

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2015**

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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, 2015 together with his annual report.

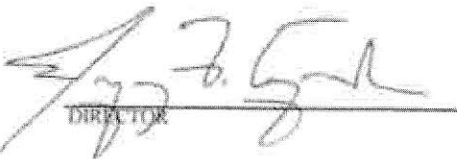
The accompanying balance sheet and accounts on pages 3 to 13 show that operations for the year ended 31st December 2015 resulted in a deficit of \$3,620,185 (2014: deficit of \$3,132,443) after charging income tax of \$18,548 (2014: \$8,926). These accounts have been prepared under the supervision of 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 2015 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2015 (2014: \$nil).

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

Dated at Honiara this 31st day of March 2016.

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 2015 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 12.

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.

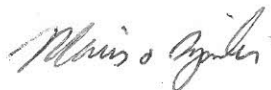
Opinion

In our opinion:

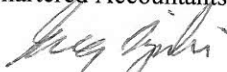
- (a) the accompanying financial statements are in agreement with the books of account kept by the company and are properly drawn up:
 - (i) so as to give a true and fair view of the financial position of the company as of 31st December 2015, and of its financial performance and its cash flows for the 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 31st December 2015.
- (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: 19th May 2016
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED**
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2015

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash on hand and in bank	3	1,912,714	527,244
Loan portfolio outstanding	4	7,314,315	3,556,579
Receivables	5	2,280	-
Other assets	7	246,862	127,780
Total current assets		<u>9,476,171</u>	<u>4,211,603</u>
Fixed assets			
Fixed assets	6	761,263	644,336
Less: Accumulated depreciation	6	(310,135)	(181,314)
Net fixed assets		<u>451,128</u>	<u>463,022</u>
TOTAL ASSETS		<u>9,927,299</u>	<u>4,674,625</u>
LIABILITIES			
Current liabilities			
Clients' savings deposits	8	3,368,438	1,541,961
Accounts payable	9	499,766	1,189,018
Vehicle loan-current	10 (a)	64,738	87,807
Kiva loan	10 (b)	268,212	-
Soft loans -current	10 (c)	2,209,455	560,731
Life insurance reserve	4	43,088	27,419
Provision for income tax	12(b)	11,048	1,426
Total current liabilities		<u>6,464,745</u>	<u>3,408,362</u>
Non Current liabilities			
Vehicle loan- non -current	10(a)	57,072	98,567
Soft loans - non-current	10 (c)	12,989,393	7,131,422
Total non-current liabilities		<u>13,046,465</u>	<u>7,229,989</u>
TOTAL LIABILITIES		<u>19,511,210</u>	<u>10,638,351</u>
NET ASSETS / (LIABILITIES)		<u>(9,583,911)</u>	<u>(5,963,726)</u>
EQUITY			
Issued capital	11	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		(10,631,336)	(7,011,151)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		<u>(9,583,911)</u>	<u>(5,963,726)</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 13.


 Gregory E. Casagrande
 Director

Date: 31/3/2016

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

PROFIT AND LOSS ACCOUNT for the year ended 31st December 2015

		<u>2015</u>	<u>2014</u>
	<u>Note</u>	\$	\$
Financial Income			
Interest on loans		2,495,209	1,369,947
Development fees		323,602	176,428
Loan insurance fees		158,904	88,214
Life insurance fees		133,154	78,340
Savings withdrawal fees		41,549	54,270
Other non-operating income		434,203	11,497
Miscellaneous income		3,430	3,268
Savings passbook issuance fees		20,245	3,200
Spouse Loan Insurance fee		34,212	-
Commision Solar Sales		48,098	-
Commision air-time		2,856	-
Total Financial Income		<u>3,695,462</u>	<u>1,785,164</u>
Gain on Sale of Assets		14,309	-
Financial Expenses			
Interest and fees on borrowed funds		1,311,856	688,336
Foreign exchange loss		685,100	242,974
Total financial expenses		<u>1,996,956</u>	<u>931,310</u>
NET FINANCIAL INCOME		<u>1,712,815</u>	<u>853,854</u>
Loan loss provision and write-offs	4	61,814	68,668
Life insurance reserve		56,148	27,419
Other provisions & write-offs	5	-	20,392
NET FINANCIAL MARGIN		<u>1,594,853</u>	<u>737,375</u>
Operating Expenses			
Bank charges		12,654	6,341
Computer support system		17,125	16,747
Conference and meetings		9,050	11,579
Depreciation	6	157,132	96,106
Electricity and water		54,350	70,904
Financial Literacy training expenses		-	2,652
Insurance		6,756	17,072
Management fees and subscriptions		5,595	1,250
Office expenses		124,893	59,622
Postage, telephone and communications		118,287	90,891
Printing and office stationeries		123,320	88,107
Professional services		1,349,735	686,513
Public relations and advertisements		8,345	10,140
Rentals		604,396	561,797
Repairs and maintenance		81,712	49,361
Registration fees		-	27,667
Salaries and benefits		2,060,504	1,615,495
Mis-appropriation loss		14,450	-
Tax penalties		(37)	500
Transportation, fuel, oil		160,705	107,873
Travel		287,518	340,275
Total Operating Expenses		<u>5,196,490</u>	<u>3,860,892</u>
Net surplus / (deficit) before taxation		<u>(3,601,637)</u>	<u>(3,123,517)</u>
Income tax expense	12(a)	18,548	8,926
		<u>(3,620,185)</u>	<u>(3,132,443)</u>
Shareholders funds / (Deficit in shareholders funds) at the beginning of the financial year		<u>(7,011,151)</u>	<u>(3,878,708)</u>
Shareholders funds / (Deficit in shareholders funds) at the end of the financial year		<u>(10,631,336)</u>	<u>(7,011,151)</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 2015

