



South Pacific Business Development  
Microfinance Ltd.

Financial Statements

For the Period Ending 31 December 2024

South Pacific Business Development Microfinance Ltd.  
Taufa'ahau Road, Fanga 'o Pilolevu, P.O. Box 21, Nuku'alofa, Kingdom of Tonga  
Tel. No. (676) 27087 and 8440400



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**

**STATEMENT OF FINANCIAL POSITION**

**As of 31 December 2024**

<b>ASSETS</b>		<b>Audited</b>	<b>Audited</b>
<b>Current Assets</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
Cash on Hand and in Bank	5	2,885,064	3,711,377
Loan Portfolio Outstanding	6	22,420,314	19,488,678
Receivables	7	20,006	29,502
Short-Term Investments	8	404,146	403,755
<b>Total Current Assets</b>		<b>25,729,530</b>	<b>23,633,312</b>
<b>Fixed Assets</b>			
Property, plant and equipment	9	1,252,261	953,177
Less: Accumulated Depreciation		(595,595)	(668,537)
<b>Net Fixed Assets</b>		<b>656,666</b>	<b>284,640</b>
<b>Other Assets</b>	10	53,949	50,115
<b>TOTAL ASSETS</b>		<b>26,440,145</b>	<b>23,968,067</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Clients' Savings deposits	11	2,467,706	2,217,178
Secured Borrowings	12	1,373,140	1,173,239
Unsecured Borrowings	13	3,075,327	1,934,749
Accounts Payable	14	1,679,118	1,311,069
Lease Liability	15	103,597	52,227
Members Death Benefit Reserve		(280,113)	(223,397)
<b>Total Current Liabilities</b>		<b>8,418,776</b>	<b>6,465,065</b>
<b>Non Current Liabilities</b>			
Secured Borrowings	12	1,127,659	1,078,469
Unsecured Borrowings	13	700,295	4,320,364
Lease Liability	15	328,057	-
<b>Total Non Current Liabilities</b>		<b>2,156,011</b>	<b>5,398,833</b>
<b>TOTAL LIABILITIES</b>		<b>10,574,787</b>	<b>11,863,897</b>
<b>EQUITY</b>			
Owner's equity	16	528,233	528,233
Retained Earnings		11,575,935	8,381,646
Profit/(Loss) for the year		3,761,190	3,194,289
<b>TOTAL EQUITY</b>		<b>15,865,357</b>	<b>12,104,168</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>26,440,145</b>	<b>23,968,067</b>

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*Gregory Casagrande*

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**Gregory F. Casagrande**  
Chairman/ President

Date: 5<sup>th</sup> May, 2025

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

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2024**

		Audited 2024	Audited 2023
<b>Financial Income</b>	<i>Note</i>		
Interest on Loans		5,665,318	4,887,854
Development Fee		1,139,994	1,032,781
Loan Security Fee - LSF		760,065	686,954
Death Benefit Fee - DBF		193,420	194,400
Weekly Centre Meeting Fee		1,634,149	1,428,871
Interest earned on Bank Accounts & Term Deposits		12,307	14,856
Other operating revenues		326,439	239,481
<b>Total Financial Income</b>		<b>9,731,692</b>	<b>8,485,197</b>
 <b>Financial Expenses</b>			
Interest and fees		777,063	940,940
Foreign Exchange Loss		65,379	(77,699)
Interest on Client Saving		35,130	32,157
Loan Security Loss		153,947	97,995
Death Benefit Loss		55,016	66,120
<b>Total Financial Expenses</b>		<b>1,086,534</b>	<b>1,059,513</b>
 <b>NET FINANCIAL INCOME</b>		<b>8,645,157</b>	<b>7,425,684</b>
Loan Loss Provision	6	29,605	32,635
 <b>NET FINANCIAL MARGIN</b>		<b>8,615,553</b>	<b>7,393,049</b>
<b>Operating Expenses</b>			
Computer Support System		42,605	4,686
Conference & Meetings		23,392	24,837
Depreciation	9	208,488	189,204
Electricity and Water		34,087	30,239
Fees and Bank Charges		4,363	7,339
Insurance		16,148	17,508
Membership Fees and Subscription		458	258
Office Expenses		13,696	14,220
Postage, Telephone and Communications		36,299	36,923
Printing and Office Stationeries		65,126	77,661
Professional Services		1,712,719	1,446,201
Audit fees		15,000	15,000
Public Relations and Advertisements		17,466	23,420
Rent		47,240	29,940
Repairs and Maintenance		1,489	3,830
Salaries and Benefits		1,042,071	936,577
Staff Training and Development		16	34,577
Transportation, Fuel, Oil		81,307	99,583



