SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (FIJI) PTE (LTD)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of South Pacific Business Development Microfinance (Fiji) Pte (Ltd) (the company) as at 31 December 2018, the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended on that date and report as follows:

Directors

The names of the directors in office at the date of this report are:

Gregory F Casagrande
Peter Lowing

Principal Activities

The principal activities of the company during the year were to provide financial assistance to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks and maintaining money savings account.

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

Results

The profit after income tax for the year was $543,460 (2017: loss of $416,307).

Dividends

The directors recommend that no amounts be paid by way of dividends for the year ended 31 December 2018.

Going Concern Basis of Accounting

Notwithstanding the company's net liability position and accumulated losses, the financial statements have been prepared on a going concern basis. The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements on the basis that the company will continue to receive financial support and other ongoing support from the founder of the company and the holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited and lenders of the company which will enable the company to meet its funding requirements for operations and to meet its obligations as and when they fall due.

Furthermore, the directors believe that the company has plans and strategies to generate adequate profit and cash flows from its operations, and together with the financial and other support of the founder of the company and the holding company and lenders of the company, the company will be able to continue in operation for at least 12 months from the date of this financial statements and the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate.

Current and Non-Current Assets

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to current and non-current assets in the company's financial statements misleading.

DIRECTORS' REPORT [CONT'D]

Bad debts and allowance for impairment loss

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action has been taken in relation to writing off of loan loss and the making of allowance for impairment loss. In the opinion of the directors and the management, adequate allowance has been made for loan loss.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for impairment loss, or the allowance for impairment loss in the company, inadequate to any substantial extent.

Unusual Transactions

In the opinion of the directors, the results of the operations of the company during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company in the current financial year.

Events Subsequent to Balance Date

Subsequent to balance date the company obtained further loans from the Fiji Development Bank amounting to $1,500,000.

Apart from the above, no other matters or circumstances have arisen since the end of the financial year which would require adjustment to, or disclosure in, the financial statements.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the company has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the company could become liable; and

(iii) no contingent liabilities or other liabilities of the company have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

Directors' Benefits

No director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 17th day of May 2019.

Director

Director

DIRECTORS' DECLARATION

The declaration by directors is required by the Companies Act, 2015.

The directors of the company have made a resolution that declares:

a) In the opinion of the directors, the financial statements of the company for the financial year ended 31 December 2018:

   i. comply with the International Financial Reporting Standards and give a true and fair view of the financial position of the company as at 31 December 2018 and of the performance and cash flows of the company for the year ended 31 December 2018; and

   ii. have been prepared in accordance with the Companies Act, 2015;

b) The directors have received independence declaration by auditors as required by Section 395 of the Companies Act, 2015; and

c) At the date of this declaration, in the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated this 17th day of May 2019.

Director

Director

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Email: info@bdo.com.fj
Offices in Suva and Lautoka

BDO
Chartered Accountants
Level 10, FNPF Place
343 Victoria Parade
GPO Box 855
Suva, Fiji

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) PTE (LTD)

As auditor for the audit of South Pacific Business Development Microfinance (Fiji) Pte (Ltd) for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Companies Act, 2015 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Wathsala Suraweera
Partner
Suva, Fiji

BDO

BDO
CHARTERED ACCOUNTANTS

17 May 2019

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Offices in Suva and Lautoka

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Chartered Accountants
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GPO Box 855
Suva, Fiji

To the Shareholders of South Pacific Business Development Microfinance (Fiji) Pte (Ltd)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Pacific Business Development Microfinance (Fiji) Pte (Ltd) (the company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As disclosed in Note 20 of the financial statements, the appropriateness of the going concern assumption on which the financial statements are prepared is critically dependent on company's ability to achieve improved profitability, generate sufficient cash flows to meet its obligations on a timely basis and continued financial support and other ongoing support from the founder of the company and the holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the company be unable to continue as a going concern.

Responsibilities of the Management and Directors for the Financial Statements

The management and directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Companies Act, 2015, and for such internal control as the management and directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Shareholders of South Pacific Business Development Microfinance (Fiji) Pte (Ltd) (Cont'd)

Responsibilities of the Management and Directors for the Financial Statements (Cont'd)

In preparing the financial statements, the management and directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management and directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The management and directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the management and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

To the Shareholders of South Pacific Business Development Microfinance (Fiji) Pte (Ltd) (Cont'd)

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2015 in all material respects, and;

a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and

b) the company has kept financial records sufficient to enable the financial statements to be prepared and audited.

BDO

BDO
CHARTERED ACCOUNTANTS

Wathsala Suraweera
Partner
Suva, Fiji
17 May 2019

SOUTH PACIFIC BUSINESS DEVELOPMENT MICROFINANCE (FIJI) PTE (LTD)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes		2018	2017
Financial Income				
Development fee		$	228,455	183,548
Interest on loans			2,066,178	1,840,856
Membership fee			558,006	506,243
Resignation fee			9,130	4,300
Savings withdrawal fee			7,478	7,489
Total financial income			2,869,247	2,542,436
Financial Expenses				
Interest and other financial charges on borrowed funds			(560,495)	(493,662)
Interest on savings deposits			(34,139)	(27,775)
Impairment loss on loans			(24,022)	(5,604)
Total financial expenses			(618,656)	(527,041)
Net financial income			**2,250,591**	**2,015,395**
Other operating income	6		386,403	116,521
Total operating income			**2,636,994**	**2,131,916**
Administration and operating expenses	7		(2,093,534)	(2,548,223)
Operating profit / (loss) before income tax			**543,460**	**(416,307)**
Income tax expense	8 (a)		-	-
Profit / (Loss) for the year			**543,460**	**(416,307)**
Other comprehensive income			-	-
Total comprehensive income / (loss) for the year		$	**543,460**	**(416,307)**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Share Capital	Accumulated Losses	Total
	$	$	$
Balance as at 1 January 2017	2,806,876	(5,455,603)	(2,648,727)
Comprehensive loss			
Loss for the year	-	(416,307)	(416,307)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(416,307)	(416,307)
Balance as at 31 December 2017	**2,806,876**	**(5,871,910)**	**(3,065,034)**
Impact of adjustment on initial application of IFRS 9	-	(46,899)	(46,899)
Adjusted balance at 1 January 2018	**2,806,876**	**(5,918,809)**	**(3,111,933)**
Comprehensive income			
Profit for the year	-	543,460	543,460
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	543,460	543,460
Balance as at 31 December 2018	**2,806,876**	**(5,375,349)**	**(2,568,473)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes		2018	2017
CURRENT ASSETS				
Cash on hand and at bank		$	87,421	576,947
Loan portfolio outstanding	10		6,109,355	4,857,781
Receivables	11		228,631	173,962
Inventory			22,832	42,570
Total current assets			6,448,239	5,651,260
NON-CURRENT ASSETS				
Property, plant and equipment	12		146,250	176,805
Total non-current assets			146,250	176,805
TOTAL ASSETS			6,594,489	5,828,065
CURRENT LIABILITIES				
Clients' savings deposits	13		3,201,005	2,013,636
Payables	14		409,283	231,820
Provisions	15		52,212	20,952
Borrowings	16		2,855,292	1,990,597
Total current liabilities			6,517,792	4,257,005
NON CURRENT LIABILITIES				
Borrowings	16		2,645,170	4,636,094
Total non-current liabilities			2,645,170	4,636,094
TOTAL LIABILITIES			9,162,962	8,893,099
NET LIABILITIES			(2,568,473)	(3,065,034)
SHAREHOLDERS' FUND				
Share capital	17		2,806,876	2,806,876
Accumulated losses			(5,375,349)	(5,871,910)
TOTAL SHAREHOLDERS' FUND DEFICIT		$	(2,568,473)	(3,065,034)

The above statement of financial position should be read in conjunction with the accompanying notes.