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		\$	\$
Cash flows from operating activities			
Net surplus / (deficit) after tax		(3,620,185)	(3,132,443)
Adjustment for non-cash items:			
Depreciation		157,132	96,106
Foreign exchange loss		685,100	242,974
Loan loss provision		61,814	80,166
Gain on sale of fixed assets		(14,309)	-
(Increase) / decrease in operating assets:			
Gross loan portfolio		(3,839,941)	(1,414,286)
Gross receivables		18,112	(16,035)
Other assets		(119,082)	(42,084)
Increase / (decrease) in operating liabilities:			
Client savings deposits		1,826,477	416,846
Accounts payable		(497,566)	(192,008)
Accrued interest payable		(191,686)	330,241
Provision for income tax		9,622	4,297
Life insurance reserve		15,669	15,386
Net cash flows from / (used in) operating activities		<u>(5,508,843)</u>	<u>(3,610,840)</u>
Cash flows from investing activities			
Proceeds from disposal of fixed assets		29,000	-
Purchase of fixed assets		(159,929)	(260,233)
Net cash flows from / (used in) investing activities		<u>(130,929)</u>	<u>(260,233)</u>
Cash flows from financing activities			
Proceeds from borrowing - Kiva loan		239,105	-
Proceeds from borrowing - Soft loans		7,471,918	3,156,495
Proceeds from borrowing - Credit Corporation loan		-	193,694
Repayments of borrowing - Soft loans		(555,445)	(121,655)
Repayments of borrowing - Credit Corporation loan		(64,563)	(7,317)
Net cash flows from / (used in) financing activities		<u>7,091,015</u>	<u>3,221,217</u>
Net increase / (decrease) in cash and cash equivalents		1,451,243	(649,856)
Cash and cash equivalents at the beginning of the financial year		527,244	1,177,463
Foreign currency account translation adjustment		(65,773)	(363)
Cash and cash equivalents at the end of the financial year	3	<u>1,912,714</u>	<u>527,244</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 2015**

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 2015**

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)	0.1220
Exchange rate used at balance sheet date	(SBD/NZD)	0.1777
Exchange rate used at balance sheet date	(SBD/AUD)	0.1672

(i) Comparative figures

The financial statements are prepared for the year end 31st December 2015 with comparative figures for the year end 31st December 2014.

(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 2015**

	<u>2015</u> \$	<u>2014</u> \$
3. CASH ON HAND AND IN BANK		
<i>Cash on hand</i>		
Petty cash imprest	10,000	10,000
SUB-TOTAL	10,000	10,000
<i>Cash in bank</i>		
BSP-Term Deposit	500,000	-
BSP Central 2000195905	580,163	464,720
ANZ bank account AUD 4934797	587,332	9,593
ANZ bank account 4926628	235,219	42,931
SUB-TOTAL	1,902,714	517,244
TOTAL	1,912,714	527,244
 4. LOAN PORTFOLIO		
LOAN RECEIVABLES		
Opening balance	3,556,579	2,174,648
Total loan disbursements	16,369,335	8,447,800
Less: Total principal loan repayments	(12,497,340)	(6,977,111)
Less: Loan write-offs	(54,923)	(36,313)
Gross Loan Portfolio	7,373,651	3,609,024
Less: Loan loss reserve	(59,336)	(52,445)
Net Loan Portfolio	7,314,315	3,556,579
GROSS LOAN PORTFOLIO		
Opening balance	3,556,579	2,174,648
Loan disbursement	16,369,335	8,447,800
Less: Loan repayments	(12,497,340)	(6,977,111)
Less: Loan write-offs	(54,923)	(36,313)
SPBD Gross Loan Portfolio	7,373,651	3,609,024
No. of Loans Outstanding		
SPBD Group Loan Product	3,215	1,616

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%	215,488	10,774
5 weeks to 8 weeks late(30 to 60 days late)	10%	16,093	1,609
9 weeks to 12 weeks late(60 to 90 days late)	25%	11,984	2,996
13 weeks to 16 weeks late(90 to 120 days late)	50%	3,604	1,802
17 weeks to 20 weeks late(120 to 150 days late)	75%	4,550	3,413
21 weeks or more(150+ days)	100%	38,742	38,742
TOTAL PROVISIONING AS OF 31 DECEMBER 2015		290,461	59,336

**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 2015

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 2015 were considered and approved by the Director.