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2024**

Travel Local	42,037	35,610
Travel Overseas	26,986	27,012
Board of Directors Fees	4,600	4,600
SPBD Award day	52,557	76,281
Staff Retreat	39,691	34,602
Financial Diaries Expenses	16,313	16,500
<b>Total Operating Expenses</b>	<b>3,544,154</b>	<b>3,186,608</b>
<b>Non-Operating Income/(Expenses):</b>		
Grants & Donations Income	-	-
Grants & Donations Expenses	-	-
Sale of/ (Writeoff ) Fixed Assets	7,170	(3,653)
	7,170	(3,653)
<b>OPERATING PROFIT/(LOSS) BEFORE INCOME TAX</b>	<b>5,078,568</b>	<b>4,202,788</b>
Income Tax 18	(1,317,378)	(1,008,499)
<b>PROFIT(LOSS) FOR THE YEAR</b>	<b>3,761,190</b>	<b>3,194,289</b>

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

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year ended 31 December 2024**

	Equity Contribution	Retained Earnings	Total
	TOP	TOP	TOP
Balance at 01 January 2024	528,233	11,575,935	12,104,168
Net Income for the year	-	3,761,190	3,761,190
Prior Year Adjustment		-	-
<b>Balance at 31 December 2024</b>	<b>528,233</b>	<b>15,337,125</b>	<b>15,865,358</b>

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

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**

**STATEMENT OF CASH FLOW**

**For the year ending 31 December 2024**

	<b>Audited 2024</b>	<b>Audited 2023</b>
<b>Cash flows from operating activities</b>		
<b>Cash was provided from:</b>		
Receipts from Customers	7,491,278	5,590,743
Receipts from other Revenue	-	-
<b>Total Receipts</b>	<b>7,491,278</b>	<b>5,590,743</b>
<b>Cash was disbursed to:</b>		
Payments to suppliers	(4,565,412)	(4,003,023)
Labour Costs	-	-
Taxes Payable	(1,354,097)	(1,215,328)
<b>Total Payments</b>	<b>(5,919,509)</b>	<b>(5,218,351)</b>
<b>Net cash inflows from operating activities</b>	<b>1,571,769</b>	<b>372,392</b>
<b>Cash flows from Investing Activities</b>		
<b>Cash was provided from:</b>		
Short-term Investments	-	-
<b>Cash was disbursed to:</b>		
Purchase of property, plant and equipment	(167,682)	(124,942)
Purchase of Short Term Investments	-	-
<b>Net Cash Flow used in investing activities</b>	<b>(167,682)</b>	<b>(124,942)</b>
<b>Cash flows from financing activities</b>		
<b>Cash was provided from:</b>		
Borrowings: Client Savings	-	-
Borrowings: Loans	(2,230,400)	(900,990)
<b>Cash was disbursed to:</b>		
Dividend paid	-	-
<b>Net Cash Flow from Financing Activities</b>	<b>(2,230,400)</b>	<b>(900,990)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(826,313)</b>	<b>(653,541)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,711,377</b>	<b>4,364,918</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,885,064</b>	<b>3,711,377</b>

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 2024**

<b>Reconciliation of reported net profit/ (loss) after taxation with Cash flows from operating activities</b>		
	<b>Audited 2024</b>	<b>Audited 2023</b>
Net Income after Tax	3,761,190	3,194,289
Add back non cash items		
Depreciation	208,488	189,204
Loan Loss Provision	29,605	32,635
Movements in working capital:		
(Increase)decrease in Gross Loan Portfolio	(2,961,241)	(3,263,460)
(Increase)decrease in Receivables	9,496	14,714
(Increase)decrease in Other assets	(3,834)	(26,909)
Increase (decrease) in Account Payable	117,652	(3,460)
Increase (decrease) in Taxes Payable	357,994	253,263
Increase (decrease) in Accrued Expenses	(3,906)	(37,707)
Increase (decrease) in Death Benefit Reserve	56,716	24,881
(Increase ) decrease in Short Term Investments	(391)	(5,057)
<b>Net Cash Flow from Operating Activities</b>	<b>1,571,769</b>	<b>372,392</b>

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

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**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 incomes 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. BASIS OF PREPARATION**

The financial statements have been prepared on a going concern basis, and the account policies have been applied consistently throughout the year.

