

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

**COMPANY NUMBER: 20129967**

**BALANCE SHEET AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2013**

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SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED

DIRECTORS' REPORT

Your director has the pleasure in presenting the company's balance sheet and accounts as at 31st December, 2013 together with his annual report.


The accompanying balance sheet and accounts on pages 3 to 13 show that operations for the year ended 31st December 2013 resulted in a deficit of \$2,811,835 (2012: deficit of \$1,066,873) after charging income tax of \$4,629 (2012: \$nil). 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 2013 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2013 (2012: \$nil).

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

Dated at Newark, NJ, USA this 1st day of April 2014.

BY ORDER OF THE DIRECTOR



DIRECTOR

## 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 2012 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 13.

#### *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.

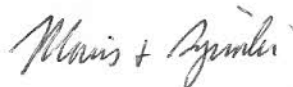
#### *Opinion*

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 2013, 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 2013.
- (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 18 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



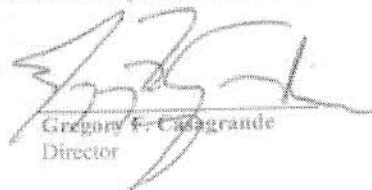
BY GREG SOJNOCKI  
PARTNER

Date: 1st May 2014  
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED**  
COMPANY NUMBER: 20129967  
BALANCE SHEET as at 31st December 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in bank	3	1,177,463	558,396
Loan portfolio outstanding	4	2,174,648	-
Receivables	5	4,357	16,199
Other assets	7	85,696	55,909
Income tax refundable	12(b)	2,871	-
<b>Total current assets</b>		<b>3,445,035</b>	<b>630,504</b>
<b>Fixed assets</b>			
Fixed assets	6	384,103	277,455
Less: Accumulated depreciation	6	85,208	5,262
<b>Net fixed assets</b>		<b>298,895</b>	<b>272,193</b>
<b>TOTAL ASSETS</b>		<b>3,743,930</b>	<b>902,697</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Clients' savings deposits	8	1,125,114	4,500
Accounts payable	9	1,050,785	673,536
Accrued interest payable		-	207
Soft loans - Current	10	246,305	-
Life insurance reserve		12,033	-
<b>Total current liabilities</b>		<b>2,434,237</b>	<b>678,243</b>
<b>Non Current liabilities</b>			
Soft loans - non-current	10	4,140,976	243,902
<b>Total non-current liabilities</b>		<b>4,140,976</b>	<b>243,902</b>
<b>TOTAL LIABILITIES</b>		<b>6,575,213</b>	<b>922,145</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(2,831,283)</b>	<b>(19,448)</b>
<b>EQUITY</b>			
Issued capital	11	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		(3,878,708)	(1,066,873)
<b>TOTAL EQUITY / (DEFICIENCY IN EQUITY)</b>		<b>(2,831,283)</b>	<b>(19,448)</b>

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 13.

  
 Gregory F. Casagrande  
 Director

Date: 1 April 2014

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
PROFIT AND LOSS ACCOUNT for the year ended  
31st December 2013**

<b>Financial Income</b>	<u>Note</u>	<u>2013</u> \$	<u>2012</u> \$
Interest on loans		674,828	-
Development fees		120,408	-
Loan insurance fees		60,554	-
Life insurance fees		40,830	-
Savings withdrawal fees		22,630	-
Resignation fees		3,690	-
Miscellaneous income		1,655	-
Savings passbook issuance fees		1,150	-
Interest earned bank accounts		23	-
<b>Total Financial Income</b>		<u>925,768</u>	<u>-</u>
<b>Financial Expenses</b>			
Interest and fees on borrowed funds		282,975	207
Foreign exchange loss		31,064	11,209
<b>Total financial expenses</b>		<u>314,039</u>	<u>11,416</u>
<b>NET FINANCIAL INCOME</b>		<b>611,729</b>	<b>(11,416)</b>
Loan loss provision	4	20,090	-
<b>NET FINANCIAL MARGIN</b>		<b>591,639</b>	<b>(11,416)</b>
<b>Operating Expenses</b>			
Bank charges		6,857	234
Computer support system		841	7,031
Conference and meetings		623	5,969
Depreciation	6	79,946	5,262
Electricity and water		10,200	2,600
Financial Literacy training expenses		7,744	11,279
Insurance		13,449	1,026
Levies and fees		-	3,269
Management fees and subscriptions		1,250	-
Office expenses		71,572	13,528
Postage, telephone and communications		51,192	11,982
Printing and office stationeries		79,115	11,433
Professional services		831,800	402,582
Public relations and advertisements		4,124	3,677
Rentals		373,015	72,500
Repairs and maintenance		14,366	500
Salaries and benefits		1,450,429	289,782
SPBD Grand Opening Day expenses		51,863	-
Staff training and development		-	949
Registration fees		16,922	-
Tax penalties		188	-
Transportation, fuel, oil		72,131	11,337
Travel		261,218	200,517
<b>Total operating expenses</b>		<u>3,398,845</u>	<u>1,055,457</u>
Net surplus / (deficit) before taxation		(2,807,206)	(1,066,873)
Income tax expense	12(a)	4,629	-
Net surplus/(deficit) after taxation		(2,811,835)	(1,066,873)
Shareholders funds at the beginning of the financial period		(1,066,873)	-
Shareholders funds / (Deficit in shareholders funds) at the end of the financial period		<u><b>(3,878,708)</b></u>	<u><b>(1,066,873)</b></u>

