



South Pacific Business Development
Microfinance Ltd.

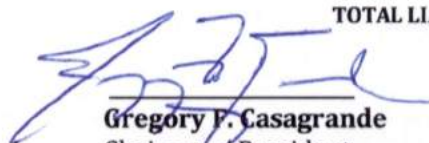
Financial Statements

For the Period Ending 31 December 2016

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

BALANCE SHEET
As of 31 December 2016

ASSETS			
Current Assets	<i>Note</i>	2016	2015
Cash on Hand and in Bank	5	336,524	260,972
Loan Portfolio Outstanding	6	4,889,760	4,793,097
Receivables	7	26,772	21,180
Short-Term Investments	8	593,030	575,121
Total Current Assets		5,846,086	5,650,370
Fixed Assets			
Fixed Assets	9	521,917	484,644
Less: Accumulated Depreciation		(351,850)	(275,682)
Net Fixed Assets		170,067	208,962
Other Assets	10	15,083	11,695
TOTAL ASSETS		6,031,236	5,871,027
LIABILITIES			
Current Liabilities			
Cash at Bank - Overdraft	5	290,367	497,585
Life Insurance Reserve		13,796	25,526
Clients' Savings deposits	11	664,093	623,216
Accounts Payable	12	423,340	29,646
Commercial Loans - Current	13	530,296	745,192
Soft Loans - Current	14	797,648	101,168
Accrued Interest Payable	15	8,160	33,206
Taxes Payable	19	147,734	75,516
Total Current Liabilities		2,875,434	2,131,055
Non Current Liabilities			
Commercial Loans - Non Current	13	670,331	1,523,997
Soft Loans - Non Current	14	529,140	649,295
Total Long term Liabilities		1,199,471	2,173,293
TOTAL LIABILITIES		4,074,905	4,304,348
EQUITY			
Owner's equity	16	528,233	528,233
Retained Earnings		1,038,446	773,920
Excess of Income and Expenditure, current period		389,652	264,526
TOTAL EQUITY		1,956,331	1,566,679
TOTAL LIABILITIES AND EQUITY		6,031,236	5,871,027


Gregory F. Casagrande
Chairman/ President

Date: 23/March/2017

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

INCOME STATEMENT

For the period 1 January to 31 December 2016

Financial Income	<i>Note</i>	2016	2015
Interest on Loans		2,250,985	2,018,582
Development Fee		181,985	174,163
Loan Insurance Fee		95,220	86,981
Life Insurance Fee		94,205	92,430
Interest earned on Bank Accounts & Term Deposits		16,666	4,654
Other operating revenues		22,207	23,629
Total Financial Income		2,661,268	2,400,439
Financial Expenses			
Interest and fees on borrowed funds		249,462	274,449
Foreign Exchange Loss/(Gain)		19,043	87,184
Interest on Client Saving		10,949	6,244
Loan Insurance Loss		32,210	12,393
Life Insurance Loss		28,728	31,436
Total Financial Expenses		340,392	411,706
NET FINANCIAL INCOME		2,320,876	1,988,733
Loan Loss Provision	6	2,881	11,785
NET FINANCIAL MARGIN		2,317,995	1,976,948
Operating Expenses			
Computer Support System		13,334	16,858
Conference & Meetings		14,780	12,774
Depreciation	9	81,531	53,398
Electricity and Water		14,330	16,138
Fees and Bank Charges		15,255	13,545
Insurance		8,175	6,942
Management Fees		132,763	645,192
Membership Fees and Subscription		241	535
Office Expenses		11,910	11,534
Postage, Telephone and Communications		24,855	34,194
Printing and Office Stationeries		40,237	59,740
Professional Services		549,424	16,010
Public Relations and Advertisements		11,618	6,677
Office Lease		74,265	74,000
Repairs and Maintenance		13,112	18,720
Salaries and Benefits		618,804	543,513
Staff Training and Development		11,561	34,177
Transportation, Fuel, Oil		35,209	39,330
Travel Local		34,936	29,935
Travel Overseas		28,812	40,457
Board of Directors Fees		4,600	4,000
SPBD Award day		47,175	42,047

