)	(1,620,372)
Issued shares	5,329,565	-	5,329,565
Total comprehensive income for the year	<u>-</u>	<u>(16,127,357)</u>	<u>(16,127,357)</u>
<b>Balance at 31 December 2017</b>	<u>5,329,565</u>	<u>(17,747,729)</u>	<u>(12,418,164)</u>
<b>Balance at date of incorporation</b>	-	-	-
Issued shares	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>(1,620,372)</u>	<u>(1,620,372)</u>
<b>Balance at 31 December 2016</b>	<u>-</u>	<u>(1,620,372)</u>	<u>(1,620,372)</u>

*The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 19.*

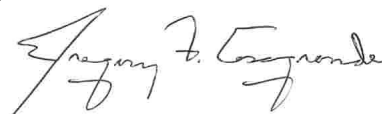


**SPBD MICROFINANCE (VANUATU) LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Note	2017	2016
<b>Current assets</b>			
Cash at bank and on hand	6(a)	15,422,345	1,086,532
Loans receivable	7	71,383,973	-
Inventory	9	58,840	-
Other	8	998,057	-
<b>Total current assets</b>		<u>87,863,215</u>	<u>1,086,532</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	6,898,111	-
<b>Total non-current assets</b>		<u>6,898,111</u>	<u>-</u>
<b>Total assets</b>		<u>94,761,326</u>	<u>1,086,532</u>
<b>Current liabilities</b>			
Accounts payable	11	529,255	-
Customer deposits	12	11,749,056	-
Provision for death benefit		613,088	-
Related parties	13	-	1,618,904
Borrowings	14	808,391	-
<b>Total current liabilities</b>		<u>13,699,790</u>	<u>1,618,904</u>
<b>Non-current liabilities</b>			
Borrowings	14	93,479,700	1,088,000
<b>Total non-current liabilities</b>		<u>93,479,700</u>	<u>1,088,000</u>
<b>Total liabilities</b>		<u>107,179,490</u>	<u>2,706,904</u>
<b>Net assets</b>		<u>(12,418,164)</u>	<u>(1,620,372)</u>
<b>Shareholders' equity</b>			
Share capital	15	5,329,565	-
Retained losses		(17,747,729)	(1,620,372)
<b>Total shareholders' equity</b>		<u>(12,418,164)</u>	<u>(1,620,372)</u>

*The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 19.*



Director

Port Vila, 12th of June 2018.

**SPBD MICROFINANCE (VANUATU) LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>			
Interest received		7,484,747	-
Interest paid		(2,879,171)	-
Net payments to suppliers and employees		(19,726,887)	(1,620,372)
Net increase in loan receivables		<u>(71,383,973)</u>	<u>-</u>
Net cash used in operating activities	6(b)	<u>(86,505,284)</u>	<u>(1,620,372)</u>
<b>Cash flows used in investing activities</b>			
Payment for property, plant and equipment		<u>(7,818,711)</u>	<u>-</u>
Net cash used in investing activities		<u>(7,818,711)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Issued shares		5,329,565	-
Net movement in customer deposits		11,749,056	-
Related parties		(1,618,904)	1,618,904
Borrowings		93,200,091	1,088,000
Dividends paid		<u>-</u>	<u>-</u>
Net cash provided by financing activities		<u>108,659,808</u>	<u>2,706,904</u>
Net increase in cash and cash equivalents held		14,335,813	1,086,532
Cash and cash equivalents at beginning of the financial year		<u>1,086,532</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	6(a)	<u>15,422,345</u>	<u>1,086,532</u>

*The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 19.*

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1. Reporting entity

SPBD Microfinance (Vanuatu) Limited is a company domiciled in Vanuatu and was incorporated on 10 August 2016. The address of the company's registered office is Law Partners House, Kumul Highway, Port Vila, Vanuatu.

The financial statements of the Company for the year ended 31 December 2017 relate to its operations in Vanuatu.

#### 2. Basis of preparation

##### (a) Statement of compliance

The financial statements of the company are drawn up in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Vanuatu Companies Act No. 25 of 2012.

##### (b) Basis of measurement

The financial statements are prepared on a historical cost basis and do not take into account changing money values or, except where stated, current valuations of non-current assets.

##### (c) Functional and presentation currency

The financial statements are presented in Vanuatu currency ('Vatu')

#### 3. Significant accounting policies

The accounting policies have been consistently applied during the period.