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 13.

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

**STATEMENT OF CASH FLOWS for the year ended 31st December 2013**

	<u>Note</u>	<u>2013</u> \$	<u>2012</u> \$
<b>Cash flows from operating activities</b>			
Net surplus/(deficit) after tax		(2,811,835)	(1,066,873)
Adjustment for non-cash items:			
Depreciation		79,946	5,262
Foreign exchange loss		31,064	11,209
Loan loss provision		20,090	-
(Increase)/decrease in operating assets:			
Gross Loan Portfolio		(2,194,738)	-
Receivables		11,842	(26,899)
Income tax refundable		(2,871)	-
Other assets		(29,787)	(45,209)
Increase/(decrease) in operating liabilities:			
Accounts payable		377,249	673,536
Accrued interest payable		(207)	207
Life Insurance Reserve		12,033	-
Net cash flows from / (used in) operating activities		<u>(4,507,214)</u>	<u>(448,767)</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		<u>(106,648)</u>	<u>(277,455)</u>
Net cash flows from / (used in) investing activities		<u>(106,648)</u>	<u>(277,455)</u>
<b>Cash flows from financing activities</b>			
Client savings deposits		1,120,614	4,500
Proceeds from issue of shares		-	1,047,425
Soft loans		<u>4,110,821</u>	<u>232,693</u>
Net cash flows from / (used in) financing activities		<u>5,231,435</u>	<u>1,284,618</u>
Net increase in cash and cash equivalents		617,573	558,396
Cash and cash equivalents at the beginning of the financial period		558,396	-
Foreign currency account translation adjustment		<u>1,494</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period	3	<u><u>1,177,463</u></u>	<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 13.

**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 2013**

**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: 13 weeks- \$15; 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 2013**

**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 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)	0.1347
Exchange rate used at balance sheet date	(SBD/NZD)	0.1624
Exchange rate used at balance sheet date	(SBD/AUD)	0.1509

**(i) Comparative figures**

The financial statements are prepared for the period of 31st December 2013 with comparative figures for the period from 12 April 2012 (date of incorporation) to 31 December 2012.

**(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 2013**

	<u>2013</u> \$	<u>2012</u> \$
<b>3. CASH ON HAND AND IN BANK</b>		
<i>Cash on hand</i>		
Undeposited Collections	10,000	-
Petty cash imprest	10,000	10,000
Savings Reserve Imprest	16,966	-
<b>SUB-TOTAL</b>	36,966	10,000
<i>Cash in bank</i>		
Westpac Bank 2000195905	1,108,296	-
ANZ bank account AUD 4934797	11,784	-
ANZ bank account 4926628	20,417	548,396
<b>SUB-TOTAL</b>	1,140,497	548,396
<b>TOTAL</b>	1,177,463	558,396
 <b>4. LOAN PORTFOLIO</b>		
<b>LOAN RECEIVABLES</b>		
Total Loan Disbursements	6,046,400'	-
Less: Total Principal Loan Repayments	3,851,662	-
<b>Gross Loan Portfolio</b>	2,194,738	-
Less: Loan Loss Reserve	20,090	-
<b>Net Loan Portfolio</b>	2,174,648	-
<b>GROSS LOAN PORTFOLIO</b>		
Loan Disbursement	6,046,400	-
Less: Loan Repayments	3,851,662	-
<b>SBDP Gross Loan Portfolio</b>	2,194,738	-
<b>No. of Loans Outstanding</b>		
SPBD Group Loan Product	1,357	-