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

INCOME STATEMENT

For the period 1 January to 31 December 2016

	2016	2015
Staff Retreat 2016	12,566	9,110
Financial Diaries Expenses	27,693	8,324
Management Offsite	6,595	-
Total Operating Expenses	1,833,781	1,737,150
 Non-Operating Income/(Expenses):		
Grants & Donations	3,950	348
Loss on Write Off Fixed Assets	(3,995)	-
Other non-operating income	19,519	99,896
	19,474	100,244
 NET OPERATING INCOME BEFORE TAXES	 503,688	 340,042
Income Tax	19	(75,516)
NET INCOME	389,652	264,526

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
STATEMENT OF CASH FLOW
For the year ending 31 December 2016

	2016	2015
Cash flows from operating activities		
Cash was provided from:		
Receipts from Customers	2,533,807	1,754,016
Receipts from other Revenue	214,185	104,899
Total Receipts	2,747,992	1,858,915
Cash was disbursed to:		
Payments to suppliers	(1,877,802)	(2,159,413)
Labour Costs	-	-
Taxes Payable	(75,516)	(144,940)
Total Payments	(1,953,318)	(2,304,353)
Net cash inflows from operating activities	794,674	(445,438)
Cash flows from Investing Activities		
Cash was provided from:		
Short-term Investments	(17,909)	-
Cash was disbursed to:		
Purchase of property, plant and equipment	(42,636)	(98,286)
Purchase of Short Term Investments	-	(224,333)
Net Cash Flow used in investing activities	(60,545)	(322,619)
Cash flows from financing activities		
Cash was provided from:		
Borrowings: Client Savings	-	75,670
Borrowings: Loans	(451,360)	437,915
Cash was disbursed to:		
Dividend paid	-	-
Net Cash Flow from Financing Activities	(451,360)	513,585
Net increase/ (decrease) in cash and cash	282,769	(254,472)
Cash and cash equivalents at the beginnin	(236,612)	17,860
Cash and cash equivalents at the beginnin	46,157	(236,612)

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 2016

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

	2016	2015
Net Income after Tax	389,652	264,526
Add back non cash items		
Depreciation	81,531	53,398
Loan Loss Provision	2,881	11,785
 Movements in working capital:		
(Increase)decrease in Gross Loan Portfoli	(99,544)	(653,554)
(Increase)decrease in Receivables	(5,593)	(3,576)
(Increase)decrease in Other assets	(3,388)	(1,246)
Increase (decrease) in Account Payable	390,202	676
Increase (decrease) in Taxes Payable	75,710	(69,424)
Increase (decrease) in Accrued Expenses	(25,046)	(4,090)
Increase (decrease) in Life Insurance Rese	(11,731)	10,440
Increase (decrease) in Grants Funds Recei	-	(54,373)
Net Cash Flow from Operating Activities	794,674	(445,438)

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2016

1. GENERAL INFORMATION

South Pacific Business Development Microfinance Ltd. (or SPBD) is a privately owned microenterprise development organization with a mission to provide financial services to economically disadvantaged people particularly women who cannot access savings and loan products from traditional banks. SPBD provides unemployed and low income women entrepreneurs with financial services, training, ongoing guidance and motivation to help them start or grow micro-businesses so that they can improve their lives and that of their families. It was incorporated under the Companies Act 1995 on July 7, 2009 and licensed by the Ministry of Commerce, Tourism and Labour to provide financial services. SPBD have four office branches operating in the Kingdom of Tonga: Nuku'alofa, Tongatapu; Neiafu, Vava'u; Pangai, Ha'apai; and Mu'a, 'Eua.

2. MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of income statement and balance sheet on a historical cost basis are followed.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with generally accepted accounting practices represented by International Financial Reporting Standards.

