

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED**

**COMPANY NUMBER: 20129967**

**BALANCE SHEET AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2016**

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**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
DIRECTORS' REPORT**

Your director has the pleasure in presenting the company's balance sheet and accounts as at 31st December, 2016 together with his annual report.

The accompanying balance sheet and accounts on pages 3 to 14 show that operations for the year ended 31st December 2016 resulted in a deficit of \$2,714,321 (2015: deficit of \$3,620,185) after charging income tax of \$20,000 (2015: \$18,548). These accounts have been prepared under the supervision of the director and in the opinion of the board are drawn up so as to exhibit a true and fair view of the state of affairs of the company as at 31st December 2016 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2016 (2015: \$nil).

The company is in the business of providing financial services (credit, micro-insurance and savings).

Dated at Honiara this 15<sup>th</sup> day of May 2017.

BY ORDER OF THE DIRECTOR

  
DIRECTOR

Morris & Sojnocki  
City Centre Building  
Mendana Avenue  
Honiara  
Solomon Islands  
postal address  
PO Box 70  
Telephone (677) 21851  
Facsimile (677) 23342

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## Independent Auditor's Report

### To the Shareholders and Board of Directors of South Pacific Business Development Microfinance (Solomon Islands) Limited

We have audited the accompanying financial statements of South Pacific Business Development Microfinance (Solomon Islands) Limited which comprise the balance sheet as of 31<sup>st</sup> December 2016 and the profit and loss account and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 14.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Policies set out in Note 2 to the financial statements and with the requirements of the Companies Act 2009. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with applicable Auditing Standards in Solomon Islands. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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

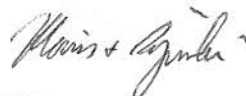
#### *Opinion*

In our opinion:


- (a) the accompanying financial statements are in agreement with the books of account kept by the company and are properly drawn up:
  - (i) so as to give a true and fair view of the financial position of the company as of 31<sup>st</sup> December 2016, and of its financial performance and its cash flows for the year then ended;
  - (ii) in accordance with the applicable regulations made under the Solomon Islands Companies Act 2009; and
  - (iii) in accordance with accounting policies set out in note 2 to the financial statements.
- (b) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit for the year ended 31<sup>st</sup> December 2016.
- (c) proper books and accounts have been kept by the company as far as it appears from the examination of those books.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw your attention to note 19 to the financial statements which details the basis for preparing the accounts on a going concern basis and notes that the company is dependent on the continuing support of its shareholders.



MORRIS & SOJNOCKI  
Chartered Accountants




BY GREG SOJNOCKI  
PARTNER

Date: 17<sup>th</sup> May 2017  
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
BALANCE SHEET as at 31st December 2016**

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in bank	3	2,300,086	1,912,714
Loan portfolio outstanding	4	9,839,810	7,314,315
Receivables	5	11,197	2,280
Other assets	6	291,802	246,862
<b>Total current assets</b>		<b>12,442,895</b>	<b>9,476,171</b>
<b>Fixed assets</b>			
Fixed assets	7	1,184,088	761,263
Less: Accumulated depreciation	7	(556,615)	(310,135)
<b>Net fixed assets</b>		<b>627,473</b>	<b>451,128</b>
<b>TOTAL ASSETS</b>		<b>13,070,368</b>	<b>9,927,299</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Clients' savings deposits	8	3,930,524	3,368,438
Accounts payable	9	1,245,917	499,766
Vehicle loan-current	10 (a)	-	64,738
Kiva loan	10(b)	297,003	268,212
Soft loans -current	10(c)	2,906,715	2,209,455
Life insurance reserve	11(a)	86,263	43,088
Spouse insurance reserve	11(b)	20,684	-
Provision for income tax	12 (b)	31,048	11,048
<b>Total current liabilities</b>		<b>8,518,154</b>	<b>6,464,748</b>
<b>Non Current liabilities</b>			
Vehicle loan- non -current	10 (a)	-	57,072
Whole Planet - non - current	10 (d)	1,116,466	-
Soft loans - non-current	10(c)	15,733,979	12,989,393
<b>Total non-current liabilities</b>		<b>16,850,445</b>	<b>13,046,468</b>
<b>TOTAL LIABILITIES</b>		<b>25,368,600</b>	<b>19,511,210</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(12,298,232)</b>	<b>(9,583,911)</b>
<b>EQUITY</b>			
Issued capital	13	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		<b>(13,345,657)</b>	<b>(10,631,336)</b>
<b>TOTAL EQUITY / (DEFICIENCY IN EQUITY)</b>		<b>(12,298,232)</b>	<b>(9,583,911)</b>

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 7 to 14.