**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.

**Other changes in accounting policies**

There have been no changes in SPBD's accounting policies since the date of the last audited financial statements. The accounting policies have been applied consistently throughout the year.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**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 include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**c. Investments**

*Bank term deposits*

Bank term deposits are initially measured at the amount invested. Interest is subsequently accrued and added to the investment balance. A loss allowance for expected credit losses is recognised if the estimated loss allowance is not trivial.

**d. Loan Receivables**

Loan receivables are recorded at the amount due, less an allowance for credit losses.

SPBD applies the simplified expected credit loss model of recognising lifetime expected credit losses for loan receivables. In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on days past due. Short-term loan receivables are written off when there is no reasonable expectation of recovery.

**e. Property, plant and equipment**

All plant and equipment is measured at cost less depreciation and impairment.

*Additions and Subsequent costs*

The cost of an item is recognised as an asset or costs incurred subsequent to initial recognition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SPBD and the cost of the item can be measured reliably.

*Disposals*

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

*Leased assets*

SPBD has entered into property leases which are classified as Finance leases under IFRS 16. The net carrying amount of the leased asset is classed as "Right of Use assets". Refer to in Note 16 for finance leasing arrangements.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

*Depreciation*

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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%
Right to use asset	3 years

Right to use asset is depreciated over the unexpired period of the lease.

The residual value and useful life of an asset are reviewed, and adjusted if applicable, at each financial year end.

**f. Impairment of Property, plant and equipment**

Assets held at cost that have a finite useful life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment is recognised in the profit or loss. Property, plant and equipment that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**g. Revenue**

The specific accounting policies for significant revenue items are explained below.

- 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 3% 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 2% of the loan principal to cover the risk in the event of death of the client. A member's loan obligations to SPBD will be eliminated upon the death of that member. The Loan Security Fee is deducted from the loan proceeds.
- iv. Weekly Centre Management Fee – This is a 5% of the loan principal amount and charged equally over 50 weeks of the loan tenor. It covers the cost of resources and logistics deployed to conduct and manage the weekly centre meeting in various communities where members conveniently make their weekly loan repayments and make small savings. These centre meetings are effectively used for delivering financial literacy, small business training and ongoing guidance & motivation to the SPBD members.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

v. 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

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

- vi. 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.

**h. Expenses**

*Personnel costs*

**Salaries and wages**

Salaries and wages are recognised as an expense as employees provide services.

*Superannuation schemes*

Employer contributions to the Government National Retirement Fund are accounted for as defined contribution scheme and is recognised as an expense in the profit and loss as incurred.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

*Financial and Operating expenses*

All financial and operating expenses are recorded on an accrual basis.

**i. Leases**

*Finance Leases*

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where SPBD is the lessee are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether SPBD will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

*Operating Leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lease or the lease term is less than 12 months. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

**j. Financial Instruments**

Financial instruments are recognized in the balance sheet when SPBD becomes a party to a financial contract. These include cash balances, borrowings, related-party advances, receivables and payables. All financial instruments are initially recorded at cost and subsequently carried at the balance outstanding at the balance date.

**k. Income Tax**

Income tax is accounted for using the taxes payable method. The corporate income tax rate is 25%.

**l. Tonga Consumption Tax**

Provision of financial services is exempted from Consumption Tax by the order of the Commissioner of the Revenue Services Department with the consent of the Privy Council.

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**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 were 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.

	2024	2023
Exchange rate used at balance sheet date (TOP/USD)	0.4109	0.4290
Exchange Rate used at balance sheet date (TOP/NZD)	0.7272	0.6262
Exchange Rate used at balance sheet date (TOP/AUD)	0.6582	0.6770
Exchange Rate used at balance sheet date (TOP/EURO)	0.3921	0.3847

**n. Creditors and other payables**

Creditors and other payables are recorded at their face value.