The Financial Statements comply with the Disclosure Guidelines for financial reporting of Microfinance Institutions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Currency

All amounts are expressed in Tongan Pa'anga (TOP) currency.

b. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and balances held with banks but exclude short term deposits.

c. Investments

Investments are classified as held to maturity. These investments are with fixed or determinable payments and fixed maturity in which SPBD has the positive intent and ability to hold the investment till maturity. Investments in bank deposits are initially measured at fair value plus transaction costs.

d. Depreciation

Fixed assets are depreciated on a straight-line basis. The following associated depreciation rates of major classes of fixed assets are used and are in accordance with the rates prescribed in the Tonga Income Tax 2007:

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2016

d. Depreciation continued

Office Equipment	12.5%
Computers and Peripherals	25.0%
Software and Electronics System	25.0%
Furniture and Fittings	12.5%
Leasehold Improvements	5.0%
Used Motor Vehicles	25.0%

e. Revenue

Revenues are presented as Financial Income in the income statement which is comprised of income generated from providing financial services to its target clientele. The main sources of financial income are:

- i. Interest Income - Interest income from loan portfolio and term deposits is recognized using a cash-based method where they are recognised at the time they are received.
- ii. Development Fee – SPBD charges a fee of 2% of principal loan amount to be used to cover the cost of training the clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds.
- iii. Loan Insurance – This fee is 1% of the loan principal to cover the risk in the event of death of the client. A member's loan obligations to SPBD will be eliminated upon the death of that member. The loan insurance fee is deducted from the loan proceeds.
- iv. Life Insurance –
 - a) SPBD offers a Life Micro-insurance 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 life insurance fee is deducted from the loan proceeds.

Size of Benefit Pa'anga	Insurance 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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 DECEMBER 2016

- b) SPBD also offers a Spousal Life Micro-insurance Product for the same reason in a). When an SPBD member spouse dies during the period of the loan, his beneficiaries will receive a fixed payment of between 1,000 to 5,000 Pa'anga. The life insurance fee is deducted from the loan proceeds and was voluntary in 2016.

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

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

f. Grants

SPBD records all grants and donations in the income statement in the period they are received. It is recorded after the net operating income. Grants and Donations for the period:

2016	2015
3,950	348

g. Expenses

Expenses are recorded on an accrual basis.

h. Leases

SPBD leases the premises from which it conducts its business under an operating lease.

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are recognized in the determination of the net income of the company as rentals paid.

i. Borrowing Costs

All borrowing costs are expensed.

j. Financial Instruments

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

k. Income Tax

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

l. Tonga Consumption Tax

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

m. Foreign Currencies

Transactions in foreign currency have been converted into Tongan Pa'anga (TOP) amount at rates ruling at the particular balance sheet date. The source for exchange rates are the published rates of either Bank of South Pacific (Tonga) Ltd or ANZ Bank (Tonga) Ltd using the average of the buying and selling rates. Exchange differences should be taken to the income statement as foreign exchange gain or loss.

	2016	2015
Exchange rate used at balance sheet date (TOP/USD)	0.4436	0.4582
Exchange Rate used at balance sheet date (TOP/NZD)	0.6409	0.6363

n. Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost.

o. Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

p. Employee entitlements

Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to but not yet taken at balance date and sick leave.

Long term employee entitlements

There are no long term employee entitlements.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

q. Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

r. Change in Accounting Estimate

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

5. CASH ON HAND AND IN BANK

	<u>Cash on Hand</u>	<u>2016</u>	<u>2015</u>
Undeposited Collections		(5,719)	8,583
Petty Cash Imprest		1,800	1,278
Saving Reserve Imprest		50,000	23,392
Money Transfer Reserve Imprest		25,000	-
SUB_TOTAL		71,081	33,252
	<u>Cash in Bank</u>		
ANZ Dollar Account 165-3890		538	522
BSP Account 2000732848		249,748	198,410
TDB- Ha'apai Bank Account 149464 S1		6,127	26,891
TDB- 'Eua Bank Account 149464 S1		9,030	1,897
SUB_TOTAL		265,443	227,720
	<u>Bank Overdraft</u>		
ANZ Bank Account 165-3787		(290,367)	(497,585)
TOTAL		46,157	(236,612)

6. LOAN PORTFOLIO

	<u>Loans Receivables</u>	<u>2016</u>	<u>2015</u>
Opening Balance		4,892,628	4,239,074
Total Loan Disbursement		9,231,925	8,804,753
Less: Total Principal Loan Repayments		9,132,381	8,151,199
Gross Loan Portfolio		4,992,172	4,892,628
Less: Loan Loss Reserve		(102,412)	(99,531)
Net Loan Portfolio		4,889,760	4,793,097