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

Director

Director

		2018 Inflows / (Outflows)	2017 Inflows / (Outflows)
Cash flows from operating activities			
Interest, development, loan and other fees received	$	3,200,811	2,612,623
Loans to clients and staff		(9,804,400)	(7,859,184)
Repayments from clients and staff		8,490,310	7,642,056
Client savings deposit, net		1,153,230	186,873
Payments to suppliers, employees and members		(1,824,468)	(2,397,170)
Interest and other financial charges paid on loans		(576,174)	(463,365)
Net cash generated from / (used in) operating activities		639,309	(278,167)
Cash flows from investing activities			
Payments for property, plant and equipment		(48,687)	(52,862)
Proceeds from sale of fixed asset		4,127	4,813
Net cash used in investing activities		(44,560)	(48,049)
Cash flows from financing activities			
Proceeds from / (repayment to) related entities, net		(837,525)	1,340,849
Proceeds from term loans		829,821	4,248
Repayment of term loans		(1,076,571)	(676,798)
Net cash provided by (used by) financing activities		(1,084,275)	668,299
Net increase / (decrease) in cash and cash equivalents		**(489,526)**	**342,083**
Cash and cash equivalents at the beginning of the year		576,947	234,864
Cash and cash equivalents at the end of the year (Note 9)	$	**87,421**	**576,947**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1. GENERAL INFORMATION

a) Corporate information

South Pacific Business Development Microfinance (Fiji) Pte (Ltd) (SPBD) is a company incorporated and domiciled in Fiji.

The registered office and principal place of business of the company is located at Bidesi Building, 250 Waimanu Road, Suva.

b) Principal Activities

The principal activities of the company during the year were to provide financial assistance to economically disadvantaged people particularly women who cannot easily access savings and loan products from traditional banks and maintaining money savings account.

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

NOTE 2. BASIS OF PREPARATION

a) Basis of Preparation

The financial statements have been prepared on the basis of historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of International Financial Reporting Standards (IFRS), management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in Note 5.

b) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the requirements of the Companies Act, 2015.

The financial statements have also been prepared in accordance with the Disclosure Guidelines for financial reporting by Microfinance Institutions whereby guidelines are voluntary norms recommended by a group of international donors under the Consultative Group to Assist the Poor (CGAP) and by the members of the Social Enterprise Education and Promotion Network (SEEP).

c) Going Concern Basis of Accounting

Notwithstanding the company's net liability position and accumulated losses, the financial statements have been prepared on a going concern basis. The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements on the basis that the company will continue to receive financial support and other ongoing support from the founder of the company and holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited and lenders of the company which will enable the company to meet its funding requirements for operations and to meet its obligations as and when they fall due.

NOTE 2. BASIS OF PREPARATION (CONT'D)

c) Going Concern Basis of Accounting (Cont'd)

Furthermore, the directors believe that the company has plans and strategies to generate adequate profit and cash flows from its operations, and together with the financial and other support of the founder of the company, holding company and lenders of the company, the company will be able to continue in operation for at least 12 months from the date of this financial statements and the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate.

d) Comparatives

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

e) Changes in Accounting Policies

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these financial statements.

New Standards Applied by the Entity - IFRS 9 - Financial Instruments

A. IFRS 9 - Financial Instruments

The company has adopted IFRS 9 Financial Instruments issued in July 2014 from the effective date of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.*

The nature and effects of the key changes to the company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

As a result of the adoption of IFRS 9, the company adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income (OCI). Previously, the company's approach was to include the impairment of loan receivable in operating expenses. Additionally, the company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The impact of transition of instruments in these categories is detailed in note 3(h) and note 2(e)A(iv).

For an explanation of how the company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, refer Note 3(h).

The adoption of IFRS 9 has not had a significant effect on the company's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 - refer Note 3(h).

NOTE 2. BASIS OF PREPARATION (CONT'D)

e) Changes in Accounting Policies (Cont'd)

A. IFRS 9 - Financial Instruments (Cont'd)

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 (2014) have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the company assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The following table summarises the impact of transition to IFRS 9 on retained earnings at 1 January 2018.

Retained earnings

Closing balance under IAS 39 (31 December 2017)	$	(5,871,910)
Recognition of expected credit losses under IFRS 9		(46,899)
Opening balance under IFRS 9 (1 January 2018)	$	(5,918,809)

iv. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 January 2018:

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 ($)	New carrying amount under IFRS 9 ($)
Financial assets					
Loan portfolio outstanding	10	Loans and receivables	Amortised cost	4,857,781	4,810,882
Receivables	11	Loans and receivables	Amortised cost	173,962	173,962
Cash on hand and at bank	9	Loans and receivables	Amortised cost	576,947	576,947
Total financial assets				**5,608,690**	**5,561,791**
Financial liabilities					
Client saving deposits	13	Other financial liabilities	Other financial liabilities	2,013,636	2,013,636
Payables	14	Other financial liabilities	Other financial liabilities	231,820	231,820
Interest bearing borrowings	16	Other financial liabilities	Other financial liabilities	6,626,691	6,626,691
Total financial liabilities				**8,872,147**	**8,872,147**

NOTE 2. BASIS OF PREPARATION (CONT'D)

e) Changes in Accounting Policies (Cont'd)

A. IFRS 9 - Financial Instruments (cont'd)

iv) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (cont'd)

The company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(h). The application of these policies resulted in the reclassifications set out in the table above and explained below:

a. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount at 31 December 2017 ($)	Re-Classification ($)	Re-measurement ($)	IFRS 9 carrying amount at 1 January 2018 ($)
Financial assets				
Amortised cost				
Cash on hand and at bank				
Brought forward: Loans and receivables	576,947			
Carried forward: Amortised cost				576,947
Loan Portfolio Outstanding				
Brought forward: Loans and receivables	4,857,781			
Re-measurement			(46,899)	
Carried forward: Amortised cost				4,810,882
Receivables				
Brought forward: Loans and receivables	173,962			
Carried forward: Amortised cost				173,962
Total amortised cost	**5,608,690**		**(46,899)**	**5,561,791**

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	31 December 2017 (IAS 39) ($)	Re-Classification ($)	Re-measurement ($)	1 January 2018 (IFRS 9) ($)
Loans and receivables under IAS 39 / financial assets at amortised cost under IFRS 9	48,727		46,899	95,626

NOTE 2. BASIS OF PREPARATION (CONT'D)

e) Changes in Accounting Policies (Cont'd)

B. IFRS 15 - Revenue from Contracts with Customers

The company adopted IFRS 15 *Revenue from Contracts with Customers* issued in May 2014 with a date of initial application of 1 January 2018. As a result, the company has changed its accounting policy for revenue recognition as detailed below.

The company applied IFRS 15 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 - Revenue.

There was no quantitative impact of the changes in accounting policies from the adoption of IFRS 15.

New standards, interpretations and amendments not yet effective

The company has progressed its projects dealing with the implementation of the key new accounting standard and is able to provide the following information regarding their likely impact:

IFRS 16 Leases

Adoption of IFRS 16 will result in the company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The directors have decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost.