Portfolio Quality

Loan Types	31-Dec-15				31-Dec-14			
	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)	# of Accounts	Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans	3,215				1,616			
Current	2,851	6,945,978			1,023	3,259,557		
1-4 weeks late	133	215,488			505	241,834		
5-8 weeks late	8	16,093	16,093	0.22%	12	26,268	26,268	0.73%
9-12 weeks late	4	11,984	11,984	0.16%	4	7,568	7,568	0.21%
13-16 weeks late	1	3,604	3,604	0.05%	1	2,330	2,330	0.06%
17-20 weeks late	1	4,550	4,550	0.00%	-	-	-	0.00%
Over 21 weeks late	63	38,742	38,742	0.53%	64	33,958	33,958	0.94%
Sub-total	3,061	7,236,439	74,973	0.96%	1,609	3,571,515	70,124	1.94%
Solar Loans								
Current	142	110,017						
Over 4 weeks in arrears								
Sub-total	142	110,017						
Staff Loans								
Current	12	27,197	-	-	7	37,509	-	-
Over 4 weeks in arrears			-	-			-	-
Grand Total	3,215	7,373,653	74,973	0.96%	1,616	3,609,024	70,124	1.94%

	2015	2014
	\$	\$
Movement in Loan Loss Reserve		
Loan reserve, 1 January	52,445	20,090
Loan loss provision expense for the year	61,814	68,668
Less: Loans written-off during the year	(54,923)	(36,313)
Loan reserve, 31 December	<u>59,336</u>	<u>52,445</u>
Movement in Life Insurance Reserve		
Life insurance reserve, 1 January	27,419	12,033
Life insurance provision for the year	21,419	15,386
Less: Loans written-off during the year	(5,750)	-
Life insurance reserve, 31 December	<u>43,088</u>	<u>27,419</u>
5. RECEIVABLES		
Other receivables	2,280	20,392
Less: Write-offs	-	(20,392)
	<u>2,280</u>	<u>-</u>
6. FIXED ASSETS		

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	43,931	16,854	5,492	27,077
Computer equipment and peripherals	132,410	69,587	28,600	62,823
Motor vehicles	435,691	171,627	103,048	264,064
Office equipment	111,431	23,320	10,542	88,111
Software and electronic system	37,800	28,747	9,450	9,053
2015 TOTAL	761,263	310,135	157,132	451,128
2014 TOTAL	644,336	181,314	96,106	463,022

	2015	2014
7. OTHER ASSETS		
Stock - Passbooks	40,128	9,564
Stock - Receipt books	16,800	8,200
Rental bond - head office	76,540	72,540
Staff advances	3,042	8,160
Prepaid expenses	109,132	29,316
Air-Time Stock	1,220	-
	<u>246,862</u>	<u>127,780</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 2015**

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>Number of saving accounts</u>	<u>2015</u> \$	<u>2014</u> \$
Clients saving balances	4644 (2014: 2930)	3,368,438	1,541,961

9. ACCOUNTS PAYABLE

Accounts payable - holding company	-	161,978
Accounts payable - related entities	-	358,241
Accounts payable - other	235,156	165,124
Employee deductions payable - PAYE, NPF and Basic rates	126,055	173,434
Accrued interest payable	138,555	330,241
	499,766	1,189,018

10. BORROWINGS

10 (a) VEHICLE LOAN

Credit Corporation	121,810	186,374
Vehicle loan - current	64,738	87,807
Vehicle loan - long term	57,072	98,567
Total	121,810	186,374

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

	268,212	-
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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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	<u>2015</u>	<u>2014</u>
	\$	\$
10. BORROWINGS - cont'd		
10 (c) SOFT LOANS		
MicroDreams Foundation	3,595,197	2,447,289
SPBD Micro Finance Holdings	11,603,651	5,244,864
Total	15,198,848	7,692,153
Soft Loans - current	2,209,455	560,731
Soft Loans - long term	12,989,393	7,131,422
Total	15,198,848	7,692,153