 Date: 15. May. 2017  
 Gregory B. Emmerande  
 Director

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967**

**PROFIT AND LOSS ACCOUNT for the year ended 31st December 2016**

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
<b>Financial Income</b>			
Interest on loans		4,427,610	2,495,209
Development fees		502,146	323,602
Loan insurance fees		246,823	158,904
Life insurance fees		202,880	133,154
Savings withdrawal fees		117,837	41,549
Other non-operating income		1,069,780	434,203
Miscellaneous income		2,044	3,430
Savings passbook issuance fees		350	20,245
Spouse Loan Insurance fee		59,096	34,212
Commission solar sales		18,618	48,098
Commission air-time		67,589	2,856
<b>Total Financial Income</b>		6,714,773	3,695,462
Gain on sale of fixed assets		-	14,309
<b>LESS : Financial Expenses</b>			
Interest and fees on borrowed funds		1,952,521	1,311,856
Foreign exchange loss		179,123	685,100
<b>Total financial expenses</b>		2,131,645	1,996,956
<b>NET FINANCIAL INCOME</b>		4,583,128	1,712,815
<b>LESS : Provisions and write-offs</b>			
Loan loss provision and write-offs	4	430,057	61,814
Life insurance reserve	11(a)	58,175	56,148
Other provisions and write-offs	11(b)	20,684	-
<b>NET FINANCIAL MARGIN</b>		4,074,213	1,594,853
<b>Operating Expenses</b>			
Bank charges		15,014	12,654
Computer support system		70,153	17,125
Conference and meetings		3,163	9,050
Depreciation	7	246,480	157,132
Electricity and water		23,297	54,350
Financial Literacy training expenses		-	-
Marketing and advertisement		500	-
Events and festivals		13,535	-
Insurance		51,608	6,756
Management fees and subscriptions		1,404	5,595
Office expenses		441,526	124,893
Postage, telephone and communications		190,933	118,287
Printing and office stationeries		294,521	123,320
Professional services		376,367	1,349,735
Management services		1,326,172	-
Public relations and advertisements		-	8,345
Rentals		678,139	604,396
Repairs and maintenance		126,522	81,712
Registration fees		7,876	-
Salaries and benefits		2,220,605	2,060,504
Mis-appropriation loss		-	14,450
Tax penalties		-	(37)
Transportation, fuel, oil		289,307	160,705
Travel		391,411	287,518
<b>Total Operating Expenses</b>		6,768,533	5,196,490
<b>Net surplus / (deficit) before taxation</b>		(2,694,321)	(3,601,637)
Income tax expense	12(a)	20,000	18,548
		(2,714,321)	(3,620,185)

The profit and loss account is to be read in conjunction with the notes to and forming part of these accounts set out on pages 7 to 14.

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967**

**STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2016**

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
<b>Balance at 1 January 2015</b>	1,047,425.00	(7,011,151)	(5,963,726)
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(3,620,185)	(3,620,185)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(3,620,185)</u>	<u>(3,620,185)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
<b>Total transactions with owners</b>	-	-	-
<b>Balance at 31 December 2015</b>	<u>1,047,425</u>	<u>(10,631,336)</u>	<u>(9,583,911)</u>
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(2,714,321)	(2,714,321)
Total other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(2,714,321)</u>	<u>(2,714,321)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
<b>Total transactions with owners</b>	-	-	-
<b>Balance at 31 December 2016</b>	<u>1,047,425</u>	<u>(13,345,657)</u>	<u>(12,298,232)</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the accounts set out on pages 7 to 14.