##### (a) Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below.

##### *Interest income*

Interest income on group loans is recognized using cash basis straight-line method which reflects the fixed interest rate of 27% charged. Interest income on Term deposits is recognised as it accrues.

##### *Fees and charges*

Fees and charges are recognized in the account only when received.

##### *Loan security fees*

A Loan security fee of 3% of the total of the approved loan principal amount and interest, is charged and withheld as security in case the customer has deceased before the full payment on loan is due. This is treated as income as it is not refundable to the customer upon payment of the loan and is recognized when the loan disbursement occurs.

##### *Savings accounts withdrawal fees*

A Vt200 fee is charged to members when a withdrawal is made from their savings account and is recognized in the period in which the fee is charged.

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. Significant accounting policies (continued)

##### (a) Revenue recognition (continued)

###### *Development fees*

A development fee of 3% of the approved loan principal disbursement amount is charged to be used to cover the cost of training clients, loan evaluation and monitoring. This is recognized when the loan disbursement occurs.

###### *Death benefit fee*

Death benefit is a program that benefits the member. This can only be obtained at the time of the new loan. The fee is payable upfront and is deducted from the loan amount at disbursement.

Death benefit fee is mandatory for all loan cycles with a Vt40,000 benefit for Vt800 fee paid and is recognized when the loan disbursement occurs.

##### (b) Foreign currency

All foreign currency transactions are translated to Vanuatu currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling at balance date. Gains and losses arising on such translations are recognised in the result for the year.

##### (c) Financial assets

The company's financial assets comprise loans and receivables, prepayments, cash and cash equivalents.

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets.

Loans and receivables comprise primarily lending associated with providing direct financial assistance in establishing new or expanding of micro businesses for economically disadvantaged people, particularly women, who cannot easily access savings and loan products from traditional banks. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

###### *Impairment of financial assets*

The Company conducts loan loss provisioning every quarter to maintain an adequate reserve for doubtful loans. The reserve is determined by applying predicted loss percentages to aged loans grouped according to the age of the outstanding payment. The age of outstanding payment is analysed in three weekly bands from one week to greater than twenty-one weeks. 100% provision is automatically assessed for loans whose repayments are more than 21 weeks overdue.

When a loan is uncollectible, it is written off against the related provision for bad and doubtful loans. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

Loan recoveries are cases of default loans which have been written off during previous year's and subsequently recovered are credited to income as bad debts recovered in the period in which the recovery is made.

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. Significant accounting policies (continued)

##### (d) Property, plant and equipment

Items of property are stated at valuation less accumulated depreciation. The carrying amounts of assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower amount.

##### *Disposal of assets*

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the result in the year of disposal.

##### *Depreciation*

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives at which depreciation is charged is as follows:

Furniture and fittings	3-5 years
Office equipment	3-5 years
Motor vehicles	2-5 years
Leasehold improvements	3-5 years
Software and electronic systems	2-5 years
Computer equipment and peripherals	2-5 years

Assets are depreciated from the date of acquisition or from the date on which significant use commenced. Expenditure on repairs or maintenance of property, plant and equipment incurred to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

##### *Leased assets*

Payments made under operating leases are charged to income in equal instalments over the accounting period covered by the lease term. For operating leases, the lease payments are expensed on a straight-line basis over the lease term.

##### (e) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### (f) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current year financial year amounts and other disclosures. The comparative information relates to the period from date of incorporation 10 August 2016 to 31 December 2016.

##### (g) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

##### (h) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

The company's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current period based on current earnings of the employee.

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 3. Significant accounting policies (continued)

##### (i) Value Added Tax (VAT)

As a financial institution, the Company is exempt from VAT and all expenses incurred are inclusive of VAT amounts charged.

##### (j) Financial instruments

###### *Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs except for those carried at fair value through profit and loss which are measured initially at fair value. Subsequent measurements of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

###### *Classification and subsequent measurement of financial assets*

The Company classifies its financial assets in the following categories; loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'Loans to customers', 'Cash on hand and at banks' and 'Term deposits'. Loans to customers are considered impaired when they are past due per Note 3(c).

###### *Classification and subsequent measurement of financial liabilities*

The Company's financial liabilities include borrowings, trade and other payables. Financial liabilities are recognized initially at fair value, net of transactions costs incurred. They are measured subsequently at amortised cost using the effective interest method.

