

SPBD MICROFINANCE (VANUATU) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

SPBD MICROFINANCE (VANUATU) LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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SPBD MICROFINANCE (VANUATU) LIMITED

Report of the directors For the year ended 31 December 2022

The directors present their report together with the audited financial statements for the year ended 31 December 2022 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 | Date Resigned |
|----------------------------|-------------------|------------------|
| Gregory Francis Casagrande | 10/08/2016 | - |
| Florin Teodor Covaciu | 17/07/2019 | - |
| Duncan James Ledwith | 19/05/2020 | - |
| Elrico Verra Muñoz | 02/07/2020 | - |

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 14,010,838 (2021: Profit of Vt 2,324,077).

Reserves

The directors propose that no transfer be made to reserves (2021: Vt Nil).

Dividends

The Directors recommend that no dividends be paid for the year (2021: Vt Nil).

SPBD MICROFINANCE (VANUATU) LIMITED

**Report of the directors
For the year ended 31 December 2022 (continued)**

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.

Directors' interests in contracts and related party transactions

The company has a service contract with Transformative Ventures LLC and loan contracts with SPBD Microfinance Holdings (Singapore) Pte Ltd. for which in both entities Gregory Francis Casagrande is a director.

Other than stated above the directors serving during the year had no other 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 2022 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 2022. 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.


Auditors

A resolution to re-appoint Law Partners, as auditors will be proposed at the Annual General Meeting.

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

Dated at Port Vila, the 12th day of May 2023.

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Greg Casagrande, Director

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Elrico V. Munoz, 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 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes set out on pages 7 to 22.

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 2022, and of its financial performance and its cash flows for the year then ended in compliance with International Financial Reporting Standards.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Note 5 to the financial statements concerning the preparation of the financial statements on a going concern basis.

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.

Other Information

Other Information is both financial and non-financial information in SPBD Microfinance (Vanuatu) Limited's annual reporting which is provided in addition to the financial statements and the auditor's report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

Other Information

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, we have nothing to report.

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 and whether the use of the going concern basis of accounting is appropriate. 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.

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. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

Report on Other Legal and Regulatory Requirements

In our opinion:

1. proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and
2. to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Vanuatu Companies Act No. 25 of 2012, in the manner so required.

Who We Report To

This report is made solely to the Company's shareholders, as a body, in accordance with the Vanuatu Companies Act No. 25 of 2012. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Law Partners
LAW PARTNERS
Chartered Accountants
(Qualified auditors under Section 130 of
the Companies Act No. 25 of 2012 of the
Republic of Vanuatu)


Alipate La'au
Partner
Port Vila
12 May 2023

SPBD MICROFINANCE (VANUATU) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | 2022 | 2021 |
|---|------|---------------------|---------------------|
| Financial income | | | |
| Interest income on loans | | 55,024,973 | 67,461,082 |
| Development fee | | 6,058,395 | 5,832,795 |
| Loan security fee | | 7,696,024 | 7,425,974 |
| Death benefit fee | | 1,556,000 | 1,945,600 |
| Savings withdrawal fee | | 1,031,300 | 2,097,540 |
| Financial booklet issuance fee | | 625,395 | 767,000 |
| Loan write-off recoveries | | 2,439,135 | - |
| Miscellaneous income | | 355,517 | 765,369 |
| Total financial income | | <u>74,786,739</u> | <u>86,295,360</u> |
| Financial expenses | | | |
| Interest and fee on loans | | 4,629,393 | 6,419,291 |
| Interest on client savings | | 708,291 | 869,249 |
| Interest on right of use assets | | 18,903 | 134,634 |
| Foreign exchange loss / (gain) | | 1,628,436 | (242,078) |
| Total financial expenses | | <u>6,985,022</u> | <u>7,181,096</u> |
| Net financial income | | 67,801,716 | 79,114,264 |
| Loan loss provision | | 920,737 | 3,982,653 |
| Loan insurance loss provision | | 463,590 | 231,270 |
| Death benefit provision / (write-back) | | 307,536 | (119,680) |
| Net financial margin | | 66,109,853 | 75,020,021 |
| Operating expenses | 6 | <u>(80,120,691)</u> | <u>(72,695,944)</u> |
| Total comprehensive (loss) / profit for the year | | <u>(14,010,838)</u> | <u>2,324,077</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 11 to 22.