**o. Borrowings**

Borrowings are initially recognised at the amount borrowed plus transactions costs. Interest due on the borrowings is subsequently accrued and added to the borrowing balance. Borrowings are classified as current liabilities unless SPBD has an unconditional right to defer settlement of the liability for at least 12 months after the balance date. 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 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.

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**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**r. Change in Accounting Policies**

There have been no changes to accounting policies during the financial year.

**s. Critical judgements in applying accounting policies**

Management has exercised the following critical judgements in applying accounting policies:

*Lease classification*

Determining whether a lease agreement is finance or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to SPBD.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

**5. CASH ON HAND AND IN BANK**

	<u><b>Cash on Hand</b></u>	<u><b>2024</b></u>	<u><b>2023</b></u>
Undeposited Collections		13,203	(174)
Petty Cash Imprest		2,000	2,000
Saving Reserve Imprest		50,000	50,000
Money Transfer Reserve Imprest		25,000	25,000
<b>SUB_TOTAL</b>		<b>90,203</b>	<b>76,826</b>
	<u><b>Cash in Bank</b></u>		
ANZ Dollar Account 165-3890		151,775	72,353
BSP Account 2001851985		900	
BSP Account 2000732848		2,404,019	2,537,361
BSP Account 2001343143		91,408	240,587
TDB- Ha'apai Bank Account 149464 S1		10,096	8,290
BSP Account 2001642673		58,488	393,832
BSP Account 2001642681		78,175	333,583
<b>SUB_TOTAL</b>		<b>2,794,861</b>	<b>3,586,006</b>
	<u><b>Bank Overdraft</b></u>		
ANZ Bank Account 165-3787		-	48,545
<b>TOTAL</b>		<b>2,885,064</b>	<b>3,711,377</b>



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**6. LOAN PORTFOLIO**

	<u><b>Loans Receivables</b></u>	<u><b>2024</b></u>	<u><b>2023</b></u>
Opening Balance		19,685,533	16,422,073
Total Loan Disbursement		38,229,250	34,591,470
Less: Total Principal Loan Repayments		35,268,009	31,328,010
<b>Gross Loan Portfolio</b>		<b>22,646,774</b>	<b>19,685,533</b>
Less: Loan Loss Reserve		(226,460)	(196,855)
<b>Net Loan Portfolio</b>		<b>22,420,314</b>	<b>19,488,678</b>
		<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Opening Balance (Nuku'alofa)</b>		14,775,721	12,666,833
Plus: 2024 Loan Disbursement		27,183,750	25,634,750
Less: 2024 Loan Repayments		(25,361,526)	(23,525,860)
<b>Gross Loan Portfolio (Nuku'alofa)</b>		<b>16,597,945</b>	<b>14,775,721</b>
<b>Opening Balance (Vava'u)</b>		2,666,239	1,762,547
Plus: 2024 Loan Disbursement		5,914,250	4,856,200
Less: 2024 Loan Repayments		(5,427,701)	(3,952,508)
<b>Gross Loan Portfolio (Vava'u)</b>		<b>3,152,788</b>	<b>2,666,239</b>
<b>Opening Balance (Ha'apai)</b>		1,194,896	1,057,976
Plus: 2024 Loan Disbursement		2,962,600	2,261,950
Less: 2024 Loan Repayments		(2,417,141)	(2,125,030)
<b>Gross Loan Portfolio (Ha'apai)</b>		<b>1,740,355</b>	<b>1,194,896</b>
<b>Opening Balance ('Eua)</b>		1,048,677	934,717
Plus: 2024 Loan Disbursement		2,168,650	1,838,570
Less: 2024 Loan Repayments		(2,061,641)	(1,724,610)
<b>Gross Loan Portfolio ('Eua)</b>		<b>1,155,686</b>	<b>1,048,677</b>
<b>SPBD Gross Loan Portfolio</b>		<b>22,646,774</b>	<b>19,685,533</b>
<b>No. of Loans Outstanding</b>		<b>2024</b>	<b>2023</b>
SPBD Group Loan Product		5,649	5,044

**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



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**6. LOAN PORTFOLIO continued**

principal that is due but unpaid, beginning with the earliest such instalment. The number of days of lateness is based on the due date of the earliest loan instalment that has not been fully paid.