IFRIC 23 Uncertainty over Income Tax Positions

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Revenue Recognition

Revenues are presented as financial income in the statement of profit or loss and other comprehensive income which is comprised of income generated from providing financial services to its target clientele. The main sources of financial income are:

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Revenue Recognition (Cont'd)

(i) *Interest income on loans*

In accordance with the Disclosure Guidelines for Financial Reporting of Microfinance Institutions, interest income on loans is recognised using a cash-based method where they are recognised at the time they are received. Hence, if the loan (with the interest) is paid before it is due, then the interest income is recognised at the time of collection, whereas if the loan (with the interest) is in arrears then no interest income is recognised.

(ii) *Development fees*

The company charges a fee on the principal loan amount for group and SME loans to be used to cover the cost of training clients, loan evaluation and monitoring. The company charges a fee of 2.5% on the principal amount for group loans and 3.5% on SME loans. This fee is deducted from the loan proceeds, and are recognised in the period received.

(iii) *Membership fee*

Effective from 1 August 2015, a membership scheme has been introduced and membership fees are charged to the members for entitlements given by the company.

The annual membership fee for new members have been categorised into four levels in charging membership fee for the year as follows:

Date of Entry of New Member	Amount ($)
1 January - 31 March	100
1 April - 30 June	75
1 July - 30 September	50
1 October - 31 December	25

Annual membership fee for the succeeding year for existing members is $75.

Membership fees are non-refundable and recognised as income at the time they are received. The renewal of membership is on an annual basis before 30 November of the relevant financial year.

(iv) *Savings withdrawal fee*

A fee of $2 is charged by the company to its members when they withdraw from their savings accounts and are recognised in the period received.

(b) Foreign Currency Translation

Functional and presentation currency

The company operates in Fiji and hence its financial statements are presented in Fiji dollars, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the Fijian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Inventories

Inventories comprising of financial statement booklets and stationeries are valued at cost. Costs have been assigned to inventory quantities on hand at balance date on a first-in first-out basis. Cost includes expenses incurred in acquiring the inventories and bringing them to their existing condition and location. Provision for inventory obsolescence are raised based on a review of inventories. Inventories considered obsolete or un-saleable are written off in the year in which they are identified.

(d) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable profit nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is recognised in equity through other comprehensive income.

(e) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial year in which they are incurred.

Depreciation is calculated so as to write off the net cost of property, plant and equipment over its expected useful life.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment (Cont'd)

The principal annual rates employed are as follows:

Leasehold improvements	50% (2 years)
Furniture and fittings	20% (5 years)
Motor vehicles	20% - 33% (3 - 5 years)
Computer equipment & peripherals	33% (3 years)
Office equipment	20% (2 years)
Software and electronics system	33% (3 years)

Profits and losses on disposal of property, plant and equipment are taken into account in determining the results for the year.

(f) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

(g) Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in statement of profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets

(i) Recognition and initial measurement

Loan receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a loan receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A loan receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified and measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable from 1 January 2018

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets (Cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment - Policy applicable from 1 January 2018 (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the company's continuing recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest - Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Reclassifications- Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the company changes its business model for managing financial assets.

Financial assets: Subsequent measurement and gains and losses - Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets - Policy applicable before 1 January 2018

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets (Cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets - Policy applicable before 1 January 2018 (cont'd)

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 statement of financial position date, which are classified as non-current assets. The company's loans and receivables comprise loan portfolio outstanding and receivables as disclosed in Notes 10 and 11, respectively in the financial statements

Loans, net of loan loss allowance, include direct financial assistance provided to economically disadvantaged people particularly women who cannot easily access saving and loan products from traditional banks.

They are carried at recoverable amount represented by the gross value of the outstanding balance adjusted for loan loss allowance.

(iii) Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Modifications of financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (3(h)(iii))) and a new financial asset is recognised at fair value.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial Assets (Cont'd)

(iv) Modifications of financial assets (cont'd)

Policy applicable from 1 January 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (3(i)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Policy applicable before 1 January 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate (see (3(i)).

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(i) Impairment of Financial Instruments

Policy applicable from 1 January 2018

The company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for loan receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 1 week past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 1 week past due.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Financial Instruments (cont'd)

Policy applicable from 1 January 2018 (cont'd)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 1 week past due;
- the restructuring of a loan or advance by the company on terms that the company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Impairment of Financial Instruments (cont'd)

Policy applicable before 1 January 2018

An allowance for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 1 week overdue) are considered indicators that the loan receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss as part of provision for doubtful debts. When a loan receivable is uncollectible, it is written off against the allowance account for loan receivables. Subsequent recoveries of amounts previously written off are credited against provision for doubtful debts in profit or loss.

The company establishes an allowance for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period when they are identified.

(j) Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand and cash in banks.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(l) 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.

(m) Client Savings Deposits

Client savings deposit is recorded as current liabilities in the statement of financial position.

A savings account is required to be established by client in order for consideration for loan by depositing $10. An existing member without an open savings account is required to make an initial deposit of $20 when applying for second loan.

All members are required to have a compulsory savings account and make a deposit of $2 per week per cumulative terms of the previous loan cycles. The compulsory savings amount cannot be withdrawn while the client is a member of the SPBD Centre.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Client Savings Deposits (Cont'd)

All members are required to maintain a minimum balance in their savings account.

A member with or without an outstanding loan must maintain a required compulsory savings balance equivalent the value of cumulative term of the loan (previous and current) expressed in weeks multiplied by $2. A withdrawal is not allowed if the resulting balance will be less than the member's required balance.

The 50% of the equivalent savings amount used to top up the client's succeeding loan is "locked in" and forms part of the additional maintaining balance of the client.

Any savings amount that is above the required minimum compulsory savings balance (plus "locked-in" savings) is considered to be voluntary savings. Voluntary savings can be withdrawn at any time and the minimum savings that can be made is $1 during centre meeting and $10 at the centre office.

A withdrawal fee of $2 is imposed for every withdrawal transaction. A full withdrawal of a member's savings account balance is only possible if the member has fully paid the loan and wishes to resign from the program. In this event, the initiation deposit of $10 is forfeited as resignation fee.

A member can make weekly loan repayments from her savings account for her loan or another member's loan. Members who belong to a centre in which there is a loan defaulter cannot make withdrawals from their savings accounts until the defaulting loan is repaid in full.

The savings accounts earn interest at the rate of 1.5% per annum and this interest rate may be modified by the company based on the prevailing interest rates amongst commercial banks.

(n) Payables

Accounts payables are recognized when the company becomes obliged to make future payments resulting from the receipt of goods and services.

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Provision is made for the company's liability to employees for annual leave and members for death benefit on the basis of statutory or contractual requirements.

(p) Employee Benefits

Wages, salaries and sick leave

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are accrued up to the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates prevailing at that time.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Employee Benefits (Cont'd)

Annual leave

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred.

(q) Death Benefit Provision

Death Benefit provision is made to cover death benefit claims for members based on actuarial studies conducted by Columbia Business School. Columbia Business School has considered certain assumptions in making the actuarial valuation such as assessing the credit life for clients, life insurance rates and insurance claim loss methods to determine the death benefit provision for the year.

The payments made to beneficiaries upon death of the members is net off member's loan outstanding.

(r) Share Capital

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 4. RISK MANAGEMENT

4.1 Financial Risk Factors

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co-operation with the operating units.

(a) Market Risk

i) Foreign exchange risk

The company undertakes transactions denominated in foreign currencies: consequently, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amount of the company's foreign currency denominated monetary liabilities at the end of reporting year are as follows:

	2018	2017
	F$	F$
USD	1,368,837	817,498
AUD	1,592,593	2,189,560
NZD	1,066,312	1,178,577

NOTE 4. RISK MANAGEMENT (CONT'D)

4.1 Financial Risk Factors (Cont'd)

(a) Market Risk (Cont'd)

i) Foreign exchange risk (cont'd)

Foreign currency sensitivity analysis

The company is mainly exposed to the currency of USA, Australia and New Zealand.