SPBD MICROFINANCE (VANUATU) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**


| | Note | Share capital | Accumulated losses | Total |
|---|------|-------------------|---------------------|---------------------|
| Balance at 1 January 2022 | | 22,039,565 | (18,807,905) | 3,231,660 |
| Total comprehensive loss for the year | | - | (14,010,838) | (14,010,838) |
| Balance at 31 December 2022 | | <u>22,039,565</u> | <u>(32,818,743)</u> | <u>(10,779,178)</u> |
| Balance at 1 January 2021 | | 5,329,565 | (21,131,982) | (15,802,417) |
| Issued shares | | 16,710,000 | - | 16,710,000 |
| Total comprehensive profit for the year | | - | 2,324,077 | 2,324,077 |
| Restated Balance at 31 December 2021 | | <u>22,039,565</u> | <u>(18,807,905)</u> | <u>3,231,660</u> |

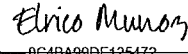
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 22.

SPBD MICROFINANCE (VANUATU) LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

| | Note | 2022 | 2021 |
|--------------------------------------|------|---------------------|--------------------|
| Current assets | | | |
| Cash at bank and on hand | 7(a) | 10,707,751 | 33,091,202 |
| Loans receivable | 8 | 124,503,052 | 101,866,179 |
| Inventory | 10 | 329,480 | 326,270 |
| Other assets | 9 | 4,306,823 | 6,958,230 |
| Total current assets | | <u>139,847,106</u> | <u>142,241,881</u> |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 15,892,181 | 18,521,916 |
| Total non-current assets | | <u>15,892,181</u> | <u>18,521,916</u> |
| Total assets | | <u>155,739,287</u> | <u>160,763,797</u> |
| Current liabilities | | | |
| Accounts payable | 13 | 14,490,938 | 6,193,239 |
| Customer deposits | 14 | 34,884,718 | 33,688,607 |
| Provision for death benefit | | 529,040 | 661,504 |
| Borrowings | 15 | 30,715,892 | 26,568,491 |
| Lease liability | 12 | - | 1,624,864 |
| Total current liabilities | | <u>80,620,588</u> | <u>68,736,705</u> |
| Non-current liabilities | | | |
| Borrowings | 15 | 85,897,877 | 88,795,432 |
| Lease liability | 12 | - | - |
| Total non-current liabilities | | <u>85,897,877</u> | <u>109,622,147</u> |
| Total liabilities | | <u>166,518,465</u> | <u>157,532,137</u> |
| Net liabilities | | <u>(10,779,178)</u> | <u>3,231,660</u> |
| Shareholders' equity | | | |
| Share capital | 16 | 22,039,565 | 22,039,565 |
| Accumulated losses | | (32,818,743) | (18,807,905) |
| Total shareholders' equity | | <u>(10,779,178)</u> | <u>3,231,660</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 11 to 22.

DocuSigned by:

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 Greg Casagrande, Director

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 Elrico V. Munoz, Director

Port Vila, 12th day of May 2023.

SPBD MICROFINANCE (VANUATU) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | 2022 | 2021 |
|--|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Interest received | | 55,024,973 | 67,461,082 |
| Interest paid | | (5,114,135) | (8,075,278) |
| Net payments to suppliers and employees | | (45,925,106) | (55,804,401) |
| Net (increase) / decrease in loan receivables | | <u>(22,636,873)</u> | <u>61,775,479</u> |
| Net cash (used in) / provided by operating activities | 7(b) | <u>(18,651,141)</u> | <u>65,356,882</u> |
| Cash flows used in investing activities | | | |
| Payment for property, plant and equipment | | <u>(6,178,265)</u> | <u>(8,055,473)</u> |
| Net cash used in investing activities | | <u>(6,178,265)</u> | <u>(8,055,473)</u> |
| Cash flows from financing activities | | | |
| Issued shares | | - | 16,710,000 |
| Net movement in customer deposits | | 1,196,111 | (66,797) |
| Related parties | | - | - |
| Net movement in Borrowings | | <u>1,249,846</u> | <u>(57,864,405)</u> |
| Net cash provided by / (used in) financing activities | | <u>2,445,957</u> | <u>(41,221,202)</u> |
| Net (decrease) / increase in cash and cash equivalents held | | (22,383,451) | 16,080,207 |
| Cash and cash equivalents at beginning of the financial year | | <u>33,091,202</u> | <u>17,010,995</u> |
| Cash and cash equivalents at the end of the financial year | 7(a) | <u><u>10,707,751</u></u> | <u><u>33,091,202</u></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 11 to 22.

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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 2022

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 2022

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.

(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.

(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 2022

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.