***Loan Loss Provisioning and Loan Loss Reserve***

Some loans in the portfolio will be uncollectible due to failure of individual members and/or the group/centre guarantee despite SPBD's best efforts. The purpose of loan loss provisioning is to set aside adequate funds or loan loss reserve to cover for potential losses. The loan loss reserve is to be reviewed quarterly and determined by applying predicted loss percentages to aged loans grouped by weeks in arrears.

The following schedule is to be used from the loan portfolio aging report to set the reserve:

Number of weeks in arrears	Percentage of outstanding principal required to be charged as loan loss provision
Current	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 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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**6. LOAN PORTFOLIO continued**

<b>Portfolio Quality</b>	<b>Outstanding Loan Balance</b>	<b>Portfolio at Risk</b>	<b>Loan Loss Reserve Rate</b>	<b>Loan Loss Reserve Amount</b>
Current	22,646,774	1%	1%	226,460
1 week to 4 weeks in arrears	0	0%	5%	0
5 weeks to 8 weeks in arrears	0	0%	10%	0
9 weeks to 12 weeks in arrears	0	0%	25%	0
13 weeks to 16 weeks in arrears	0	0%	50%	0
17 weeks to 20 weeks in arrears	0	0%	75%	0
21 + weeks in arrears	0	0%	100%	0
<b>Total</b>	<b>22,646,774</b>			<b>226,460</b>

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%.

<b>Movement in Loan Loss Reserve</b>	<b>2024</b>	<b>2023</b>
Loan Loss Reserve, January 1	196,855	164,221
Loan Loss Provision for the year	29,605	32,634
<b>Loan Loss Reserve, December 31</b>	<b>226,460</b>	<b>196,855</b>

**7. RECEIVABLES**

	<b><u>2024</u></b>	<b><u>2023</u></b>
Other Receivables	13,152	23,444
Prepaid Expenses	6,854	6,057
<b>Total Receivables</b>	<b>20,006</b>	<b>29,502</b>

**8. SHORT-TERM INVESTMENTS**

	<b><u>2024</u></b>	<b><u>2023</u></b>
Term Deposit BSP	57,935	57,545
Term Deposit ANZ Bank	177,648	177,648
Term Deposit TDB	168,563	168,563
<b>Total</b>	<b>404,146</b>	<b>403,755</b>



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**9. PROPERTY, PLANT AND EQUIPMENT**

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	73,052	66,205	1,537	6,847
Computer Equipment and Peripherals	166,515	147,685	15,545	18,830
Motor Vehicles	324,358	161,495	82,705	162,863
Office Equipment	81,003	67,807	4,090	13,196
Software and Electronics System	44,601	44,601	1,094	-
Leasehold Improvements	44,748	21,471	2,265	23,277
Right of use Assets	517,985	86,331	101,253	431,654
<b>2024 TOTAL</b>	<b>1,252,261</b>	<b>595,595</b>	<b>208,488</b>	<b>656,667</b>
<b>2023 TOTAL</b>	<b>953,177</b>	<b>668,537</b>	<b>189,203</b>	<b>284,640</b>

**10. OTHER ASSETS**

	<u>2024</u>	<u>2023</u>
Stocks of Passbooks	3,191	3,263
Stocks of Receipt Books	3,857	1,769
Stocks of Secretary Books	3,175	3,807
Stocks of Financial Diaries Booklets	10,844	27,192
Stocks of Debit Notes Books	1,075	1,305
Other Stock	24,807	5,780
Rental Bond - Head Office	7,000	7,000
<b>Total</b>	<b>53,949</b>	<b>50,116</b>

**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 1<sup>st</sup> Cycle loan disbursement occurring.

All members also face a compulsory savings requirement. The compulsory savings requirement is 2.5% of the loan amount and deducted from the loan proceeds. The compulsory savings amount

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.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

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:

	<b>2024</b>	<b>2023</b>
No. of Saving Accounts	11,053	10,459
Clients Saving Balances	2,467,706	2,217,178