The following table details the company's sensitivity to a 10% increase and decrease in Fiji dollar against the relevant US, Australian and New Zealand dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. If the FJD strengthens/weakens by 10% against the USD, AUD and NZD with all other variables held constant, pre-tax profit impact is as follows:

	Profit / (Loss)			
	Strengthen		Weaken	
	2018 FJD	2017 FJD	2018 FJD	2017 FJD
Australian Dollar - AUD	144,782	199,049	(176,955)	(243,282)
US Dollar - USD	124,440	74,318	(152,093)	(90,833)
New Zealand Dollar - NZD	96,937	107,143	(118,479)	(130,953)

ii) Interest rate risk

The principal risk to which lending portfolios are exposed to is the risk of the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows of the company.

The objective of interest rate risk control is to minimize these fluctuations in value and net interest income over time, providing secure and stable sustainable net interest earnings in the long term.

As interest rates and yield curves change over time, the company may be exposed to a loss in earnings due to the sensitivity that arises from mismatches in the re-pricing dates, cash flows and other characteristics of the assets and their corresponding liability funding. These mismatches are actively monitored and managed by the company.

Majority of the borrowings of the company are at fixed interest rates however, the company is also exposed to interest rate risk on certain borrowed funds which are at variable interest rates. The risk is monitored and managed by directors within the approved parameters.

(b) Credit Risk

Credit risk is the risk of financial loss to the company if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's loans to clients.

As part of its risk control procedures, an assessment of the credit quality of a new client, taking into account its financial position, past experience and other factors, is carried out prior to the credit approval. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored. Loans to clients are settled via weekly deductions.

Loan portfolio outstanding consists of customers with good credit ratings. Ongoing credit evaluations is performed on the financial condition of loan portfolio outstanding.

The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's maximum exposure to credit risk.

NOTE 4. RISK MANAGEMENT (CONT'D)

4.1 Financial Risk Factors (Cont'd)

(b) Credit Risk (Cont'd)

Impairment losses on financial assets recognised in profit or loss were as follows.

		2018	2017
Impairment loss on loan receivables	$	24,022	5,604

Loan portfolio outstanding

The company conducts loan loss provisioning every quarter to maintain an adequate reserve for impairment loss. The loan loss reserve is determined by applying predicted loss percentages to aged loans grouped by lateness of payment. A loan becomes late as weekly scheduled payment is missed. The company applies the conservative predicted loss ratios. Refer Note 10(a).

Cash on hand and at bank

The company held cash of $87,421 at 31 December 2018 (2017: $576,947). Cash are held with bank and financial institution counterparties, which have sound credit ratings.

The company considers that its cash have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the company recognised $Nil impairment allowance as at 1 January 2018.

(c) Liquidity Risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from its financial liability. Prudent and careful management of the company's liquidity position is essential in order to ensure that adequate funds are available to meet the company's ongoing financial obligations.

The company manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year ($)	1 - 5 years ($)	Total ($)
At 31 December 2018			
Client savings deposit	3,201,005	-	3,201,005
Payables	409,283	-	409,283
Borrowings	2,855,292	2,645,170	5,500,462
Total	6,465,580	2,645,170	9,110,750
At 31 December 2017			
Client savings deposit	2,013,636	-	2,013,636
Payables	231,820	-	231,820
Borrowings	1,990,597	4,636,094	6,626,691
Total	4,236,053	4,636,094	8,872,147

NOTE 4. RISK MANAGEMENT (CONT'D)

4.2 Other Risks

(a) Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud to external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The company cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the company is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures.

(b) Regulatory Risk

The company's profitability can be impacted by regulatory agencies established which govern the business sector in Fiji.

The company is subject to the provisions of the Microfinance Institutions (Examination and Assessment) Act 2010. Under Section 3 (1) of the Act, the Reserve Bank of Fiji may conduct examinations, onsite or otherwise, of any microfinance institution.

The salaries and wages payable to workers are subject to the Wages Regulations 2017 and the Employment Relations Act.

4.3 Capital Risk Management

The company's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide consistent returns for shareholders to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders; and

(ii) To maintain a strong capital base to support the development of the company's business.

Capital adequacy is monitored by the management of the company.

NOTE 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In application of the company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical judgements and assumptions made in applying the accounting policies of the company have been disclosed under following notes to the financial statements:

Note 3(i) - Impairment of loans
Note 3 (d) - Deferred tax assets
Note 3 (q) - Death benefit provision

NOTE 6. OTHER OPERATING INCOME		2018	2017
Donation	$	147,310	30,725
Financial booklet		1,885	830
Gain on sale of fixed assets		3,038	3,764
Interest from bank		26	80
Loan write-off recoveries		-	2,259
Miscellaneous income		38,795	30,223
Payables written back to income		22,479	-
SPBD awards night, net		5,772	-
Sales commission		41,954	7,390
Vehicle rental		37,486	41,250
Realised exchange gain		45,438	-
Unrealised exchange gain		42,220	-
Total other operating income		386,403	116,521

NOTE 7. ADMINISTRATION AND OPERATING EXPENSES

		2018	2017
Auditors' remuneration for:			
- Audit fees		27,700	26,700
- Other services		17,303	12,300
Bank charges		7,385	3,829
BWY Awards		-	38,464
Death benefit		150,000	119,108
Depreciation		78,153	77,730
Electricity and water		28,329	22,748
Exchange loss, net - unrealised		-	96,319
Fines and Penalty		-	174
FNPF contribution		68,001	62,666
Fringe Benefit Tax		479	359
Management fees		108,911	484,303
Membership and subscriptions		356	-
Office expenses		75,010	55,391
Other expenses		132,825	119,321
Overseas traveling		1,319	20,911
Printing and office stationeries		46,859	59,783
Professional fees		17,516	7,075
Postage, telephone and communication		34,074	33,468
Rent		164,338	150,524
Repairs and maintenance		8,834	10,435
Salaries and wages		663,576	622,257
Staff benefits		58,324	63,784
Stamp duty		1,005	-
Training and development - staff and client		25,970	79,765
Training levy		4,680	6,198
Transportation, fuel and oil		372,587	374,611
	$	2,093,534	2,548,223

NOTE 8. INCOME TAX

(a) Income Tax Expense

The prima facie income tax expense on profit or loss is reconciled as follows:

		2018	2017
Profit / (loss) before income tax	$	543,460	(416,307)
Prima facie tax thereon at 20%		108,692	(83,261)
Tax effect of:			
Non-deductible expenses		6,896	6,373
Deferred tax assets on tax losses and temporary differences not recognized		(13,442)	76,888
Recoupment of prior years' unrecognised tax losses		(102,146)	-
Income tax expense		-	-

(b) Deferred Tax Assets not Recognised

The deferred tax assets relating to estimated tax losses and temporary differences amounting to approximately $260,701 (2017: $492,714) have not been brought to account as its realization is not considered probable. The deferred tax assets will only be realised if:

(i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(ii) the company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

NOTE 9. NOTES TO THE STATEMENT OF CASH FLOWS

a) Cash on Hand and at Bank

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2018	2017
Petty cash	4,500	4,500
Vodafone M-Paisa account	5,499	377,714
Cash at bank	77,422	194,733
Total cash on hand and at bank	87,421	576,947

NOTE 10. LOANS PORTFOLIO OUTSTANDING

Movement:

		2018	2017
Opening balance		4,857,781	4,646,257
Disbursements		9,804,400	7,859,184
Repayments		(8,490,310)	(7,642,056)
Net movement in allowance for impairment loss on loan		(62,515)	(5,604)
Closing balance	$	6,109,355	4,857,781

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)		2018	2017
Accumulative Since Inception:			
Total loan disbursements	$	46,208,336	36,403,936
Repayments		(39,825,220)	(31,334,910)
Interest income capitalised to restructured loan		8,180	8,180
Restructure fee capitalised to restructured loan		5,299	5,299
Loan insurance loss reserve - write-offs - principal		(3,956)	(3,956)
Loan loss allowance - write-offs - principal		(172,041)	(172,041)
Gross loans portfolio outstanding		6,220,598	4,906,508
Allowance for impairment of loan (a)		(111,243)	(48,727)
Net loans portfolio outstanding		6,109,355	4,857,781

(a) Allowance for impairment on loan and Write-Offs

Loan loss allowance is increased by annual loan loss provisioning expense and decreased by loan write-offs.