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967**

**STATEMENT OF CASH FLOWS for the year ended 31st December 2016**

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		\$	\$
<b>Cash flows from operating activities</b>			
Net surplus / (deficit) after tax		(2,714,321)	(3,620,185)
Adjustment for non-cash items:			
Depreciation		246,480	157,132
Foreign exchange loss		179,123	685,100
Loan loss provision and other Provisions		430,057	61,814
(Gain)/Loss on sale of fixed assets		-	(14,309)
(Increase) / decrease in operating assets:			
Gross loan portfolio		(2,955,552)	(3,839,941)
Gross receivables		(8,917)	18,112
Other assets		(44,940)	(119,082)
Increase / (decrease) in operating liabilities:			
Client savings deposits		562,086	1,826,477
Accounts payable		746,151	(689,252)
Provision for income tax		20,000	9,622
Life insurance reserve and Spouse Insurance reserve		63,859	15,669
<b>Net cash flows from / (used in) operating activities</b>		<u>(3,475,972)</u>	<u>(5,508,843)</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of fixed assets		-	29,000
Purchase of fixed assets		(422,825)	(159,929)
<b>Net cash flows from / (used in) investing activities</b>		<u>(422,825)</u>	<u>(130,929)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing - Kiva loan		-	239,105
Proceeds from borrowing - Soft loans		4,355,132	7,471,918
Proceeds from borrowing - Whole Planet Foundation		1,116,465	-
Repayments of borrowing - Soft loans		(1,157,368)	(555,445)
Repayments of borrowing - Credit Corporation loan		(107,618)	(64,563)
<b>Net cash flows from / (used in) financing activities</b>		<u>4,206,611</u>	<u>7,091,015</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		307,814	1,451,243
<b>Cash and cash equivalents at the beginning of the financial year</b>		1,912,714	527,244
Foreign currency account translation adjustment		<u>79,558</u>	<u>(65,773)</u>
<b>Cash and cash equivalents at the end of the financial year</b>	3	<u>2,300,086</u>	<u>1,912,714</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the accounts set out on pages 7 to 14.

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
NOTES TO AND FORMING PART OF THE ACCOUNTS  
for the year ended 31st December 2016**

**1. REPORTING ENTITY**

South Pacific Business Development Microfinance (Solomon Islands) Limited (or SPBD) is a privately owned microenterprise development organisation with a mission to provide financial services to economically disadvantaged people, particularly women who cannot access savings and loan products from traditional banks. SPBD provides unemployed and low income women entrepreneurs with financial services, training, ongoing guidance and motivation to help them start or grow micro-businesses so that they can improve their lives and that of their families. It was incorporated under the Companies Act 2009 on 13th April 2012. Its offices are located in Mendana Avenue in the capital Honiara, Solomon Islands.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounts of the company have been drawn up in accordance with the requirements of the laws of Solomon Islands, particularly the Companies Act 2009, and applicable accounting standards in Solomon Islands. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Except where stated, the accounting policies have been consistently applied.

Set out below is the summary of significant accounting methods adopted by the company in the preparation of the accounts.

**(a) Reporting Currency**

All amounts are expressed in Solomon Islands dollars (SBD).

**(b) Cash and Cash Equivalents**

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

**(c) Depreciation**

Items of fixed assets are stated at the lower of historical cost and recoverable amount and are depreciated on a straight-line basis so as to write off the cost of the assets over their estimated economic life.

The rates of the depreciation used are based on the following estimated useful lives:

Furniture and fixtures	8 years
Computer equipment and peripherals	4 years
Motor vehicles	4 years
Office equipment	8 years
Software and electronic system	4 years

Fixed assets are depreciated or amortised from the date of acquisition.

**(d) Revenue**

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

- i. Interest Income - Interest income from loan portfolio and term deposits is recognised using the cash based method where they are recognised at the time they are received.
- ii. Development Fee - SPBD charges a fee of 2% of principal loan amount to be used to cover the cost of training the clients, loan evaluation and monitoring. This fee is deducted from the loan proceeds.
- iii. Loan Insurance - This fee is of the loan principal to cover the risk in the event of death of the client. A member's loan obligations to SPBD will be eliminated upon the death of that member. The loan insurance fee of 1% is deducted from the loan proceeds.
- iv. Life Insurance - SPBD offers a Life Micro-insurance Product to help the families of SPBD members to reduce the burden of bereavement and funeral expenses when the member dies. When an SPBD member dies during the period of the loan, her beneficiaries will receive a fixed payment of SBD3000. The life insurance fee is deducted from the loan proceeds and is based on the period of Loans as follows: 26 weeks-\$25; 39 weeks \$35; and 52 weeks \$45.
- v. Savings Fees - A fee of \$5 is charged by SPBD to its member when they withdraw from their savings account and are recognised in the period in which they are received.