**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	Loan Outstanding	Loan Loss Prov.Amt
1 week to 4 week late(<30 days)	5%	230,361	11,518
5 weeks to 8 weeks late(30 to 60 days late)	10%	7,016	702
9 weeks to 12 weeks late(60 to 90 days late)	25%	-	-
13 weeks to 16 weeks late(90 to 140 days late)	50%	-	-
17 weeks to 20 weeks late(120 to 140 days late)	75%	-	-
21 weeks or more(150+ days)	100%	7,870	7,870
<b>TOTAL PROVISIONING AS OF 31 DECEMBER 2013</b>		<b>245,247</b>	<b>20,090</b>

**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 2013**

**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. No write-offs were considered for the period of audit.

Loan Types	# of Accounts	31-Dec-13			31-Dec-12		
		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)	Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
<b>Group Loans</b>	1,351	2,175,289			-	-	-
Current	1,173	1,930,043			-	-	-
1-4 weeks late	159	230,361			-	-	-
5-8 weeks late	6	7,016	7,016	0.32%	-	-	-
9-12 weeks late	-	-	-	-	-	-	-
13-16 weeks late	-	-	-	-	-	-	-
17-20 weeks late	-	-	-	-	-	-	-
Over 21 weeks late	13	7,870	7,870	0.36%	-	-	-
<b>Sub-total</b>	<b>1,351</b>	<b>2,175,289</b>	<b>14,886</b>	<b>0.68%</b>	-	-	-
<b>Staff Loans</b>	6	19,449	-	-	-	-	-
Current	6	19,449	-	-	-	-	-
Over 4 weeks in arrear	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>1,357</b>	<b>2,194,738</b>	<b>14,886</b>	<b>0.68%</b>	-	-	-

	2013	2012
	\$	\$
<b>Movement in Loan Loss Reserve</b>		
Loan Reserve, 1 January	-	-
Loan Loss Provision for the year	20,090	-
Less: Loans written-off during the year	-	-
<b>Loan Reserve, 31 December</b>	<u><u>20,090</u></u>	<u><u>-</u></u>

**5. RECEIVABLES**

Other receivables	4,357	16,199
	<u><u>4,357</u></u>	<u><u>16,199</u></u>

**6. FIXED ASSETS**

Type	Cost \$	Accumulated Depreciation \$	Depreciation for the year \$	Net Book Value \$
Furniture and fixtures	43,932	5,870	5,474	38,062
Computer equipment and periph	79,300	19,867	19,825	59,433
Motor vehicles	174,000	42,979	39,375	131,021
Office equipment	49,070	6,645	6,134	42,425
Software and electronic system	37,801	9,847	9,138	27,954
<b>2013 TOTAL</b>	<u><u>384,103</u></u>	<u><u>85,208</u></u>	<u><u>79,946</u></u>	<u><u>298,895</u></u>
<b>2012 TOTAL</b>	<u><u>277,455</u></u>	<u><u>5,262</u></u>	<u><u>5,262</u></u>	<u><u>272,193</u></u>

**7. OTHER ASSETS**

	2013	2012
	\$	\$
Stock - Passbooks	10,080	5,459
Stock - Receipt books	6,950	9,750
Rental bond - head office	47,540	13,000
Rental bond - staff accommodation	-	17,000
Prepaid Expenses	21,126	10,700
	<u><u>85,696</u></u>	<u><u>55,909</u></u>

**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 2013**

**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>2013</u>	<u>2012</u>
	<u>Number of saving accounts</u>	<u>\$</u>	<u>\$</u>
Clients Saving Balances	1901	<u>1,125,114</u>	<u>4,500</u>

**9. ACCOUNTS PAYABLE**

Accounts payable - holding company	148,194	118,926
Accounts payable - related entities	467,807	325,964
Accounts payable - other	299,255	35,134
Employee deductions payable - PAYE, NPF and Basic rates	<u>135,529</u>	<u>193,512</u>
	<u>1,050,785</u>	<u>673,536</u>