The movement in the allowance for impairment loss in respect of loan portfolio outstanding during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

Movement in Allowance for impairment loss

Balance at 1 January as per IAS 39		48,727	43,123
Adjustment on initial application of IFRS 9		46,899	-
Balance at 1 January as per IFRS 9		95,626	43,123
Loan loss expense for the year		24,022	5,604
Loan loss allowance - write-offs - principal		(8,405)	-
Balance at 31 December	$	111,243	48,727

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 by lateness of payment. A loan becomes late as a weekly scheduled payment is missed. The company applies the following conservative predicted loss ratios.

Allowance Ratios for Group Loans

Loan Aging	Loan Loss Allowance	Loan Outstanding ($)	Loan Loss Allowance Amount ($)
Current	1%	6,050,554	60,514
1 week to 4 weeks late	5%	42,739	2,138
5 weeks to 8 weeks late	10%	41,642	4,164
9 weeks to 12 weeks late	25%	45,777	11,444
13 weeks to 16 weeks late	50%	13,636	6,818
17 weeks to 20 weeks late	75%	340	255
21 weeks or more	100%	25,910	25,910
Allowance Required as of 31 December 2018		6,220,598	111,243

The company provides a 100% provision for loan losses for loans overdue for 21 weeks or more.

Write-Offs

The decision as to which loans to write off and to which to provide loan allowance in 2018 was made taking into account the age of the outstanding loan, the balance of the outstanding loan compared to the cost effectiveness of recovery and management's own evaluation of the likelihood of recovery. Loans write-off requires an approval by the President of the company.

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(b) Portfolio Composition

The company adopts the Grameen Bank's group solidarity lending methodology. The company's loan portfolio consists of loans to clients and staff. Group loans are made under the provisions of SPBD Credit Manual. Staff loans are made under the provisions of the employee loan program under SPBD Human Resources Policy Manual.

The company offers one group loan product with variable terms and pricing depending on the loan amount as shown in the following table:

Minimum Loan Amount ($)	Maximum Loan Amount ($)	Loan Term	Add-on-interest
1,000	6,000	52 weeks	25%
7,000	20,000	52 weeks	20%

The loan product is unsecured and is amortised in weekly equal instalments. The first loan (regardless of loan product) should be used exclusively to expand or establish a microenterprise to be managed by the client or by a household member (husband, son, daughter, etc). Subsequent loans can be used only for any or a combination of the following purposes: business, home improvement and education of children. All loans are disbursed via Vodafone's M-Paisa mobile money services while loan repayments are collected at the village-based meetings by the company staff. Repayment of loan via Vodafone's M-Paisa mobile money services is also available to the clients. A loan must be paid off before another loan is issued to the same client.

Loans Disbursed during 2018			
Loan Type	Number of New Loans	Principal Amount ($)	Amount as % of Total Portfolio
Group loans (New)	1,514	1,514,000	16%
Group loans (Existing)	3,341	6,873,050	70%
White Goods loans	733	796,100	8%
SME Loans	57	532,400	5%
Higher Education Loans	10	10,000	0%
Staff loans	40	78,850	1%
Total	5,695	9,804,400	100%
Average loan size at disbursement		**1,722**	

Loans Disbursed during 2017			
Loan Type	Number of New Loans	Principal Amount ($)	Amount as % of Total Portfolio
Group loans (New)	1,462	1,298,150	17%
Group loans (Existing)	3,369	5,729,150	73%
White Goods Loan	572	553,834	7%
SME Loans	23	193,000	2%
Higher Education Loans	21	17,750	0%
Staff loans	40	67,300	1%
Total	5,487	7,859,184	100%
Average loan size at disbursement		**1,432**	

The clients must use the first loans for starting or expanding micro-businesses. If these micro-businesses are doing well, they can then apply for housing improvement and educational loans for their subsequent borrowings. Housing improvement loans are typically used to buy concrete, timber, roofing, plumbing or electrical supplies to significantly upgrade their homes. Educational loans are typically used to pay for school fees, school uniforms and text books.

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(b) Portfolio Composition (Cont'd)

White goods loans are given to clients for purchase of white goods. These loans are given by way of vouchers redeemable from Courts Fiji.

As a result of large number of members significantly affected by Tropical Cyclone Winston in prior 2016, the company provided the following loans to the members:

(i) The members have been provided with the option to restructure the loan whereby both the principal and interest balance were considered to be new restructured principal amount which is payable over 78 weeks. This loan has been fully cleared during the year ended 31 December 2018.

(ii) Member who have lost a home or business has been provided with rehabilitation loan which is payable over 78 weeks. This loan has been fully cleared during the year ended 31 December 2018.

Furthermore, SME loans provides higher loan amounts to members in good standing to expand or diversify their existing businesses. The specific loan terms are as follows:

Minimum Loan Amount ($)	Maximum Loan Amount ($)	Loan Term	Add-on-interest
7,000	20,000	52 weeks	20%

Moreover, in February 2017, the company started with the Higher Education Loan Programme (H.E.L.P) which provides loans to members to pay for tuition fees for their family members undergoing tertiary education. The specific loan term are as follows:

Minimum Loan Amount ($)	Maximum Loan Amount ($)	Loan Term	Add-on-interest
700	2,000	52 weeks	20%

(c) Portfolio Quality

The company loans is staff's number one priority to keep the loan portfolio healthy. They strictly apply the credit rules and policies outlined in SPBD Credit Manual. As the company offers only unsecured loans, it relies on good client and project selection as a primary tool to ensure portfolio quality. When a client does not make a payment, the company applies the group guarantee policy and asks the group members to make a payment for that client. The principle of group guarantee is clearly communicated and explained in program training, knowledge test, loan application and loan interview; and is regularly reinforced through weekly meetings and periodic trainings.