**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
NOTES TO AND FORMING PART OF THE ACCOUNTS  
for the year ended 31st December 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd**

**(e) Expenses**

Expenses are recorded on an accrual basis.

**(f) Borrowing costs**

All borrowing costs are expensed.

**(g) Taxation**

The taxes payable method is adopted. Under this method, income tax expense is based on accounting profit adjusted for permanent and timing differences between accounting profit and income chargeable to tax. The corporate income tax rate is 30%.

**(h) Foreign currencies**

Transactions in foreign currencies have been converted into Solomon Islands dollars (SBD) at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies have been converted into SBD at rates ruling at the particular balance sheet date. The source of exchange rates are the published rates of either Bank South Pacific (BSP) Solomon Islands or Australia and New Zealand Banking (ANZ) Group, Solomon Islands using the bank selling rates. Exchange differences are taken to the income statement as foreign exchange gains or losses.

Exchange rate used at balance sheet date	(SBD/USD)	0.1216
Exchange rate used at balance sheet date	(SBD/NZD)	0.1741
Exchange rate used at balance sheet date	(SBD/AUD)	0.1683

**(i) Comparative figures**

The financial statements are prepared for the year end 31st December 2016 with comparative figures for the year end 31st December 2015.

**(j) Creditors and other payables**

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

**(k) Borrowings**

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

**(l) Employee entitlements**

***Short term employee entitlements***

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to but not yet taken at balance date.

***Long term employee entitlements***

There are no long term employee entitlements.

**(m) Provisions**

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**(n) Change in Accounting Policy**

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

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
NOTES TO AND FORMING PART OF THE ACCOUNTS  
for the year ended 31st December 2016**

	2016	2015
	\$	\$
<b>3. CASH ON HAND AND IN BANK</b>		
<i>Cash on hand</i>		
Savings imprest reserve	8,652	-
Undeposited funds	1,567	-
Petty cash imprest	10,000	10,000
<b>SUB-TOTAL</b>	20,219	10,000
<i>Cash in bank</i>		
BSP-Term Deposit	500,000	500,000
BSP Central 2000195905	1,018,044	580,163
ANZ bank account AUD 4934797	614,468	587,332
ANZ bank account 4926628	147,355	235,219
<b>SUB-TOTAL</b>	2,279,867	1,902,714
<b>TOTAL</b>	2,300,086	1,912,714
<b>4. LOAN PORTFOLIO</b>		
<b>LOAN RECEIVABLES</b>		
Opening balance	7,314,315	3,556,579
Total loan disbursements	25,033,067	16,369,335
Less: Total principal loan repayments	(22,018,179)	(12,497,340)
Less: Loan write-offs	(136,596)	(54,923)
<b>Gross Loan Portfolio</b>	10,192,607	7,373,651
Less: Loan loss reserve	(352,797)	(59,336)
<b>Net Loan Portfolio</b>	9,839,810	7,314,315
<i>No. of Loans Outstanding</i>		
SPBD Group Loan Product	4,433	3,215

**Portfolio Quality Measurement**

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

**Loan Provisioning and Loan Loss Reserve**

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

Provisioning Ratios for Group Loans	Loan Loss Provision	Honiara		Munda		Total	
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Loss Prov. Amt
1 week to 4 week late(<30 days)	5%	891,743	180,573	1,072,316	53,616		53,616
5 weeks to 8 weeks late(30 to 60 days late)	10%	53,373	22,175	75,548	7,555		7,555
9 weeks to 12 weeks late(60 to 90 days late)	25%	68,465	7,786	76,251	19,063		19,063
13 weeks to 16 weeks late(90 to 120 days late)	50%	44,523	-	44,523	22,262		22,262
17 weeks to 20 weeks late(120 to 150 days late)	75%	8,150	2,465	10,615	7,961		7,961
21 weeks or more(150+ days)	100%	224,683	17,658	242,341	242,341		242,341
<b>TOTAL PROVISIONING AS OF 31 DECEMBER 2016</b>		1,290,937	230,657	1,521,594	352,797		352,797

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
NOTES TO AND FORMING PART OF THE ACCOUNTS  
for the year ended 31st December 2016**

**4. LOAN PORTFOLIO - cont'd**

**Loan Write-Off**

The purpose of loan write-offs is to remove loans in arrears from SPBD's balance sheet, where there is significant doubt of any material loan payment recovery. Any loan in arrears exceeding 26 weeks will be short-listed for potential write-off. Write-off decision will be made on a case-by-case basis by the Chairman/President upon review of the recommendations of the General Manager. The amount of write-offs for 2016 were considered and approved by the Director.