**12. SECURED BORROWINGS**

	<b>2024</b>	<b>2023</b>
Tonga Development Bank	1,520,161	1,311,580
Triple Jump	-	433,239
Lend a Hand	886,254	506,888
ANZ Overdraft	94,385	
<b>Total</b>	<b>2,500,799</b>	<b>2,251,708</b>
Secured Borrowings - Current	1,373,140	1,173,239
Secured Borrowings - Non-Current	1,127,659	1,078,469
<b>Total</b>	<b>2,500,799</b>	<b>2,251,708</b>

**a) Tonga Development Bank**

The fluctuating credit facility with Tonga Development Bank is secured by a charge of 120% of SPBD loan portfolio or 2,500,000 facility amounts.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
30-09-19	TOP	1,199,000	9.0%	30-09-24	225,992	-	225,992	-	-	12,392
25-10-23	TOP	2,000,000	9.0%	30-09-28	1,085,589	800,000	365,428	-	1,520,161	154,572
<b>TOTAL</b>					<b>1,311,581</b>	<b>800,000</b>	<b>591,420</b>	<b>-</b>	<b>1,520,161</b>	<b>166,964</b>

**b) Triple Jump**

This loan is secured by loan portfolio up to 100% of the loan outstanding to Triple Jump.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
13-05-22	EURO	166,667	5.5%	15-05-24	433,239	-	428,670	- 4,569	-	12,287
<b>TOTAL</b>					<b>433,239</b>	<b>-</b>	<b>428,670</b>	<b>- 4,569</b>	<b>-</b>	<b>12,287</b>



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**c) Lend a Hand**

This loan is secured by loan portfolio up to 100% of the loan outstanding with Lend a Hand and a 100% guarantee from SPBD Microfinance Holdings (Singapore).

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-23 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-24 (TOPS)	Interest Repayment (TOPS)
31-10-23	EURO	45,000	5.75%	01-10-25	116,974		61,054	1,463	57,383.32	6,136
31-11-23	EURO	150,000	5.75%	01-11-25	309,914		194,923	3,714	191,277.74	20,580
01-01-24	EURO	200,000	5.75%	01-01-26		499,750	264,143	19,430	255,036.98	15,293
05-03-24	EURO	150,000	5.75%	01-03-26		373,785	101,626	14,757	286,916.60	11,815
01-05-24	EURO	50,000	5.75%	01-05-26		122,911	33,875	6,604	95,638.87	3,896
<b>TOTAL</b>					<b>506,888</b>	<b>996,446</b>	<b>655,622</b>	<b>38,541</b>	<b>886,254</b>	<b>57,719</b>

**d) ANZ Overdraft**

This overdraft facility limits at \$500,000 and is secured by SPBD Term Investment of \$177,648 with ANZ Bank.

**13. UNSECURED BORROWINGS**

	<b>2024</b>	<b>2023</b>
a Microdreams Foundation	547,578	815,851
b SPBD Holdings	606,809	2,531,400
c KIVA	1,346,140	1,314,776
d Evanders Management	275,028	295,421
e P.I.F Foundation	137,514	147,710
f Whole Planet Foundation	862,554	1,149,954
<b>Total</b>	<b>3,775,622</b>	<b>6,255,112</b>
Unsecured Borrowings - Current	3,075,327	1,934,749
Unsecured Borrowings - Long Term	700,295	4,320,364
<b>Total</b>	<b>3,775,622</b>	<b>6,255,112</b>

**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 31-12-23 (TOPS)	Additional Fund during the year	Principal Repayment (TOPS)	Foreign Currency Movement	Balance 31-12-24 (TOPS)	Interest Repayment (TOPS)
11-11-20	USD	50,000	6.5%	31-12-24	116,550	-	121,043	4,493	0	8,773
19-07-21	USD	150,000	6.5%	30-06-25	349,650	-	181,564	14,440	182,526	27,806
24-11-21	USD	50,000	6.5%	30-06-25	116,550	-	-	5,134	121,684	7,783
28-03-22	USD	100,000	3.0%	31-03-25	233,100	-	-	10,268	243,368	7,158
<b>TOTAL</b>					<b>815,851</b>	<b>-</b>	<b>302,607</b>	<b>34,335</b>	<b>547,578</b>	<b>51,520</b>

