

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE PERIOD ENDING 31ST DECEMBER 2012**

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

DIRECTORS' REPORT

Your directors have the pleasure in presenting the company's balance sheet and accounts as at 31st December, 2012 together with their annual report.


The accompanying balance sheet and accounts on pages 3 to 11 show that operations for the period from 13th April 2012 (date of incorporation) to 31st December 2012 resulted in a deficit of \$1,066,873 after charging income tax of \$nil. These accounts have been prepared under the supervision of the directors 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 2012 and of its results for the period then ended.

No dividends were declared or paid during the period ended 31st December 2012.

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

Dated at Honiara this 17th day of May 2013.

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 31st December 2012 and the profit and loss account and statement of cash flows for the period from 13th April 2012 (date of incorporation) to 31st December 2012 and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 11.

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.

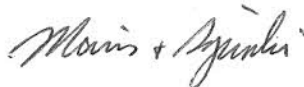
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 31st December 2012, and of its financial performance and its cash flows for the period from 13th April 2012 (date of incorporation) to 31st December 2012;
 - (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 period from 13th April 2012 (date of incorporation) to 31st December 2012.
- (c) proper books and accounts have been kept by the company as far as it appears from the examination of those books.



MORRIS & SOJNOCKI
Chartered Accountants



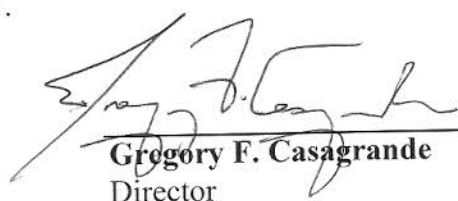
BY GREG SOJNOCKI
PARTNER

Date: 12th June 2013
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2012**

	<u>Note</u>	<u>2012</u> \$
ASSETS		
Current assets		
Cash on hand and in bank	3	558,396
Receivables	4	<u>26,899</u>
Total current assets		<u>585,295</u>
Fixed assets		
Fixed assets	5	277,455
Less: Accumulated depreciation		<u>5,262</u>
Net fixed assets		<u>272,193</u>
Other assets	6	<u>45,209</u>
TOTAL ASSETS		<u>902,697</u>
LIABILITIES		
Current liabilities		
Clients' savings deposits	7	4,500
Accounts payable	8	673,536
Accrued interest payable	9	<u>207</u>
Total current liabilities		<u>678,243</u>
Long term liabilities		
Soft loans - non-current	10	<u>243,902</u>
Total non-current liabilities		<u>243,902</u>
TOTAL LIABILITIES		<u>922,145</u>
NET ASSETS		<u><u>(19,448)</u></u>
EQUITY		
Issued capital	11	1,047,425
Shareholders funds / (Deficit in shareholders funds)		<u>(1,066,873)</u>
TOTAL EQUITY		<u><u>(19,448)</u></u>

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 6 to 11.


Gregory F. Casagrande
Director

Date: 17 May 2013

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
PROFIT AND LOSS ACCOUNT for the period 13th April 2012
(date of incorporation) to 31st December 2012**

	<u>Note</u>	<u>2012</u> \$
Turnover - Financial Income		-
Financial Expenses		
Interest and fees on borrowed funds		207
Foreign exchange loss		11,209
Total financial expenses		11,416
NET FINANCIAL MARGIN		(11,416)
Operating Expenses		
Bank charges		234
Computer support system		7,031
Conference and meetings		5,969
Depreciation	5	5,262
Electricity and water		2,600
Financial Literacy training expenses		11,279
Insurance		1,026
Levies and fees		3,269
Office expenses		13,528
Postage, telephone and communications		11,982
Printing and office stationeries		11,433
Professional services		402,582
Public relations and advertisements		3,677
Rentals		72,500
Repairs and maintenance		500
Salaries and benefits		289,782
Staff training and development		949
Transportation, fuel, oil		11,337
Travel		200,517
Total operating expenses		1,055,457
Net surplus / (deficit) before taxation		(1,066,873)
Income tax expense	12	-
Net surplus/(deficit) after taxation		(1,066,873)
Shareholders funds at the beginning of the financial period		-
Shareholders funds / (Deficit in shareholders funds) at the end of the financial period		(1,066,873)

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 6 to 11.

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

STATEMENT OF CASH FLOWS for the period ended 31st December 2012

	<u>Note</u>	<u>2012</u> \$
Cash flows from operating activities		
Net surplus/(deficit) after tax		(1,066,873)
Adjustment for non-cash items:		
Depreciation		5,262
Foreign exchange loss		11,209
(Increase)/decrease in operating assets:		
Receivables		(26,899)
Other assets		(45,209)
Increase/(decrease) in operating liabilities:		
Accounts payable		673,536
Accrued interest payable		207
Net cash flows from operating activities		<u>(448,767)</u>
Cash flows from investing activities		
Purchase of fixed assets		<u>(277,455)</u>
Net cash flows from investing activities		<u>(277,455)</u>
Cash flows from financing activities		
Client savings deposits		4,500
Proceeds from issue of shares		1,047,425
Soft loans		232,693
Net cash flows from financing activities		<u>1,284,618</u>
Net increase in cash and cash equivalents		558,396
Cash and cash equivalents at the beginning of the financial year		<u>-</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>558,396</u></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 6 to 11.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

(d) Expenses

Expenses are recorded on an accrual basis.