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

6. LOAN PORTFOLIO continued

GROSS LOAN PORTFOLIO

	2016	2015
Opening Balance (Nuku'alofa)	3,814,118	3,333,454
Plus: 2016 Loan Disbursement	6,924,388	6,926,053
Less: 2016 Loan Repayments	(6,977,269)	(6,445,389)
Gross Loan Portfolio (Nuku'alofa)	3,761,237	3,814,118
Opening Balance (Vava'u)	673,607	330,669
Plus: 2016 Loan Disbursement	1,244,072	1,211,500
Less: 2016 Loan Repayments	(1,153,609)	(868,562)
Gross Loan Portfolio (Vava'u)	764,070	673,607
Opening Balance (Ha'apai)	154,658	420,557
Plus: 2016 Loan Disbursement	490,503	192,200
Less: 2016 Loan Repayments	(452,130)	(458,099)
Gross Loan Portfolio (Ha'apai)	193,031	154,658
Opening Balance ('Eua)	250,245	154,394
Plus: 2016 Loan Disbursement	572,962	475,000
Less: 2016 Loan Repayments	(549,373)	(379,149)
Gross Loan Portfolio ('Eua)	273,834	250,245
SPBD Gross Loan Portfolio	4,992,172	4,892,628

No. of Loans Outstanding

	2016	2015
SPBD Group Loan Product	4,428	4,544

Portfolio Quality Measurement

SPBD's main measure of loan delinquency is an aged portfolio-at-risk (PAR) ratio. Loans are separated into classes depending on the number of days they are in arrears. For each class of loans, the outstanding principal balance of such loans is divided by the outstanding principal balance of the gross loan portfolio. Loans are considered in arrears if any payment has fallen due and remained unpaid. Loan payments are applied first to any interest due, and then to any instalment of principal that is due but unpaid, beginning with the earliest such instalment. The number of days of lateness is based on the due date of the earliest loan instalment that has not been fully paid.

Loan Loss Provisioning and Loan Loss Reserve

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

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

6. LOAN PORTFOLIO continued

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

Number of weeks in arrears	Percentage of outstanding principal required to be charged as loan loss provision
1 week to 4 weeks in arrears	5%
5 weeks to 8 weeks in arrears	10%
9 weeks to 12 weeks in arrears	25%
13 weeks to 16 weeks in arrears	50%
17 weeks to 20 weeks in arrears	75%
21 + weeks in arrears	100%

Loan Write-off

The purpose of loan write-offs is to remove loans in arrears from SPBD's balance sheet, where there is significant doubt of any material loan payment recovery.

Any loan in arrears exceeding 26 weeks will be short-listed for potential write-off. Write-off decision will be made on a case-by-case basis by the Chairman/President upon review of the recommendations of the General Manager.

Renegotiated Loans

Under exceptional circumstances, management may renegotiate loans—either refinancing the entire loan (issuing a new loan to pay off an existing one) or rescheduling repayment terms for clients who have suffered catastrophic events and who appear willing and able to repay their loans under longer-term agreements. Every renegotiation of a loan must be approved by the Chairman/President. Renegotiated loans are tracked separately because they have a higher risk profile than loans that have not been renegotiated.

Portfolio Quality	Outstanding Loan Balance	Portfolio at Risk	Loan Loss Reserve Rate	Loan Loss Reserve Amount
Current	4,941,524	0%	2%	98,830
1 to 4 weeks in arrears	49,544	0%	5%	2,477
21 + weeks in arrears	1,104	0%	100%	1,104
Total	4,992,172	0%		102,412

The Board of Directors approved in a special resolution to have a general provision of 2% of the loan portfolio.

Movement in Loan Loss Reserve	2016	2015
Loan Loss Reserve, January 1	99,531	87,746
Loan Loss Provision for the year	2,881	11,785
Loan Loss Reserve, December 31	102,412	99,531

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

7. RECEIVABLES

	<u>2016</u>	<u>2015</u>
Advance to Officers and Staff	-	1,552
Other Receivables	24,238	8,030
Prepaid Expenses	2,534	11,598
Total Receivables	26,772	21,180

8. SHORT-TERM INVESTMENTS

	<u>2016</u>	<u>2015</u>
Term Deposit BSP	205,594	204,786
Term Deposit ANZ Bank	175,704	170,335
Term Deposit MBF Bank	211,732	200,000
Total	593,030	575,121

9. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
Furniture and Fixtures	58,938	42,097	7,288	16,841
Computer Equipment and Peripherals	70,056	53,461	11,193	16,595
Motor Vehicles	270,426	191,148	49,187	79,278
Office Equipment	52,254	26,041	5,435	26,213
Software and Electronics System	33,418	33,418	7,305	-
Leasehold Improvements	36,825	5,685	1,123	31,140
2016 TOTAL	521,917	351,850	81,531	170,067
2015 TOTAL	484,644	275,682	53,398	208,962

10. OTHER ASSETS

	<u>2016</u>	<u>2015</u>
Stocks of Passbooks	219	133
Stocks of Receipt Books	1,407	645
Stocks of Secretary Books	1,524	338
Stocks of Financial Diaries Booklets	1,933	579
Rental Bond - Head Office	10,000	10,000
Total	15,083	11,695

11. CLIENTS SAVINGS DEPOSITS

SPBD promotes good management of household finances by members and a household with a sufficient savings is assured of having cash when an unforeseen event occurs.

SPBD actively encourages its members to develop a regular habit of savings. All members are required to open a savings account and deposit an initial amount of TOP 10. This must be performed prior to any 1st Cycle loan disbursement occurring.

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.**NOTES TO FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 DECEMBER 2016

11. CLIENTS SAVINGS DEPOSITS continued

All members also face a compulsory savings requirement. The compulsory savings requirement is 2.5% of the loan amount and deducted from the loan proceeds. The compulsory savings amount cannot be withdrawn while the loan is outstanding. Only when a loan is fully repaid can a member withdraw the compulsory savings.

Members are also encouraged to make voluntary deposits during centre meetings or at the SPBD office. These voluntary deposits can be withdrawn at any time when needed by the member.

All clients' savings are deposited in a segregated bank account at Westpac Bank. SPBD is not a regulated financial institution and does not use clients' savings for onward lending. The number of savings accounts as of the end of the financial year is:

	2016	2015
No. of Saving Accounts	8,342	8,044
Clients Saving Balances	664,093	623,216

12. ACCOUNTS PAYABLE

	2016	2015
Accounts Payable	413,982	23,920
Employees Entitlement	9,358	5,726
Total	423,340	29,646

13. COMMERCIAL LOANS

	2016	2015
Tonga Development Bank	1,042,331	1,311,644
Cresud	142,926	491,466
Bank of South Pacific	15,370	38,154
Responsibility	-	427,924
Total	1,200,627	2,269,189
Commercial Loan - Current	530,296	745,192
Commercial Loan - Non-Current	670,331	1,523,997
Total	1,200,627	2,269,189

a) Tonga Development Bank

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
10-05-13	TOP	600,000	9.0%	31-12-19	384,327	-	89,496	-	294,831	30,504
15-07-15	TOP	1,000,000	8.5%	30-06-20	927,317	-	179,817	-	747,500	72,463
TOTAL					1,311,644	-	269,313	-	1,042,331	102,967

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2016

13. COMMERCIAL LOANS continued

b) Cresud

Cresud Loan is secured by Guarantees from Microdreams for 40% or USD150,000 and MCC Servire for 60% or USD75,000. It is also secured by a USD25,000 term deposit at a local commercial Bank in Tonga.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
5-10-13	USD	400,000	9.5%	31-03-17	491,466	-	356,214	7,674	142,926	43,079
TOTAL					491,466	-	356,214	7,674	142,926	43,079

c) Bank of South Pacific

BSP loan is secured by the 4 vehicles purchased with loan Fund ie. Honda 2000 chasis no RDI-5311336 Reg. No.L17535, Nissan 2003 chasis no.NT30-125891 Reg. NO.L17532, Nissan 2003 chasis no.NT30-130726 Reg. NO.L17534 & Honda Van L15476.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
19-08-15	TOP	40,000	9.65%	30-06-17	38,154	-	22,784	-	15,370	3,216
TOTAL					38,154	-	22,784	-	15,370	3,216

d. ResponsAbility

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
28-07-14	USD	200,000	8.5%	28-07-16	427,924	-	438,561	10,637	-	19,184
TOTAL					427,924	-	438,561	10,637	-	19,184

14. SOFT LOANS

	2016	2015
Microdreams Foundation	182,534	232,129
Good Return	100,076	17,777
Whole Planet Foundation	419,514	500,557
SPBD Holdings	624,664	-
Total	1,326,788	750,463
Soft Loans - Current	797,648	101,168
Soft Loans - Long Term	529,140	649,295
Total	1,326,788	750,463

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
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FOR THE YEAR ENDING 31 DECEMBER 2016

14. SOFT LOANS continued

a. MicroDreams Foundation

The loans with Microdreams Foundation are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them.