**Portfolio Quality**

Loan Types	31-Dec-16				31-Dec-15			
	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR-30 days(%)	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR-30 days(%)
<b>Group Loans</b>					3,215			
Current	3235	8,553,112			2,851	6,945,978		
1-4 weeks late	479	1,072,316			133	215,488		
5-8 weeks late	69	75,548	75,548	0.74%	8	16,093	16,093	0.22%
9-12 weeks late	34	76,251	76,251	0.75%	4	11,984	11,984	0.16%
13-16 weeks late	16	44,523	44,523	0.44%	1	3,604	3,604	0.05%
17-20 weeks late	4	10,615	10,615	0.10%	1	4,550	4,550	0.00%
Over 21 weeks late	497	242,341	242,341	2.38%	63	38,742	38,742	0.53%
<b>Sub-total</b>	<b>4334</b>	<b>10,074,706</b>	<b>449,278</b>	<b>4.41%</b>	<b>3,061</b>	<b>7,236,439</b>	<b>74,973</b>	<b>0.96%</b>
<b>Solar Loans</b>								
Current	21	74,750			142	110,017		
Over 4 weeks in arrears	0							
<b>Sub-total</b>	<b>21</b>	<b>74,750</b>			<b>142</b>	<b>110,017</b>		
<b>Staff Loans</b>								
Current	78	43,150			12	27,197	-	-
Over 4 weeks in arrears	0							
<b>Sub-total</b>	<b>78</b>	<b>43,150</b>			<b>12</b>	<b>27,197</b>		
<b>Grand Total</b>	<b>4433</b>	<b>10,192,606</b>	<b>449,278</b>	<b>4.41%</b>	<b>3,215</b>	<b>7,373,653</b>	<b>74,973</b>	<b>0.96%</b>

**Movement in Loan Loss Reserve**

	2016	2015
	\$	\$
Loan reserve, 1 January	59,336	52,445
Loan loss provision expense for the year	430,057	61,814
Less: Loans written-off during the year	<u>(136,596)</u>	<u>(54,923)</u>
<b>Loan reserve, 31 December</b>	<u><b>352,797</b></u>	<u><b>59,336</b></u>

**5. RECEIVABLES**

Other receivables	11,197	2,280
Less: Write-offs	<u>-</u>	<u>-</u>
	<u><b>11,197</b></u>	<u><b>2,280</b></u>

**6. OTHER ASSETS**

Stock - Passbooks	66,336	40,128
Stock - Receipt books	8,580	16,800
Rental bond - head office	87,540	76,540
Staff advances	2,826	3,042
Prepaid expenses	102,058	109,132
Staff amortization due	7,556	-
Air-Time Stock	16,906	1,220
	<u><b>291,802</b></u>	<u><b>246,862</b></u>

**7. FIXED ASSETS**

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	72,537	25,623	8,769	46,914
Computer equipment and peripherals	226,688	119,233	49,646	107,455
Motor vehicles	681,691	327,133	155,506	354,558
Office equipment	140,024	40,620	17,300	99,404
Software and electronic system	63,148	44,006	15,259	19,142
<b>2016 TOTAL</b>	<b>1,184,088</b>	<b>556,615</b>	<b>246,480</b>	<b>627,473</b>
<b>2015 TOTAL</b>	<b>761,263</b>	<b>310,135</b>	<b>157,132</b>	<b>451,128</b>

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**8. CLIENTS' SAVINGS DEPOSITS**

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

SPBD actively encourages its members to develop a regular habit of savings. All members are required to open a savings account and deposit an initial amount of SBD30. This must be performed prior to any 1st cycle loan disbursement occurring.