(e) Borrowing costs

All borrowing costs are expensed.

(f) 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%.

(g) 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 Westpac Banking Corporation, Solomon Islands or Australia and New Zealand Banking 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)	0.1350
Exchange rate used at balance sheet date	(SBD/NZD)	0.1640
Exchange rate used at balance sheet date	(SBD/FJD)	0.2373

(h) Comparative figures

The financial statements are prepared for the period from 13th April 2012 (date of incorporation) to 31st December 2012. Consequently, there are no comparative figures.

(i) Creditors and other payables

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

(j) Borrowings

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

(k) 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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

3.	CASH ON HAND AND IN BANK			<u>2012</u>	
				\$	
	Petty cash imprest			10,000	
	ANZ bank account 4926628			<u>548,396</u>	
				<u>558,396</u>	
4.	RECEIVABLES				
	Other receivables			16,199	
	Prepaid expenses			<u>10,700</u>	
				<u>26,899</u>	
5.	FIXED ASSETS				
	Type	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciation for the year</u>	<u>Net Book Value</u>
		\$	\$	\$	\$
	Furniture and fixtures	38,036	396	396	37,640
	Computer equipment and peripherals	48,300	42	42	48,258
	Motor vehicles	108,000	3,604	3,604	104,396
	Office equipment	49,070	511	511	48,559
	Software and electronic system	<u>34,049</u>	<u>709</u>	<u>709</u>	<u>33,340</u>
	2012 TOTAL	<u>277,455</u>	<u>5,262</u>	<u>5,262</u>	<u>272,193</u>
					<u>2012</u>
					\$
6.	OTHER ASSETS				
	Stock - Passbooks				5,459
	Stock - Receipt books				9,750
	Rental bond - head office				13,000
	Rental bond - staff accommodation				<u>17,000</u>
					<u>45,209</u>

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

7. 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 occurs.

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>Number of saving accounts</u>	<u>2012</u> \$
Clients Saving Balances	150	<u>4,500</u>

8. ACCOUNTS PAYABLE

Accounts payable - holding company	118,926
Accounts payable - related entities	325,964
Accounts payable - other	35,134
Employee deductions payable - PAYE, NPF and basic rates	<u>193,512</u>
	<u>673,536</u>

9. ACCRUED INTEREST PAYABLE

MicroDreams Foundation (NZ)	<u>207</u>
	<u>207</u>

**SOUTH PACIFIC BUSINESS DEVELOPMENT
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COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

	<u>2012</u> \$
10. SOFT LOANS	
MicroDreams Foundation - current	-
MicroDreams Foundation - long term	243,902
Total	<u>243,902</u>

MicroDreams Foundation

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

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount received (SBD)	Foreign currency movement	Balance 31/12/12 (SBD)	Interest Repayment (SBD)
24/12/12	NZD	40,000	7.50%	15/11/14	1.75	232,693	11,209	243,902	-
Total								243,902	-

	<u>2012</u> \$
11. ISSUED CAPITAL	
SPBD Microfinance Holdings (Singapore) Pte Limited:	
Equity injection - 1,047,425 ordinary shares	1,047,425
Closing balance	<u>1,047,425</u>

12. TAXATION

Income tax expense is 30% of taxable income for the financial period.

Net surplus/(deficit) per the profit and loss account	(1,066,873)
<i>Add: Non deductible expenses</i>	
Depreciation for accounting purposes	5,262
Unrealised exchange loss	11,209
	<u>(1,050,402)</u>
<i>Less: Deductible expenses</i>	
Depreciation for taxation purposes	69,364
Taxable income / (loss)	<u>(1,119,766)</u>
Tax loss to carry forward	1,119,766
Income tax expense	<u>-</u>

The estimated income tax losses available to be carried forward at 31st December, 2012 amounted to \$1,119,766. The benefit of this loss which at the rates prevailing at balance date amounted to \$335,930 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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
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COMPANY NUMBER: 20129967
NOTES TO AND FORMING PART OF THE ACCOUNTS
for the period ended 31st December 2012**

13. RELATED PARTIES

Holding company

The immediate holding company is SPBD Microfinance Holdings (Singapore) Pte Limited. The company paid various expenses on behalf of SPBD SI during the year. A balance of USD16,055 is owing at 31st December 2012 and is included in accounts payable. The amount is interest free and repayable on demand.

Other Related Entities

Other related entities paid various expenses on behalf of SPBD SI during the year. A balance of USD42,291 is owing to Transformative Ventures LLC and a balance of FJD3,048 is owing to SPBD Microfinance (Fiji) Ltd at 31st December 2012 and are included in accounts payable. The amounts are interest free and repayable on demand.

Directors

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

14. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2012.

15. 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 2012.

16. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2012.

17. GOING CONCERN

The company was in its start up phase during the year under review and has a net liability position of \$22,848 at 31st December 2012. 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.