**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**b.) 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 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
22-07-21	USD	100,000.00	9.5%	31-12-25	233,100			10,268	243,368	23,171
06-12-21	USD	40,000.00	8.0%	31-12-25	93,240		48,200	3,633	48,674	6,751
06-12-21	AUD	233,334.00	8.0%	31-12-25	372,619		184,027	(11,339)	177,253	25,843
06-12-21	NZD	200,000.00	8.0%	31-12-25	295,421		144,560	(13,348)	137,514	20,333
01-12-22	NZD	500,000.00	8%		738,552		728,336	(10,217)	0	24,265
01-12-22	AUD	500,000.00	8%		798,467		795,868	(2,599)	0	26,450
<b>TOTAL</b>					<b>2,531,400</b>	<b>-</b>	<b>1,900,990</b>	<b>(23,601)</b>	<b>606,809</b>	<b>126,814</b>

**c.) KIVA**

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
31-12-22	USD	553,129	0%	On Going	1,314,776	442,171	591,150	180,342	1,346,140	-
<b>TOTAL</b>					<b>1,314,776</b>	<b>442,171</b>	<b>591,150</b>	<b>180,342</b>	<b>1,346,140</b>	<b>-</b>

**d.) Evanders Management**

The loan with Evander Management 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 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
23-03-22	NZD	200,000	0%	30-06-26	295,421	-	-	(20,393)	275,028	-
<b>TOTAL</b>					<b>295,421</b>	<b>-</b>	<b>-</b>	<b>(20,393)</b>	<b>275,028</b>	<b>-</b>

**e.) P.I.F Foundation**

The loan with P.I.F 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 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
08-04-22	NZD	100,000	3%	30-06-26	147,710	-	-	(10,197)	137,514	4,238
<b>TOTAL</b>					<b>147,710</b>	<b>-</b>	<b>-</b>	<b>(10,197)</b>	<b>137,514</b>	<b>4,238</b>



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**f.) Whole Planet Foundation (WPF)**

The loan with WPF 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 31-12-23 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-24 (TOP\$)	Interest Repayment (TOP\$)
11-05-22	TOP	500,000	0%	30-04-26	1,149,954	-	287,400	-	862,554	-
<b>TOTAL</b>					<b>1,149,954</b>	<b>-</b>	<b>287,400</b>	<b>-</b>	<b>862,554</b>	<b>-</b>

**14. ACCOUNTS PAYABLE**

	<b>2024</b>	<b>2023</b>
Accounts Payable	188,001	70,349
Employees Entitlement	28,666	27,863
WGF Payable	50,845	155,339
Accrued Interest Payable	14,843	18,749
Taxes Payable	1,396,763	1,038,769
<b>Total</b>	<b>1,679,118</b>	<b>1,311,069</b>

**15. FINANCE LEASES**

SPBD has leases for offices throughout the Tonga islands. Except for the Tongatapu main office lease agreement, all other office lease agreements were considered short term rentals. The main office lease located in the Tongatapu Island is therefore reflected on the Statement of Financial Position as a right-of-use asset and a lease liability. There is no other asset category that is leased.

*Lease liabilities are presented in the statement of financial position as follows:*

	<b>2024</b>	<b>2023</b>
Current	103,597	52,227
Non Current	328,057	
	<b>431,655</b>	<b>52,227</b>

SPBD has entered into finance lease for the lease of the Tongatapu main office. The lease commenced in 1<sup>st</sup> March 2024 and it is for a period of five years ending 28<sup>th</sup> February 2029.

The fair value of finance is \$431,655. Fair value has been determined using contractual cash flows discounted using a rate based on market borrowing rates at balance date ranging from 3% to 5%.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**Analysis of finance leases:**

	<b><u>2024</u></b>	<b><u>2023</u></b>
<b>Minimum lease payments payable</b>		
No later than one year	96,600	96,600
Later than one year and not later than five years	56,350	56,350
Later than five years	-	-
<b>Total minimum lease payments</b>	<b>152,950</b>	<b>152,950</b>
<b>Future Finance charges</b>	<b>(11,192)</b>	<b>(11,192)</b>
<b>Present Value of minimum lease payments</b>	<b>141,758</b>	<b>141,758</b>
<b>Present Value of minimum lease payments payable</b>		
No later than one year	103,597	52,227
Later than one year and not later than five years	328,057	-
Later than five years	-	-
<b>Total present value of minimum lease payments</b>	<b>431,655</b>	<b>52,227</b>
<b>Lease payments not recognised as a liability:</b>		

SPBD has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is short term leases totalling \$47,240 as at 31 December 2024.