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

The number of savings accounts as of the end of the financial year is:

		<u>2016</u>	<u>2015</u>
	<u>Number of saving accounts</u>	<u>\$</u>	<u>\$</u>
Clients saving balances	7370 (2015: 4644)	<u>3,930,524</u>	<u>3,368,438</u>

**9. ACCOUNTS PAYABLE**

Accounts payable - holding company	-	-
Accounts payable - related entities	132,914	-
Accounts payable - other	446,362	235,156
Employee deductions payable - PAYE, NPF and Basic rates	113,259	126,055
Accrued interest payable	<u>553,382</u>	<u>138,555</u>
	<u>1,245,917</u>	<u>499,766</u>

**10. BORROWINGS**

<b>10 (a) Credit Corporation</b>	-	<u>121,810</u>
Vehicle loan - current	-	64,738
Vehicle loan - long term	-	<u>57,072</u>
Total	-	<u>121,810</u>

It was noted that in 2016 the loan for Credit Corp was fully paid  
The loan from Credit Corporation is secured by chattel mortgage over the vehicles. The loan attracts interest at a rate of 12% per annum and is repayable over 36 months.

**10(b) KIVA LOAN**

	<u>297,003</u>	<u>268,212</u>
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KIVA Micro Funds is a non-profit organization based in California which established a website to pool lending funds at zero percent interest rate from individuals and channel the pooled funds to field partners. SPBD is one of the Experimental partners of KIVA, thereby entitling it to be included in the fund raising activities of KIVA Micro funds. The loan is unsecured and interest-free with on-going principal payment based on fund raising limit of SPBD.

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	2016 \$	2015 \$
<b>10. BORROWINGS - cont'd</b>		
<b>10(c) SOFT LOANS</b>		
MicroDreams Foundation	3,218,630	3,595,197
SPBD Micro Finance Holdings	15,422,064	11,603,651
<b>Total</b>	<b>18,640,694</b>	<b>15,198,848</b>
Soft Loans - current	2,906,715	2,209,455
Soft Loans - long term	15,733,979	12,989,393
<b>Total</b>	<b>18,640,694</b>	<b>15,198,848</b>

**MicroDreams Foundation**

The loans with MicroDreams Foundation are unsecured. There are no deposits tied to these loans and no

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2016	Principal repayment	Foreign currency movement	Balance 31/12/2016 (SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2016 (SBD)
22-Jun-13	USD	100,000	9.50%	30-Jun-17	3.16	719,094	819,672	200,481	(257,945)	561,727	57,868	3,884
4-Nov-13	USD	80,000	9.50%	31-Oct-17	2.95	583,070	655,738	128,410	(129,422)	526,316	54,087	8,289
25-Sep-14	USD	60,000	8.50%	31-Mar-18	3.45	442,478	465,116	-	50,943	493,421	40,816	10,485
19-Nov-14	USD	60,000	8.50%	30-Jun-18	3.57	445,434	464,947	-	47,987	493,421	40,816	10,369
3-Mar-15	SBD	770,396	11.50%	31-Mar-18	2.95	770,396	770,396	-	-	770,396	44,661	22,149
17-Sep-15	NZD	65,000	9.00%	30-Sep-19	3.45	328,375	365,785	-	44,974	373,349	32,319	7,932
<b>Total</b>						<b>3,288,847</b>	<b>3,541,654</b>	<b>328,891</b>	<b>-243,463</b>	<b>3,218,630</b>	<b>270,567</b>	<b>63,108</b>