(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.

SPBD MICROFINANCE (VANUATU) LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Significant accounting policies (continued)

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

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 | 124,857,044 | 98.84% | 1% | 1,248,570 |
| 1 to 4 weeks in arrears | 533,793 | 0.42% | 5% | 26,690 |
| 5 to 8 weeks in arrears | 180,445 | 0.17% | 10% | 18,045 |
| 9 to 12 weeks in arrears | 242,873 | 0.23% | 25% | 60,718 |
| 13 to 16 weeks in arrears | 142,308 | 0.14% | 50% | 71,154 |
| 17 to 20 weeks in arrears | 324,252 | 0.31% | 75% | 243,189 |
| 21 + weeks in arrears | 39,331 | 0.03% | 100% | 39,331 |
| Total | 126,320,046 | | | 1,707,697 |

| Movement in loan loss reserve | 2022 | 2021 |
|---------------------------------------|------------------|------------------|
| Loan loss reserve, January 1 | 2,157,662 | 3,672,056 |
| Loan loss provision for the year | 853,158 | 3,982,653 |
| Loans written off during the year | (1,303,123) | (5,497,047) |
| Loan loss reserve, December 31 | 1,707,697 | 2,157,662 |

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Significant accounting policies (continued)

(n) Leases

Effective January 1, 2019, the Company adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any leases payments made at or before the commencement date, less any lease incentives received.

For contracts entered before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - The purchaser had the right or ability to operate the asset while obtaining or controlling more than an insignificant amount of output;
 - The purchaser had the ability or right to control physical access to the asset whilst obtaining or controlling an insignificant amount of output.

The right-of-use asset is subsequently depreciated using straight-line method from commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to use asset are determined on the same basis as those of property and equipment. In addition, the right-to use- asset is periodically checked for impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. Significant accounting policies (continued)

(n) Leases (continued)

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Note 12 provides more detail of how the lease asset and liability is measured.

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

5. Going concern

The financial statements are prepared on a going concern basis, which contemplates the continuation of business activities and the realization of assets and the settlement of liabilities in the ordinary course of business. The Directors consider that it is appropriate to prepare the financial statements on a going concern basis. The shareholders of the company at the date of this report have indicated that financial support will be provided to the company should it be required (2021: Nil).

SPBD MICROFINANCE (VANUATU) LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 2022 | 2021 |
|----------------------------------|-------------------|-------------------|
| 6. Operating expense | | |
| Auditors' remuneration | 595,000 | 595,000 |
| Bank charges | 306,349 | 248,301 |
| Communications | 2,085,861 | 2,268,732 |
| Conferences and meetings | 220,335 | 699,060 |
| Depreciation | 8,808,000 | 8,647,292 |
| Directors' fees | 200,000 | 200,000 |
| Insurance | 598,641 | 515,626 |
| IT related costs | 498,756 | 204,462 |
| Management and professional fees | 18,823,424 | 19,129,810 |
| Office supplies | 1,750,115 | 1,802,207 |
| Other expenses | 1,047,679 | 797,780 |
| Premises related costs | 3,152,565 | 1,262,673 |
| Public relations | 133,940 | 92,720 |
| Staff costs | 37,358,749 | 30,914,157 |
| Transportation | 4,121,851 | 5,305,864 |
| Travel | 419,425 | 12,260 |
| | <u>80,120,691</u> | <u>72,695,944</u> |

Staff costs comprise staff salaries, entitlements and training costs. The number of employees at the reporting date was 26 (2021: 28).

7. 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 | 1,920,379 | 2,274,234 |
| Cash at bank | <u>8,787,372</u> | <u>30,816,968</u> |
| | <u>10,707,751</u> | <u>33,091,202</u> |

b) Reconciliation of (loss) / profit for the year to net cash (used in) / provided by operating activities

| | | |
|---|---------------------|--------------------|
| (Loss) / Profit for the year | (14,010,838) | 2,324,077 |
| <i>Adjustments for non cash items</i> | | |
| Depreciation and amortisation | <u>8,808,000</u> | <u>8,647,292</u> |
| Net cash (used in) / provided by operating activities before change in assets and liabilities | (5,202,838) | 10,971,369 |
| <i>Adjustments for increase / (decrease) in liabilities</i> | | |
| Creditors and accruals | 8,297,700 | 237,747 |
| Provision for death benefit | (132,464) | (119,680) |
| Lease liability | (1,624,864) | (3,103,781) |
| <i>Adjustments for (increase) / decrease in assets</i> | | |
| Loan receivables | (22,636,873) | 61,775,479 |
| Prepayments | (884,585) | 216,569 |
| Inventories | (3,210) | 141,455 |
| Other debtors | <u>3,535,994</u> | <u>(4,762,276)</u> |
| Net cash (used in) / provided by operating activities | <u>(18,651,141)</u> | <u>65,356,882</u> |