**16. OWNER'S EQUITY**

SPBD Microfinance Holdings (Singapore) Pte Limited:

	<b><u>2024</u></b>	<b><u>2023</u></b>
Opening Balance	528,233	528,233
Equity Injection	-	-
<b>Closing Balance 31 Dec</b>	<b>528,233</b>	<b>528,233</b>

There is no dividend payment approved for 2024.

**17. SPBD STAFF LOANS**

<b>Borrower</b>	<b>Balance</b>	<b>Term</b>	<b>Status</b>
Staff	\$121,050	12 months	Current

The above balance of \$121,050 for SPBD Staff Loan is included in the balance of \$22,646,774 for Loan Receivables in note 6 above.



**SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING 31 DECEMBER 2024**

**18. TAXATION**

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

<b>Operating Income as per Financials</b>		<b>5,078,568</b>
<i>Add: Non deductible expenses</i>		
Unrealised Forex Loss	65,379	
Death Benefit Provision	55,016	
Loan Security Loss	153,947	
Loan Loss Provision	29,605	
		<b>303,946</b>
<i>Less: Deductible expenses</i>		
Actual Death Benefits Paid	113,000	
Actual Write Off	-	
		<b>113,000</b>
<b>Taxable Income</b>		<b>5,269,514</b>
<b>Income Tax Payable</b>		<b>1,317,378</b>
<b>b. Tax Payable</b>		
Income Tax Payable		1,317,378
Withholding Tax Payable		79,383
<b>Total</b>		<b>1,396,762</b>

**19. CAPITAL COMMITMENTS**

The capital commitments as at 31 December 2024 amount to \$431,655 (2023: \$44,766).

**20. OPERATING LEASE COMMITMENTS**

Except for short term month- by- month rental obligations of SPBD business premises, there are no other lease commitments for the year ended 31 December 2024.

**21. CONTINGENT LIABILITY**

There is no contingent liability for the year ended 31 December 2024.

**22. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE.**

There were no significant events after the statement of financial position date.

**23. APPROVAL OF FINANCIAL STATEMENTS.**

The financial statements were approved by the board of directors and authorised for issue on the date the financial statements were signed.



## **Independent Auditor's Report**

### **South Pacific Business Development Microfinance Limited's Financial statements for the year ended 31 December 2024**

We have audited the financial statements of the South Pacific Business Development Microfinance Limited (the Company) on pages 1 to 23, that comprise Statement of the financial position as at 31 December 2024, the Statement of Profit or Loss or Other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies.

#### **Opinion on the financial statements**

In our opinion the financial statements of the Company on pages 1 to 23:

- presents fairly, in all material respects:
  - its financial Position as at 31 December 2024; and
  - its financial performance and cash flows for the year ended;
- comply with, in all material respects:
  - generally accepted accounting practice in Tonga as represented by the International Financial Reporting Standards; and
  - disclosure guidelines for financial reporting by microfinance institutions.

Our audit was completed on 05 May 2025. This is the date at which our opinion is expressed.

#### **Basis of opinion**

We have fulfilled our responsibilities and carried out our audit in accordance with the International Standards on Auditing issued by International Auditing and Assurance Standards Board.

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

#### **Responsibilities of the Board of Directors**

The Board of Directors are responsible for preparing financial statements are fairly presented, comply with generally accepted accounting practice as represented by International Financial Reporting Standards and comply with the Tonga Companies Act 1995.

The Board of Directors are also responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

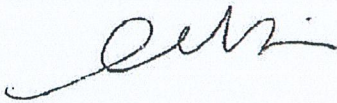
The Board of Directors' responsibilities arise from the Tonga Companies Act 1995.



## Responsibilities of the Auditor

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our responsibility is to express an independent opinion on the financial statements to comply with the Tonga Companies Act 1995.

We are independent of the Company. Other than the audit, we have no relationship with, or interests in, the Company.



Jennifer Tupou  
JK Chartered Accountants  
Nuku'alofa, Tonga