Loan Types	Number of Accounts	31 December 2018		
		Outstanding Principal Balance ($)	PAR > 30 days Amount ($)	PAR > 30 Days
Group Loans				
Current	4,735	5,228,583	-	-
1-4 weeks late	32	30,464	-	-
5-8 weeks late	67	41,642	41,642	0.67%
9-12 weeks late	58	45,777	45,777	0.74%
13-16 weeks late	19	7,004	7,004	0.11%
17-20 weeks late	2	340	340	0.01%
Over 20 weeks late	25	14,004	14,004	0.23%
Total	**4,938**	**5,367,814**	**108,767**	**1.76%**

NOTE 10. LOANS PORTFOLIO OUTSTANDING (CONT'D)

(c) Portfolio Quality (Cont'd)

Loan Types	Number of Accounts	31 December 2018 Outstanding Principal Balance ($)	PAR > 30 days Amount ($)	PAR > 30 Days
SME Loans				
Current	52	358,218	-	-
13-16 weeks late	1	6,632	6,632	0.11%
Total	**53**	**364,850**	**6,632**	**0.11%**
Higher Education Loans				
Current	5	3,276	-	-
Total	**5**	**3,276**	**-**	**-**
White Goods Loan				
Current	656	425,124	-	-
1-4 weeks late	11	11,083	-	-
Over 21 weeks late	4	2,220	2,220	0.04%
Total	**671**	**438,427**	**2,220**	**0.04%**
Staff Loans				
Current	23	35,353	-	-
1-4 weeks late	1	1,192	-	-
Over 21 weeks late	11	9,686	9,686	0.16%
Total	**35**	**46,231**	**9,686**	**0.16%**

Loan Types	Number of Accounts	31 December 2018 Outstanding Principal Balance ($)	PAR > 30 days Amount ($)	PAR > 30 Days
Total Loan				
Current	5,471	6,050,554	-	-
1-4 weeks late	44	42,739	-	-
5-8 weeks late	67	41,642	41,642	0.67%
9-12 weeks late	58	45,777	45,777	0.74%
13-16 weeks late	20	13,636	13,636	0.22%
17-20 weeks late	2	340	340	0.01%
Over 20 weeks late	40	25,910	25,910	0.43%
Total	**5,702**	**6,220,598**	**127,305**	**2.07%**

The company defines portfolio at risk (PAR) as:

Outstanding principal amount of all loans that have one or more instalments of principal past due by 30 days / Gross Loan Portfolio.

A loan is considered in arrears when a due weekly payment is missed and that group guarantee does not work. The company does not have any late or penalty fees. The company staff then follows the procedures outlined in the SPBD Credit Manual to get clients in arrears back on track as soon as possible. Parallel to these efforts, the company creates allowance to ensure that adequate reserves are maintained for potential losses as outlined under SPBD Loan Loss Provisioning and write-off policies outlined in note 10(a) above and as per the requirements of IFRS 9.

NOTE 11. RECEIVABLES

		2018	2017
Prepayments and other receivables	$	185,881	133,602
Deposits		42,750	40,360
Total receivables	$	228,631	173,962

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Leasehold improvements ($)	Furniture and fixtures ($)	Office Equipment ($)	Computer equipment and peripherals ($)	Motor vehicles ($)	Software and electronics system ($)	Total ($)
Gross carrying amount							
Balance at 1 January 2017	30,544	88,063	14,813	109,090	213,755	32,196	488,461
Additions	5,000	17,185	3,400	26,277	-	1,000	52,862
Disposal	-	-	-	(9,750)	-	-	(9,750)
Balance at 31 December 2017	35,544	105,248	18,213	125,617	213,755	33,196	531,573
Additions	12,413	16,909	300	19,065	-	-	48,687
Disposal	-	-	-	(9,738)	-	-	(9,738)
Balance at 31 December 2018	47,957	122,157	18,513	134,944	213,755	33,196	570,522
Accumulated depreciation							
Balance at 1 January 2017	30,033	67,868	8,877	91,516	62,624	24,821	285,739
Depreciation	2,227	10,471	1,978	15,556	42,751	4,747	77,730
Disposal	-	-	-	(8,701)	-	-	(8,701)
Balance at 31 December 2017	32,260	78,339	10,855	98,371	105,375	29,568	354,768
Depreciation	5,895	10,308	2,212	14,833	42,751	2,154	78,153
Disposal	-	-	-	(8,649)	-	-	(8,649)
Balance at 31 December 2018	38,155	88,647	13,067	104,555	148,126	31,722	424,272
Net book value							
Balance at 31 December 2017	3,284	26,909	7,358	27,246	108,380	3,628	176,805
Balance at 31 December 2018	9,802	33,510	5,446	30,389	65,629	1,474	146,250

NOTE 13. CLIENT SAVINGS DEPOSITS		2018	2017
Number of Savings Accounts	$	9,411	9,098
Client savings balance		3,201,005	2,013,636

A savings account is required to be established by client in order for consideration for loan by depositing $10. An existing member without an open savings account is required to make an initial deposit of $20 when applying for second loan.

All members are required to have a compulsory savings account and make a deposit of $2 per week per cumulative terms of the previous loan cycles. The compulsory savings amount cannot be withdrawn while the client is a member of the SPBD Centre.

All members are required to maintain a minimum balance in their savings account.

A member with or without an outstanding loan must maintain a required compulsory savings balance equivalent to the value of cumulative term of the loan (previous and current) expressed in weeks multiplied by $2. A withdrawal is not allowed if the resulting balance will be less than the member's required balance.

The 50% of the equivalent savings amount used to top up the client's succeeding loan is "locked in" and forms part of the additional maintaining balance of the client.

Any savings amount that is above the required minimum compulsory savings balance (plus "locked-in" savings) is considered to be voluntary savings. Voluntary savings can be withdrawn at any time and the minimum savings that can be made is $1 during centre meeting and $10 at the centre office.

The savings accounts earn interest at the rate of 1.5% per annum and this interest rate may be modified by the company based on the prevailing interest rates amongst commercial banks.

NOTE 14. PAYABLES

Accrued interest	25,009	40,688
Other accruals	384,274	191,132
Total payables	409,283	231,820

NOTE 15. PROVISION

Employee entitlements	13,533	9,918
Death benefit for members	38,679	11,034
	52,212	20,952

NOTE 16. BORROWINGS

Current

Unsecured borrowings:

SPBD Microfinance Holdings (Singapore) Pte Ltd (a)		963,582	983,193
Whole Planet Foundation (f)		70,948	70,948
World Education Australia Limited (WEAL) (b)		35,000	70,027
Evander Management Limited (g)		73,845	-
Kiva Microfunds (h)		774,640	-
MicroDreams Foundation USA (i)		138,962	-
MicroDreams Foundation New Zealand (i)		29,538	-
Total current unsecured borrowings	$	2,086,515	1,124,168

NOTE 16. BORROWINGS (CONT'D)		2018	2017
Secured borrowings:			
CreSud S.p.A (c)	$	-	167,049
Credit Corporation (Fiji) Limited (d)		32,082	28,562
Fiji Development Bank (e)		736,695	670,818
Total current secured borrowings		768,777	866,429
Total current borrowings		2,855,292	1,990,597
Non-Current			
Unsecured borrowings:			
Whole Planet Foundation (f)		35,474	106,422
SPBD Microfinance Holdings (Singapore) Pte Ltd (a)		1,921,482	2,973,880
Evander Management Limited (g)		73,845	149,187
MicroDreams Foundation USA (i)		130,890	133,014
MicroDreams Foundation New Zealand (i)		-	29,837
Total non-current unsecured borrowings		2,161,691	3,392,340
Secured borrowings:			
Credit Corporation (Fiji) Limited (d)		11,544	43,616
Fiji Development Bank (e)		471,935	1,200,138
Total non-current secured borrowings		483,479	1,243,754
Total non-current borrowings		2,645,170	4,636,094
Total borrowings	$	5,500,462	6,626,691

Reconciliation of movement of liabilities to cash flows from financing activities

	Borrowings ($)
Balance at 1 January	6,626,691
Less: revaluation on translation of foreign loans, net	(41,954)
Changes from financing cash flows	
Proceeds from related entities, net	(837,525)
Repayment of borrowings	(1,076,571)
Proceeds from term loans	829,821
Total changes from financing cash flows	**(1,084,275)**
Other changes - Liability related	
Interest expense	560,495
Interest accruals, net movement	15,679
Interest paid	(576,174)
Total liability related other changes	**-**
Balance at 31 December 2018	**5,500,462**