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
01-03-10	USD	50,000	5.0%	31-03-17	106,538	-	57,471	3,580	52,649	7,088
19-11-14	USD	60,000	6.5%	31-12-18	125,591	-	-	4,294	129,885	8,805
TOTAL					232,129	-	57,471	7,874	182,534	15,893

b. Good Return

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
01-04-11	TOP	53,698	0%	On Going	17,777	56,164	13,865	-	60,076	-
09-05-16	TOP	40,000	5%	28/02/2018	-	40,000	-	-	40,000	-
TOTAL					17,777	96,164	13,865	-	100,076	-

c. Whole Planet Foundation

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
07-11-12	TOP	243,115	0	28-11-19	222,855	-	81,043	-	141,812	-
28-11-13	TOP	154,699	0	28-11-19	154,699	-	-	-	154,699	-
14-04-14	TOP	123,003	0	01-04-20	123,003	-	-	-	123,003	-
TOTAL					500,557	-	81,043	-	419,514	-

d. SPBD Holdings

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

Date	Currency	Amount	Interest	Maturity Date	Balance 31-12-15 (TOP\$)	Additional Fund during the year	Principal Repayment (TOP\$)	Foreign Currency Movement	Balance 31-12-16 (TOP\$)	Interest Repayment (TOP\$)
1/10/2016	NZD	200,000	10.0%	31/03/2017	-	313,789	-	8,941	304,849	6,593
1/10/2016	AUD	200,000	10.0%	31/03/2017	-	325,256	-	5,441	319,815	6851
TOTAL					-	639,045	-	14,382	624,664	13,444

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15. ACCRUED INTEREST

	<u>2016</u>	<u>2015</u>
Accrued Interest Payable		
Microdreams Foundation	2,425	3,707
Good Return	1,311	-
Cresud	4,424	13,290
Respons-Ability	-	16,209
Total	<u>8,160</u>	<u>33,206</u>

16. OWNER'S EQUITY

SPBD Microfinance Holdings (Singapore) Pte Limited:

	<u>2016</u>	<u>2015</u>
Opening Balance	528,233	528,233
Equity Injection	-	-
Closing Balance 31 Dec	<u>528,233</u>	<u>528,233</u>

There is no dividend payment approved for 2016.

17. RELATED PARTY TRANSACTIONS

Borrower	Balance	Term	Status
Staff	\$39,881	12 months	Current

The above balance of \$39,881 for Related Party Transactions is included in the balance of \$4,992,172 for Loan Receivables in note 6 above.

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18. TAXATION

a. Income Tax

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

Operating Income as per Financials		503,688
<i>Add: Non deductible expenses</i>		
Unrealised Forex Loss	19,043	
Life Insurance Provision	28,728	
Loan Insurance Loss	32,210	
Loan Loss Provision	2,881	
		<u>82,862</u>
<i>Less: Deductible expenses</i>		
Life Insurance 2015	31,436	
Forex 2015	87,184	
Loan Loss Provision 2015	11,785	
		<u>130,405</u>
Taxable Income		456,145
		<u>114,036</u>
Income Tax Payable		114,036
b. Tax Payable		
Income Tax Payable		114,036
Withholding Tax Payable		33,697
Total		<u>147,734</u>

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE LTD.
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19. CAPITAL COMMITMENTS

There were no capital commitments for the year ended 31 December 2016.

20. OPERATING LEASE COMMITMENTS

Except for the month- by- month rental obligations of SPBD business premises, there are no other operating lease commitments for the year ended 31 December 2016.

21. CONTINGENT LIABILITY

There is no contingent liability for the year ended 31 December 2016.