##### (k) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### (l) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

**SPBD MICROFINANCE (VANUATU) LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. Significant accounting policies (continued)**

**(m) Loan loss provisioning and loan loss reserve**

*Portfolio quality measurement*

The Company'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 the Company'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
Standard Portfolio	1%
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 the Company'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.

Portfolio quality	Outstanding loan balance	Portfolio at risk	Loan loss reserve rate	Loan loss reserve amount
Current	72,105,023	0%	1%	721,050
1 to 4 weeks in arrears	-	0%	5%	-
21 + weeks in arrears	-	0%	100%	-
<b>Total</b>	<b>72,105,023</b>	<b>0%</b>		<b>721,050</b>

<b>Movement in loan loss reserve</b>	<b>2017</b>	<b>2016</b>
Loan loss reserve, January 1	-	-
Loan loss provision for the year	721,050	-
<b>Loan loss reserve, December 31</b>	<b>721,050</b>	<b>-</b>

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 4. Critical accounting estimates/judgements

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### *Impairment losses on loans*

The Company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience

	2017	2016
<b>5. Operating expense</b>		
Auditors' remuneration	485,000	-
Bank charges	130,434	42,119
Communications	658,352	-
Depreciation	920,600	-
IT related costs	484,814	-
Legal fees	1,003,753	1,034,579
Management fees	3,136,450	-
Office supplies	1,915,604	-
Other expenses	357,705	-
Premises related costs	1,201,290	-
Public relations	811,546	-
Staff costs	8,180,752	-
Transportation	1,094,696	-
Travel	8,097,309	544,000
	<u>28,478,305</u>	<u>1,620,698</u>

Staff costs comprise staff salaries, entitlements and training costs. The number of employees at the reporting date was 9 (2016: Nil).

#### 6. Cash and cash equivalents

##### a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank and cash held on short term deposit. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	384,414	-
Cash at bank	15,037,931	1,086,532
	<u>15,422,345</u>	<u>1,086,532</u>



**SPBD MICROFINANCE (VANUATU) LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**6. Cash and cash equivalents (continued)**

**b) Reconciliation of loss for the year to net cash  
used in operating activities**

	<b>2017</b>	<b>2016</b>
Loss for the year	(16,127,357)	(1,620,372)
<i>Adjustments for non cash items</i>		
Depreciation and amortisation	920,600	-
Movement in general allowance for impairment	-	-
Net cash provided by operating activities before change in assets and liabilities	<u>(15,206,757)</u>	<u>(1,620,372)</u>
<i>Adjustments for increase in liabilities</i>		
Creditors and accruals	529,255	-
Provision for death benefit	613,088	-
<i>Adjustments for decrease / (increase) in assets</i>		
Loan receivables	(71,383,973)	-
Prepayments	(73,125)	-
Inventories	(58,840)	-
Other debtors	<u>(924,932)</u>	<u>-</u>
Net cash used in operating activities	<u><u>(86,505,284)</u></u>	<u><u>(1,620,372)</u></u>
<b>7. Loans receivable</b>		
<b>Current</b>		
Gross amounts receivable within one year	72,105,023	-
Less: loan loss provision	(721,050)	-
Less: deferred income – establishment fees	-	-
Less: unearned income	<u>-</u>	<u>-</u>
	71,383,973	-
Less: collective allowance for impairment	<u>-</u>	<u>-</u>
	<u><u>71,383,973</u></u>	<u><u>-</u></u>
<b>8. Other assets</b>		
Other receivables	924,932	-
Prepaid expenses	<u>73,125</u>	<u>-</u>
	<u><u>998,057</u></u>	<u><u>-</u></u>
<b>9. Inventory</b>		
Financial booklet	2,520	-
Receipt books	<u>56,320</u>	<u>-</u>
	<u><u>58,840</u></u>	<u><u>-</u></u>