**SPBD MicroFinance Holdings**

The loans with SPBD MicroFinance Holdings are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2016	Principal repayment	Foreign currency movement	Balance 31/12/2016 (SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2016 (SBD)
18-Jan-13	SBD	980,226	9.00%	15-Jun-17	2.63	980,236	735,180	367,584	-	367,596	41,060	9,065
8-Feb-13	AUD	50,000	7.00%	15-Dec-17	3.07	370,645	299,043	114,980	(113,363)	185,680	11,010	553
8-Feb-13	USD	20,000	7.00%	15-Dec-17	3.07	144,803	163,934	60,393	(61,138)	102,796	6,672	2,590
8-Feb-13	SBD	231,027	9.00%	15-Dec-17	3.07	231,027	231,027	86,634	(86,634)	144,393	9,663	3,633
8-Apr-13	USD	50,000	8.00%	30-Jun-16	2.72	362,562	204,918	198,886	(204,918)	-	7,911	-
15-Aug-13	USD	100,000	9.50%	31-Dec-17	3.38	719,384	819,671	-	2,697	822,368	38,701	39,391
12-Feb-14	NZD	120,000	9.00%	1-Dec-17	2.30	712,345	675,295	-	13,964	689,259	44,240	4,084
14-Feb-14	USD	40,000	9.00%	31-Dec-17	3.38	291,525	327,868	-	1,079	328,947	14,673	14,926
28-Mar-14	USD	125,000	9.00%	31-Dec-18	2.60	903,179	1,024,590	-	3,371	1,027,961	44,987	46,645
15-Aug-14	USD	50,000	9.00%	30-Jun-19	4.38	361,533	409,836	-	1,348	411,184	15,909	16,587
5-Feb-15	USD	100,000	8.50%	30-Jun-20	5.42	1,533,722	1,639,343	-	5,394	1,644,737	67,979	70,477
7-Apr-15	USD	100,000	8.50%	31-Dec-19	4.76	773,974	819,672	-	2,696	822,368	33,994	35,238
23-Apr-15	USD	250,000	8.00%	30-Nov-18	3.63	1,533,646	1,639,343	-	5,394	1,644,737	64,330	71,743
15-Sep-15	USD	100,000	8.50%	31-Dec-18	3.30	798,642	819,672	-	2,696	822,368	33,994	35,238
7-Dec-15	AUD	300,000	11.00%	31-Mar-21	5.34	1,803,969	1,794,259	-	(11,728)	1,782,531	166,694	49,425
6-Apr-16	AUD	150,000	10.00%	30-Jun-21	5.24	858,614	858,614	-	32,652	891,266	-	-
13-Jul-16	USD	100,000	10.00%	30-Sep-20	4.23	779,423	779,423	-	42,945	822,368	19,920	25,707
14-Oct-16	NZD	200,000	10.00%	30-Sep-20	4.02	1,126,126	1,126,126	-	62,229	1,188,355	-	24,747
14-Oct-16	AUD	200,000	10.00%	30-Sep-20	4.02	1,078,167	1,078,167	-	70,599	1,148,766	-	28,645
<b>Total</b>						<b>15,363,522</b>	<b>15,445,981</b>	<b>828,477</b>	<b>-230,717</b>	<b>14,847,680</b>	<b>621,737</b>	<b>478,694</b>

**CASAGRANDE GREGORY**

10-Mar-16	NZD	100,000	8.00%	31-Mar-20	4.06	512,802	-	-	-	574,384	28,456	11,580
<b>Total</b>						<b>512,802</b>	-	-	-	<b>574,384</b>	<b>28,456</b>	<b>11,580</b>

	2016 \$	2015 \$
<b>10(d) Whole Planet Foundation</b>		
Whole Planet Foundation loan - current portion	-	-
Whole Planet Foundation loan - Non-current portion	1,116,466	-
<b>Total</b>	<b>1,116,466</b>	<b>-</b>

Founded in 2005, Whole Planet Foundation is a Whole Foods Market foundation that funds poverty alleviation worldwide where the company sources products. The non-profit's mission is to empower the world's poorest people with microcredit and the chance to create or expand a home-based business and lift themselves and their families out of poverty.

The Foundation has agreed to give a loan of USD545,000 to the company in three tranches. An amount of USD139,000 (equivalent to SBD1,116,466) was received during the year, with USD171,000 to be received by 20 January 2017 and the final USD235,000 to be received by 20 January 2018. The loan is interest free and unsecured and repayable in 12 instalments with the first instalment due 15 January 2019.