NOTE 16. BORROWINGS (CONT'D)

(a) Loans from SPBD Microfinance Holdings (Singapore) Pte Ltd

Particulars	Date loan is received	Amount	Interest rate	Repayment Term	Repayment commencement date		Repayment amount	Final repayment date	Balance at 31 December 2018		Balance at 31 December 2017	
					Interest	Principal			Current Amount ($)	Non-current Amount ($)	Current Amount ($)	Non-current Amount ($)
Loan 1	30/04/13	FJD 297,644	Interest free	Quarterly	-	30/06/16	FJD 24,804	31/03/19	24,804	-	99,216	24,802
Loan 2	10/12/13	FJD 216,888	Interest free	Quarterly	-	15/12/16	FJD 18,072	15/09/19	54,217	-	72,289	54,217
Loan 3	22/12/15	AUD 300,000	11%	Semi-annually	31/03/16	31/03/18	AUD 60,000	31/03/20	185,185	92,593	196,078	294,118
Loan 4	06/04/16	AUD 150,000	10%	Semi-annually	31/12/16	30/06/19	AUD 30,000	30/06/21	92,595	138,889	-	245,098
Loan 5a	31/10/16	AUD 170,000	10%	Semi-annually	31/12/16	30/06/18	AUD 34,000	30/06/20	104,938	52,469	111,111	166,667
Loan 5b	31/10/16	NZD 170,000	10%	Semi-annually	31/12/16	30/06/18	NZD 34,000	30/06/20	100,428	74,170	141,992	212,988
Loan 5c	31/10/16	USD 170,000	10%	Semi-annually	31/12/16	30/06/18	USD 34,000	30/06/20	148,342	50,214	101,447	152,171
Loan 6a	27/10/17	AUD 100,000	8.5%	Quarterly	31/12/17	30/06/20	AUD 16,667	30/09/20	-	154,339	-	163,417
Loan 6b	27/10/17	NZD 300,000	8.5%	Quarterly	31/12/17	30/06/20	NZD 50,000	30/09/20	-	443,066	-	447,561
Loan 7	28/11/17	AUD 200,000	8.5%	Quarterly	31/03/18	30/09/20	AUD 33,333	31/12/21	-	308,643	-	326,797
Loan 8	28/11/17	NZD 200,000	8.5%	Quarterly	31/03/18	30/09/20	NZD 33,333	31/12/21	-	295,377	-	298,374
Loan 9	12/12/17	AUD 120,000	8%	Quarterly	31/03/18	30/09/20	AUD 20,000	31/12/21	-	185,185	-	196,078
Loan 10	20/12/17	USD 77,800	10%	Semi-annually	31/03/18	31/03/18	AUD 15,560	31/03/20	67,888	33,944	64,982	97,474
Loan 11	30/11/18	AUD 300,000	11%	Semi-annually	31/03/16	31/03/18	AUD 60,000	31/03/20	185,185	92,593	196,078	294,118
Total									963,582	1,921,482	983,193	2,973,880

Since the above loans are unsecured, the funder requires the following:

- The annual audited financial statements
- Unaudited quarterly financial statements.
- Such other information regarding the company or the loan program as the funder may reasonably request from time to time.

NOTE 16. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd)

(b) World Education Australia Limited (WEAL)

Loans from World Education Australia Limited (WEAL) was received to assist the company in financing its activities.

WEAL aggregates and disburses funds received from lenders for loan applicants sourced by the company.

The company undertakes to:

- lend the amount of funding (less any transaction fees agreed with WEAL); and
- use reasonable endeavours to ensure that the funding is used for the purpose(s) notified to WEAL in the initial application.

The company provides details of loan applicant, details of the manner in which the loan applicant proposes to repay the loan together with other details of the loan applicant which is disclosed on the WEAL website. Loan applicant details together with repayments are forwarded to WEAL every month. Since the loan is unsecured WEAL requires the company to provide regular reports to WEAL containing information required by WEAL from time to time.

On 9 May 2016, WEAL has raised funds from a social investor with the specific purpose of providing a concessional loan facility to partners. A supplementary loan has been advanced by WEAL to the company amounting to $40,000 at the interest rate of 5% per annum. Interest was paid in arrears for the period to 30 June 2017 and at final maturity for the period to 28 February 2018. The loan was fully paid off during the year.

Additional loan amounting to $35,000 was obtained during the year, which is interest free.

(c) CreSud S.p.A

Loan amounting to USD 400,000 received on 22 September 2014 to assist the company in financing its activities at an interest rate of 9.5% per annum. Principal and Interest payments is of USD 80,000, made semi-annually. The first principal payment was due on 31 March 2016. The final principal and interest was paid off during the year.

The loan was secured by guarantee issued by Microdreams Foundation to CreSud S.p.A for an amount of USD 260,000 until 30 April 2016, USD 160,000 from 1 May 2016 until 30 April 2017 and USD 56,000 from 1 May 2017 to 30 April 2018. Microdreams Foundation would be responsible for up to a maximum of 65%, 50% and 35% respectively of any total loss or USD 260,000, USD 160,000, USD 56,000, whichever is less.

The funder also requires the following:

- quarterly financial statements.
- annual audited financial statements.

(d) Credit Corporation (Fiji) Limited

During the year ended 31 December 2015, the company obtained a term loan to assist in financing for the purchase of new motor vehicles. The loan is subject to fixed interest rate of 6.5% per annum. The loan is repayable by monthly instalments of $2,958 inclusive of principal and interest over a term of 60 months. The loan is secured by the Asset Purchase Agreement over motor vehicle HW 439, HW 440 and HW 458.

NOTE 16. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd)

(e) Fiji Development Bank

In 2014, the company obtained loan amounting to $2,000,000 to assist in financing its activities. Due to adverse impacts of Cyclone Winston on the company's customers in 2016, interest rate had been reduced from 10% per annum variable to 6% per annum variable effective from October 2016 for 12 months until September 2017. Thereafter, interest rate has been reverted to 10% per annum variable.

The loan was repayable by interest only repayments till September 2017. Thereafter, repayment of $68,700 (principal, interest and bank fees) per month is payable. The loan is secured by cross guarantee from holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Ltd for loan.

(f) Whole Planet Foundation

Unsecured loan amounting to FJD 212,844 was received on 21 August 2014 to assist the company in financing its activities. This loan is interest free. Principal repayments will be made in twelve quarterly instalments of FJD 17,737 each with the first repayment due on 30 September 2017. The loan is due in full on 30 June 2020.

Since the loan is unsecured, the funder requires the following:

- Project reports within thirty days following the end of each calendar quarter.
- Final project report within thirty days following full payment or termination of the loan.
- Financial Progress report within thirty days following the end of each six month period.
- Annual Financial report at the end of the borrowers annual accounting period.
- Final Financial report with respect to all expenditures made related to the principal amount.

(g) Evander Management Limited

On 20 May 2016, the company received NZD 100,000 loan from Evander Management Limited. This loan is unsecured and subject to interest at the rate of 1.5% per annum. Interest payments is due on 31 December 2016, 31 December 2017, 31 December 2018 and the last 4 payments on a quarterly basis from 30 September 2019. The final interest payment will be due on 30 June 2020.

The company will make four repayments of NZD 25,000 each commencing from 30 September 2019 to 30 June 2020.

Since the loan is unsecured, the Funder requires the following:

- Annual audited financial statements.
- Unaudited quarterly financial statements.

NOTE 16. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd)

(h) Kiva Microfunds

Kiva Microfunds operates a web based business that allows website users throughout the world to connect with organisations that provide small loans to individuals or groups in developing countries.