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|---|--------------------|--------------------|
| 8. Loans receivable | | |
| Current | | |
| Gross amounts receivable within one year: | | |
| Micro loans | 94,318,009 | 101,799,105 |
| Restructured loans | - | - |
| Business revival loans | 29,283,942 | - |
| Employee loans | 2,608,798 | 2,224,736 |
| | <u>126,210,749</u> | <u>104,023,841</u> |
| Add: loan insurance reserve | - | - |
| Less: loan loss provision | (1,707,697) | (2,157,662) |
| Less: deferred income – establishment fees | - | - |
| Less: unearned income | - | - |
| | <u>124,503,052</u> | <u>101,866,179</u> |
| 9. Other assets | | |
| Deposits/bonds and other receivables | 2,955,545 | 1,548,182 |
| Receivable from SPBD Microfinance Holdings (Singapore) Pte. Ltd. | - | 2,985,439 |
| Receivable from Kiva Microfunds | - | 1,957,917 |
| Prepaid expenses | 1,351,278 | 466,692 |
| | <u>4,306,823</u> | <u>6,958,230</u> |
| 10. Inventory | | |
| Financial booklets | 144,910 | 180,410 |
| Other booklets | 184,570 | 145,860 |
| | <u>329,480</u> | <u>326,270</u> |
| 11. Plant and equipment | | |
| <i>Computer equipment and peripherals</i> | | |
| At cost | 1,818,791 | 2,088,931 |
| Less: accumulated depreciation | (1,483,030) | (1,521,305) |
| | <u>335,761</u> | <u>567,626</u> |
| <i>Furniture and fittings</i> | | |
| At cost | 2,423,500 | 1,657,295 |
| Less: accumulated depreciation | (1,983,124) | (1,580,111) |
| | <u>440,376</u> | <u>77,184</u> |
| <i>Leasehold improvements</i> | | |
| At cost | 917,345 | 2,216,590 |
| Less: accumulated depreciation | (233,454) | (1,179,920) |
| | <u>683,891</u> | <u>1,036,670</u> |
| <i>Motor vehicles</i> | | |
| At cost | 29,032,290 | 23,362,462 |
| Less: accumulated depreciation | (14,517,694) | (8,665,144) |
| | <u>14,514,596</u> | <u>14,697,318</u> |

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 | |
|---|--------------------------|--------------------------|--------------------------|
| 11. Plant and equipment (continued) | | | |
| <i>Office equipment</i> | | | |
| At cost | 229,441 | 833,046 | |
| Less: accumulated depreciation | <u>(191,735)</u> | <u>(173,598)</u> | |
| | <u>37,706</u> | <u>659,448</u> | |
| <i>Software and electronic systems</i> | | | |
| At cost | 686,430 | 448,693 | |
| Less: accumulated depreciation | <u>(806,579)</u> | <u>(446,413)</u> | |
| | <u>(120,149)</u> | <u>2,280</u> | |
| Total plant and equipment | <u><u>15,892,181</u></u> | <u><u>17,040,526</u></u> | |
| <i>Movement in plant and equipment:</i> | | | |
| Opening carrying value | 17,040,526 | 14,514,228 | |
| Net additions / disposals | 6,034,791 | 7,952,533 | |
| Depreciation | <u>(7,183,136)</u> | <u>(5,426,235)</u> | |
| Closing carrying value | <u><u>15,892,181</u></u> | <u><u>17,040,526</u></u> | |
| 12. Leases and right of use assets | | | |
| (a) Leases | | | |
| Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property | | | |
| | Note | | |
| | | 2022 | |
| | | 2021 | |
| Property, plant and equipment owned | 11 | 15,892,181 | 17,040,526 |
| Right-of-use assets, except investment property | | <u>-</u> | <u>1,481,390</u> |
| Balance as at 31 December | | <u><u>15,892,181</u></u> | <u><u>18,521,916</u></u> |
| (b) Right-of-use assets | | | |
| Balance as at 1 January (Following IFRS 16 transition) | | 1,481,390 | 4,599,507 |
| Net adjustments during the year | | 143,474 | 102,940 |
| Depreciation charge for the year | | <u>(1,624,864)</u> | <u>(3,221,057)</u> |
| Balance as at 31 December | | <u><u>-</u></u> | <u><u>1,481,390</u></u> |
| (c) Lease liabilities | | | |
| Maturity analysis - contractual cashflows | | | |
| Less than one year | | - | 1,624,864 |
| One to five years | | <u>-</u> | <u>-</u> |
| Total lease liabilities as at 31 December | | <u><u>-</u></u> | <u><u>1,624,864</u></u> |
| Lease liabilities included in the statement of financial position at 31 December | | <u><u>-</u></u> | <u><u>1,624,864</u></u> |
| 13. Accounts payable | | | |
| Accounts payable | | 1,203,664 | 1,423,254 |
| Accruals for employee entitlements | | 7,456,911 | 4,668,025 |
| Accrued interest | | 261,818 | 19,366 |
| VNPF payable | | 109,940 | 82,594 |
| Other Payables | | <u>5,458,605</u> | <u>-</u> |
| | | <u><u>14,490,938</u></u> | <u><u>6,193,239</u></u> |