**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 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>10. SOFT LOANS</b>		
MicroDreams Foundation	1,582,608	243,902
SPBD Micro Finance Holdings	2,804,673	-
<b>Total</b>	<u>4,387,281</u>	<u>243,902</u>
Soft Loans-Current	246,305	-
Soft Loans-Long Term	4,140,976	243,902
<b>Total</b>	<u>4,387,281</u>	<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 31/12/2013 (SBD)	Interest Repayment (SBD)
24-Dec-12	NZD	40,000	7.50%	15/11/2014	1.75	232,693	13,612	246,305	20,918
22-Jun-13	USD	100,000	9.50%	30/06/2017	3.16	719,094	23,297	742,391	37,628
4-Nov-13	USD	80,000	9.50%	31/10/2017	2.95	583,070	10,842	593,912	7,529
<b>Total</b>						<b>1,534,857</b>	<b>47,751</b>	<b>1,582,608</b>	<b>66,075</b>

**SPBD Micro-Finance Holdings**

The loans with SPBD Micro-Finance 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)	Foreign Currency movement	Balance 31/12/2013 (SBD)	Interest Repayment (SBD)
18-Jan-13	SBD	980,226	9.00%	15/06/2017	2.63	980,236	-	980,236	94,597
8-Feb-13	AUD	50,000	7.00%	15/12/2017	3.07	370,645	(39,300)	331,345	30,681
8-Feb-13	USD	20,000	7.00%	15/12/2017	3.07	144,803	3,675	148,478	13,594
8-Feb-13	SBD	231,027	9.00%	15/12/2017	3.07	231,027	-	231,027	21,068
8-Apr-13	USD	50,000	8.00%	30/06/2016	2.72	362,562	8,633	371,195	25,601
15-Aug-13	USD	100,000	9.50%	31/12/2017	3.38	719,384	23,008	742,392	31,359
<b>Total</b>						<b>2,808,657</b>	<b>(3,984)</b>	<b>2,804,673</b>	<b>216,900</b>

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>11. ISSUED CAPITAL</b>		
SPBD Microfinance Holdings (Singapore) Pte Limited:		
Opening Balance	1,047,425	-
Equity injection - nil (2012: 1,047,425) ordinary shares	-	1,047,425
Closing balance	<u>1,047,425</u>	<u>1,047,425</u>

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
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	<u>2013</u>	<u>2012</u>
	\$	\$
<b>12. TAXATION</b>		
<b>(a) Income tax expense</b>		
Income tax expense is 30% of taxable income for the financial period, or 0.5% of revenue if there is a taxable loss		
Net surplus/(deficit) per the profit and loss account	(2,807,206)	(1,066,873)
<i>Add: Non deductible expenses</i>		
Depreciation for accounting purposes	79,946	5,262
Life insurance reserve	12,033	-
Loan loss provision	20,090	-
Tax penalties	188	-
Unrealised exchange loss	19,855	11,209
	(2,675,094)	(1,050,402)
<i>Less: Deductible expenses</i>		
Tax loss carried forward	1,119,766	-
Depreciation for taxation purposes	78,685	69,364
Taxable income / (loss)	(3,873,545)	(1,119,766)
Income tax expense - turnover tax	4,629	-
	(2,871)	-
<b>(b) Provision for income tax / Income tax refundable</b>		
Provision for income tax / (Income tax refundable) at beginning of period	-	-
Income tax expense	4,629	-
Less: Provisional tax paid	(7,500)	-
Provision for income tax / (Income tax refundable) at end of period	(2,871)	-
	(2,871)	-
<b>(c) Income tax losses</b>		

The estimated income tax losses available to be carried forward at 31st December, 2013 amounted to \$3,873,545 (2012: \$1,119,766). The benefit of this loss which at the rates prevailing at balance date amounted to \$1,162,064 (2012: \$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.

**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 USD20,095 is owing at 31st December 2013 (2012: USD16,055) 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 USD63,994 (2012: USD42,291) is owing to Transformative Ventures LLC and a balance of FJDnil (2012: FJD3,048) is owing to SPBD Microfinance (Fiji) Ltd at 31st December 2013 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. 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.

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
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NOTES TO AND FORMING PART OF THE ACCOUNTS  
for the year ended 31st December 2013**

**15. CAPITAL COMMITMENTS**

There were no capital commitments as at 31st December 2013 (2012: \$nil).

**16. 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 2013 (2012: \$nil).

**17. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31st December 2013 (2012: \$nil).

**18. GOING CONCERN**

The company is in its first year of full operations and has a deficiency in equity of \$2,831,283 at 31st December 2013. 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.