The company is required to post loan requests on the website targeted to users who may be interested in providing funds to borrowers on a temporary basis. Kiva Microfunds may establish rules or restrictions concerning the types of loans that the company may post on the website. All loan obligations are in US dollars.

The loan obligation begins on the date on which the loan capital for a given loan is transmitted through Kiva's net billing process. As at balance date, the closing balance outstanding amounts to FJD 774,640 (USD 355,095).

Total outstanding balance for Kiva loan is classified as current portion since any balance due to Kiva must be paid at the end of each month. The loans provided in subsequent months are off-set against the balance outstanding. The loan is interest free. However, as per the terms of the agreement, the funder requires the company to disclose interest rates and other fees that are charged to its members.

Since the loans are unsecured, the Funder requires the following:

- Annual audited financial statements.
- Unaudited quarterly financial statements.

(i) MicroDreams Foundation USA and MicroDreams Foundation New Zealand

On 15 May 2016 and 27 May 2016, the company received loan from MicroDreams Foundation USA and MicroDreams Foundation New Zealand amounting to USD 63,700 and NZD 20,000 respectively, for funding the Cyclone Recovery Loan Programmes; to provide small loans to women affected by Tropical Cyclone Winston for the purpose of them starting, growing, or rebuilding a microbusiness.

Loans from MicroDreams Foundation USA is unsecured and subject to interest at the rate of 3% per annum. The first interest payment was due on 31 December 2016. Principal repayment will be made in instalments of $31,850 on 31 March 2019 and 30 June 2019.

Loans from MicroDreams Foundation New Zealand is unsecured and subject to interest at the rate of 6% per annum. The first interest payment was due on 15 December 2016. Principal repayment will be due on 15 June 2019.

On 20 December 2018, the company received additional loan from MircorDreams Foundation USA amounting to USD 60,000 with an interest rate of 7.5% for the purpose of providing small loans to poor women for the purpose of them starting a mirco business. Interest payment will begin from 30 June 2019 and thereafter to be made semi-annually during 2019 to 2021 and then quarterly beginning September 2022 and will be based on the amount of principal outstanding. The final interest payment will be due on 31 December 2022. Principal repayment will be made in two quarterly repayments of USD 30,000 each and will be due on 30 September 2022 and 31 December 2022.

NOTE 16. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd)

(i) MicroDreams Foundation USA and MicroDreams Foundation New Zealand (Cont'd)

Since the loans are unsecured, the Funder requires the following:

- Annual audited financial statements.
- Unaudited quarterly financial statements.
- A completed semi-annual report.
- Three well written SPBD Fiji member success stories with high quality photos every 6 months.
- Such other information regarding the company or the loan program as the funder may reasonably request from time to time.

NOTE 17. SHARE CAPITAL

		2018	2017
Issued and paid up capital			
1,000,000 ordinary shares	$	250,000	250,000
2,556,876 preference shares		2,556,876	2,556,876
Total issued and paid up capital		2,806,876	2,806,876

On 7 October 2014, 2,556,876 preference shares were issued and allotted to South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited which have the following rights and be subject to the following conditions:

- Are redeemable at par value at any time after 5 years from the date of issue and as determined and deemed appropriate by the directors;
- Are entitled to dividends not exceeding 6% per annum depending on profitability and financial position of the company and also, prior consent of Fiji Development Bank or such other financial institution or bank from which the company has obtained finance and given covenants regarding dividends;
- Carry similar voting rights as that of ordinary shareholders, and
- Do not entitle the holder to any additional seats on the board of the company.

NOTE 18. COMMITMENTS

a) Capital expenditure commitments as at 31 December 2018 amounted to $Nil (2017: $Nil).

b) Operating lease rental for building spaces used is payable as follows:

		2018	2017
Not later than one year		175,376	156,397
Later than one year but not later than two years		174,981	42,970
Later than two years but not later than five years		-	55,415
	$	350,357	254,782

NOTE 18. COMMITMENTS (CONT'D)

c) Operating lease rental income for motor vehicles are receivable as follows:

		2018	2017
Not later than one year	$	39,600	39,600
Later than one year but not later than two years		13,200	52,800
	$	52,800	92,400

d) The company is committed to pay Transformative Ventures LLC management fees of $17,500 per quarter from January 2019.

NOTE 19. CONTINGENT LIABILITIES

Contingent liabilities as at 31 December 2018 amounted to $Nil (2017: $Nil).

NOTE 20. GOING CONCERN

Financial statements have been prepared on the going concern basis.

As reflected in the financial statements, the company made a profit of $543,460 (2017: loss of $416,307) for the year ended 31 December 2018.

As at 31 December 2018, total liabilities of the company exceed total assets resulting in net liability of $2,568,473 (2017: $3,065,034) and accumulated losses as at 31 December 2018 was $5,375,349 (2017: $5,871,910).

The company's continuation as a going concern is dependent, among other things, upon its ability to generate adequate cash flows from future operations to meet its obligations on a timely basis and continued financial and other support from the founder of the company and the holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited.

The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements on the basis that the company will continue to receive financial support and other ongoing support from the founder of the company and the holding company, South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited, which will enable the company to meet its funding requirements for operations and to meet its obligations and debt repayment commitments as and when they fall due.

The management and the directors have put in place plans and strategies to increase revenue, to control cost and expenses, and to generate improved profits and cash flows from its operations. The management has implemented measures to control and reduction of administrative costs and thus expand revenue generation assets to sustainable / cash positive level.

Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts and classification of liabilities that may become necessary should the company be unable to continue as a going concern.

NOTE 21. RELATED PARTY DISCLOSURES

(a) Holding company and ultimate holding company

The holding company and ultimate holding company is South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited, a company incorporated in Singapore.

(b) The director related entities are Transformative Ventures LLC and MicroDreams Foundation.

NOTE 21. RELATED PARTY DISCLOSURES (CONT'D)

(c) The names of persons who were directors of the company at any time during the year are as follows:

Gregory F Casagrande
Peter Lowing

(d) Transactions with related entities during the year ended 31 December 2018 and 2017 with approximate transaction values are summarized as follows:

(i) Management fees amounting to \$52,854 (2017: \$236,533) was paid to Transformative Ventures LLC.

(ii) Management fees amounting to \$56,057 (2017: \$247,770) was paid to South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited.

(iii) Receipt of loan from South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited amounted to \$Nil (2017: \$1,594,683) and repayment of loan to South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited amounted to \$967,792 (2017: \$171,506).

(iv) Interest on loan amounting to \$302,937 (2017: \$233,882) was paid to South Pacific Business Development Microfinance Holdings (Singapore) Pte Limited.

(v) Receipt of loan from MicroDreams Foundation USA amounted to \$130,266 (2017: \$Nil) and MicroDreams Foundation New Zealand amounted to \$Nil (2017: \$Nil).

(vi) Interest on loan amounting to \$2,034 (2017: \$1,769) was paid to MicroDreams Foundation New Zealand and \$Nil (2017: \$4,023) to MicroDreams Foundation USA.

(e) Amount due to, and receivable from related entities:

Approximate disclosure of these amounts is contained in the respective notes to the financial statements.

(f) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Mr Gregory F Casagrande (director) was identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the company.

There was no remuneration or benefits paid by the company to the key management personnel during the year.

NOTE 22. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date the company obtained further loans from the Fiji Development Bank amounting to \$1,500,000.

Apart from the above, no other matters or circumstances have arisen since the end of the financial year which would require adjustment to, or disclosure in, the financial statements.

NOTE 23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 17 May 2019.