SPBD MICROFINANCE (VANUATU) LIMITED

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 2022 | 2021 |
|---|-------------------|-------------------|
| 14. Customer deposits | | |
| Regular savings | | |
| <i>Current</i> | <u>34,884,718</u> | <u>33,688,607</u> |
| | <u>34,884,718</u> | <u>33,688,607</u> |
| 15. Borrowings | | |
| <i>Unsecured borrowings:</i> | | |
| Due to Evander Management Limited | | |
| <i>Current</i> | 19,596,500 | 15,617,000 |
| <i>Non - current</i> | <u>11,935,400</u> | <u>32,795,700</u> |
| | <u>31,531,900</u> | <u>48,412,700</u> |
| Due to Kiva Microfunds | | |
| <i>Current</i> | - | - |
| <i>Non-current</i> | <u>25,254,914</u> | <u>15,241,720</u> |
| | <u>25,254,914</u> | <u>15,241,720</u> |
| Due to SPBD Microfinance Holdings (Singapore) Pte. Ltd. | | |
| <i>Current</i> | 2,425,800 | 3,904,250 |
| <i>Non - current</i> | <u>-</u> | <u>-</u> |
| | <u>2,425,800</u> | <u>3,904,250</u> |
| Due to Whole Planet Foundation | | |
| <i>Current</i> | 7,600,000 | 5,700,000 |
| <i>Non - current</i> | <u>32,001,000</u> | <u>39,601,000</u> |
| | <u>39,601,000</u> | <u>45,301,000</u> |
| Due to Microdreams | | |
| <i>Current</i> | - | - |
| <i>Non - current</i> | <u>16,706,563</u> | <u>-</u> |
| | <u>16,706,563</u> | <u>-</u> |
| <i>Secured borrowings:</i> | | |
| Due to National Bank of Vanuatu Limited | | |
| <i>Current</i> | 1,093,592 | 1,347,241 |
| <i>Non - current</i> | <u>-</u> | <u>1,157,012</u> |
| | <u>1,093,592</u> | <u>2,504,253</u> |
| 16. Share capital | | |
| <i>Issued and paid-up capital</i> | <u>22,039,565</u> | <u>22,039,565</u> |

There were no changes in share capital during the year. (2021: During the year the company issued 3,000,000 additional ordinary shares to reflect an injection of USD150,000 in respect of SPBD Microfinance Holdings (Singapore) Pte Ltd).

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.

SPBD MICROFINANCE (VANUATU) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. 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 9 and 15 regarding related party receivable and payable balances in relation to SPBD Microfinance Holdings (Singapore) Pte. Ltd. as at balance date.

During the year the company paid management and professional fees as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| SPBD Microfinance Holdings (Singapore) Pte. Ltd. | | |
| <i>Management fees</i> | 5,623,424 | 5,929,810 |
| Transformative Ventures LLC | | |
| <i>Management fees</i> | <u>13,200,000</u> | <u>13,200,000</u> |
| | <u>18,823,424</u> | <u>19,329,810</u> |

18. 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 and financing partners 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.

19. Commitments

Capital commitments

The directors are aware of no capital commitments as at the balance date (2021: Nil).

20. Contingent liabilities

The directors are aware of no contingent liabilities at the date of the directors' report (2021: Nil).

21. Subsequent events

No events have occurred subsequent to balance sheet date which would require any adjustments to or disclosure in the financial statements (2021: Nil).