**SPBD MICROFINANCE (VANUATU) LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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	<b>2017</b>	<b>2016</b>
<b>10. Plant and equipment</b>		
<i>Computer equipment and peripherals</i>		
At cost	1,110,703	-
Less: accumulated depreciation	<u>(131,209)</u>	<u>-</u>
	<u>979,494</u>	<u>-</u>
<i>Furniture and fittings</i>		
At cost	514,521	-
Less: accumulated depreciation	<u>(65,211)</u>	<u>-</u>
	<u>449,310</u>	<u>-</u>
<i>Leasehold improvements</i>		
At cost	138,687	-
Less: accumulated depreciation	<u>(13,869)</u>	<u>-</u>
	<u>124,818</u>	<u>-</u>
<i>Motor vehicles</i>		
At cost	5,530,806	-
Less: accumulated depreciation	<u>(645,261)</u>	<u>-</u>
	<u>4,885,545</u>	<u>-</u>
<i>Office equipment</i>		
At cost	381,431	-
Less: accumulated depreciation	<u>(50,192)</u>	<u>-</u>
	<u>331,239</u>	<u>-</u>
<i>Software and electronic systems</i>		
At cost	142,563	-
Less: accumulated depreciation	<u>(14,858)</u>	<u>-</u>
	<u>127,705</u>	<u>-</u>
<b>Total plant and equipment</b>	<u><u>6,898,111</u></u>	<u><u>-</u></u>
<i>Movement in plant and equipment:</i>		
Opening carrying value	-	-
Additions	7,818,711	-
Depreciation	<u>(920,600)</u>	<u>-</u>
Closing carrying value	<u>6,898,111</u>	<u>-</u>
<b>11. Accounts payable</b>		
Accounts payable	510,900	-
VNPF payable	<u>18,355</u>	<u>-</u>
	<u>529,255</u>	<u>-</u>

**SPBD MICROFINANCE (VANUATU) LIMITED**

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	<b>2017</b>	<b>2016</b>
<b>12. Customer deposits</b>		
Regular savings		
<i>Current</i>	<u>11,749,056</u>	<u>-</u>
	<u>11,749,056</u>	<u>-</u>
<b>13. Related parties</b>		
Due to SPBD Microfinance Holdings (Singapore) Pte Ltd.:		
Other payables	<u>-</u>	<u>1,618,904</u>
	<u>-</u>	<u>1,618,904</u>
<b>14. Borrowings</b>		
Due to Evander Management Limited		
<i>Non - Current</i>	<u>15,488,000</u>	<u>-</u>
	<u>15,488,000</u>	<u>-</u>
Due to SPBD Microfinance Holdings (Singapore) Pte. Ltd.		
<i>Current</i>	808,391	-
<i>Non - current</i>	<u>77,991,700</u>	<u>1,088,000</u>
	<u>78,800,091</u>	<u>1,088,000</u>
<b>15. Share capital</b>		
<i>Issued and paid-up capital</i>	<u>5,329,565</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings. All shares rank equally with regards to the residual assets of the company.

**16. Related parties**

*Ultimate parent entity*

The ultimate parent entity is SPBD Microfinance Holdings (Delaware) L.L.C, a company incorporated in the State of Delaware, United States of America.

*Related party transactions and balances*

Reference should be made to note 13 and 14 regarding related party payable balance to SPBD Microfinance Holdings (Singapore) Pte. Ltd. as at balance date.

During the year the company paid management fees as follows:

	<b>2017</b>	<b>2016</b>
SPBD Microfinance Holdings (Singapore) Pte. Ltd.	1,936,450	-
Transformative Ventures LLC	<u>1,200,000</u>	<u>-</u>
	<u>3,136,450</u>	<u>-</u>

## SPBD MICROFINANCE (VANUATU) LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 17. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the company's business.

##### **Credit risk**

The company requires collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit. At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

##### **Foreign exchange risk**

The company's foreign currency risk is limited to transactions with a related entity denominated predominantly in New Zealand dollars (NZD) and United States dollars (USD).

##### **Interest rate risk**

The company monitors the interest rate exposure on a regular basis. However, the company is restricted in its ability to mitigate the risks associated with interest rate movements. The company's lease rental agreements with customers are generally of a short term nature and interest rates are fixed.

##### **Fair value**

Fair values of financial instruments are not expected to be materially different from their carrying values.

#### 18. Commitments

	2017	2016
<i>Operating lease commitments</i>		
Minimum lease payments under non-cancellable operating leases, not provided for:		
- not later than one year	1,459,920	-
- between 1 and 5 years	729,960	-
	<u>2,189,880</u>	<u>-</u>

##### *Capital commitments*

The directors are aware of no capital commitments as at the balance date (2016: Nil).

#### 19. Contingent liabilities

The directors are aware of no contingent liabilities at the date of the directors' report (2016: Nil).

#### 20. Subsequent events

There are no events subsequent to balance date which require adjustments or disclosure in the financial statements (2016: Nil).