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	<u>2016</u>	<u>2015</u>
<b>11. Movement in Other Reserves</b>		
<b>11(a) Movement in Life Insurance Reserve</b>	\$	\$
Life insurance reserve, 1 January	43,088	27,419
Life insurance provision for the year	58,175	21,419
Less: Loans written-off during the year	<u>(15,000)</u>	<u>(5,750)</u>
<b>Life insurance reserve, 31 December</b>	<u><u>86,263</u></u>	<u><u>43,088</u></u>
<b>11(b) Movement in Spouse Insurance reserve</b>		
Life insurance reserve, 1 January	-	-
Life insurance provision for the year	20,684	-
Less: Loans written-off during the year	<u>-</u>	<u>-</u>
<b>Life insurance reserve, 31 December</b>	<u><u>20,684</u></u>	<u><u>-</u></u>
<b>12. TAXATION</b>		
<b>12(a) Income tax expense</b>		
Income tax expense is 30% of taxable income for the financial year, or 0.5% of revenue if there is a taxable loss	<u>2016</u>	<u>2015</u>
	\$	\$
Net surplus/(deficit) per the profit and loss account	(2,694,321)	(3,601,637)
<i>Add: Non deductible expenses</i>		
Depreciation for accounting purposes	246,480	157,132
Life insurance reserve	63,859	15,669
Loan loss provision	293,461	6,891
Tax penalties	-	(37)
Unrealised exchange loss	<u>-</u>	<u>442,126</u>
	(2,090,520)	(2,979,856)
<i>Less: Deductible expenses/non-assessable revenue</i>		
Tax loss carried forward	9,884,828	6,764,877
Depreciation for taxation purposes	200,046	125,786
Unrealised exchange gain	263,003	-
Gain on disposal of fixed assets	<u>-</u>	<u>14,309</u>
<b>Taxable income / (loss)</b>	<u><u>(12,175,394)</u></u>	<u><u>(9,884,828)</u></u>
Income tax expense - turnover tax	<u><u>20,000</u></u>	<u><u>18,548</u></u>
<b>12(b) Provision for income tax</b>		
Provision for income tax / (Income tax refundable) at beginning of year	11,048	1,426
Add: Income tax expense	20,000	18,548
Less: Tax paid during the year	<u>-</u>	<u>(8,926)</u>
<b>Provision for income tax at end of year</b>	<u><u>31,048</u></u>	<u><u>11,048</u></u>
<b>12(c) Income tax losses</b>		
The estimated income tax losses available to be carried forward at 31st December, 2016 amounted to \$12,438,397 (2015: \$9,884,828). The benefit of this loss which at the rates prevailing at balance date amounted to \$3,731,518 (2015: \$2,965,448) will be utilised only if the company earns sufficient income chargeable to tax in the future, continues to comply with the provisions of the Income Tax Act (Cap. 123) of Solomon Islands relating to the deduction of carried forward losses and no change in the income tax legislation adversely affects the company in realising the benefit of the deduction for itself.		
<b>13. ISSUED CAPITAL</b>	<u>2016</u>	<u>2015</u>
SPBD Microfinance Holdings (Singapore) Pte Limited:	\$	\$
Opening balance	1,047,425	1,047,425
Movement during the year	<u>-</u>	<u>-</u>
<b>Closing balance</b>	<u><u>1,047,425</u></u>	<u><u>1,047,425</u></u>

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**14. RELATED PARTIES**

**Holding company**

The immediate holding company is SPBD Microfinance Holdings (Singapore) Pte Limited.

**Other Related Entities**

Other related company includes Transformative Ventures LLC. Services provided by TVLCC includes professional fees.

**Directors**

Gregory Casagrande is the sole director of the company. No emoluments were received by the director during the year.

**15. NON FINANCIAL SERVICES**

**Financial Diaries Programme**

SPBD Microfinance Solomon Islands offers a one day extensive financial literacy training as part of the 6 days of training which every borrower has to undergo before they become eligible to apply for a loan. The financial literacy training is aimed at training the borrowers to maintain their business and household income and expenses, and better manage their small business.

**16. CAPITAL COMMITMENTS**

There were no capital commitments as at 31st December 2016 (2015: \$nil).

**17. OPERATING LEASE COMMITMENTS**

Except for the month-by-month rental obligations of SPBD business premises, there are no other operating lease commitments for the year ended 31st December 2016 (2015: \$nil).

**18. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31st December 2016 (2015: \$nil).

**19. GOING CONCERN**

The company has a deficiency in equity of \$12,298,232 at 31st December 2016. As a going concern, the company is dependent on the continuing support of its shareholder. The Director considers it appropriate to prepare these accounts on the basis that the company is a going concern. In the event this basis were not appropriate, it would be necessary to write fixed assets down to realisable value, reclassify long term liabilities as current and provide for closure and shut down costs.