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)	Beginning balance 1/01/2015	Principal repayment	Foreign currency movement	Balance 31/12/2015 (SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2015 (SBD)	
24-Dec-12	NZD	40,000	7.50%	30-Sep-15	1.75	123,153	121,877	104,548	(17,329)		13,077	-	
22-Jun-13	USD	100,000	9.50%	30-Jun-17	3.16	719,094	775,194	-	44,478	819,672	76,813	3,459	
4-Nov-13	USD	80,000	9.50%	31-Oct-17	2.95	583,070	620,155	-	35,583	655,738	61,222	2,724	
23-Sep-14	USD	60,000	8.50%	31-Mar-18	3.45	442,478	465,116	-	49,325	491,803	41,046	10,451	
19-Nov-14	USD	60,000	8.50%	30-Jun-18	3.57	445,434	464,947	-	46,369	491,803	35,684	10,335	
3-Mar-15	SBD	770,396	11.50%	31-Mar-18	2.95	770,396	-	-	0	770,396	-	70,138	
17-Sep-15	NZD	65,000	9.00%	30-Sep-19	3.45	328,375	-	-	37,410	365,785	-	8,871	
						Total	3,412,000	2,447,289	104,548	195,835	3,595,197	227,842	105,978

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)	Balance 1/1/2015 (SBD)	Principal repayment	Foreign currency movement	Balance 31/12/2015 (SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2015 (SBD)	
18-Jan-13	SBD	980,226	9.00%	15-Jun-17	2.63	980,236	980,236	245,056	-	735,180	84,536	2,900	
8-Feb-13	AUD	50,000	7.00%	15-Dec-17	3.07	370,645	317,864	-	(18,821)	299,043	26,824	-	
8-Feb-13	USD	20,000	7.00%	15-Dec-17	3.07	144,803	155,039	-	8,895	163,934	14,342	648	
8-Feb-13	SBD	231,027	9.00%	15-Dec-17	3.07	231,027	231,027	-	-	231,027	20,565	911	
8-Apr-13	USD	50,000	8.00%	30-Jun-16	2.72	362,562	387,597	205,841	23,162	204,918	32,056	-	
15-Aug-13	USD	100,000	9.50%	31-Dec-17	3.38	719,384	775,194	-	44,477	819,671	76,543	-	
12-Feb-14	NZD	120,000	9.00%	1-Dec-17	2.30	712,345	731,261	-	(37,050)	675,295	60,782	5,160	
14-Feb-14	USD	40,000	9.00%	31-Dec-17	3.38	291,525	310,078	-	36,343	327,868	29,516	-	
28-May-14	USD	125,000	9.00%	31-Dec-18	2.60	903,179	968,992	-	121,411	1,024,590	92,070	-	
15-Aug-14	USD	50,000	8.00%	30-Jun-19	4.38	361,533	387,576	-	48,303	409,836	32,300	-	
5-Feb-15	USD	200,000	8.50%	30-Jun-20	5.42	1,533,722	-	-	105,621	1,639,343	127,307	-	
7-Apr-15	USD	100,000	8.50%	31-Dec-19	4.76	773,974	-	-	45,698	819,672	52,328	-	
23-Apr-15	USD	200,000	8.00%	30-Nov-18	3.63	1,533,646	-	-	105,697	1,639,343	87,386	5,745	
15-Sep-15	USD	100,000	8.50%	31-Dec-18	3.30	798,642	-	-	21,030	819,672	20,359	-	
2-Dec-15	AUD	300,000	11.00%	31-Mar-21	5.34	1,803,969	-	-	(9,710)	1,794,259	-	16,764	
						Total	11,521,192	5,244,864	450,897	495,056	11,603,651	756,914	32,128

	<u>2015</u>	<u>2014</u>
	\$	\$
11. ISSUED CAPITAL		
SPBD Microfinance Holdings (Singapore) Pte Limited:		
Opening balance	1,047,425	1,047,425
Movement during the year	-	-
Closing balance	1,047,425	1,047,425

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	<u>2015</u>	<u>2014</u>
	\$	\$
12. TAXATION		
(a) Income tax expense		
Income tax expense is 30% of taxable income for the financial year, or 0.5% of revenue if there is a taxable loss		
Net surplus/(deficit) per the profit and loss account	(3,601,637)	(3,123,517)
<i>Add: Non deductible expenses</i>		
Depreciation for accounting purposes	157,132	96,106
Life insurance reserve	15,669	15,386
Loan loss provision	6,891	32,355
Tax penalties	(37)	500
Unrealised exchange loss	442,126	211,910
	<u>(2,979,856)</u>	<u>(2,767,260)</u>
<i>Less: Deductible expenses/non-assessable revenue</i>		
Tax loss carried forward	6,764,877	3,873,545
Depreciation for taxation purposes	125,786	124,072
Profit on disposal of fixed assets	14,309	
Taxable income / (loss)	<u>(9,884,828)</u>	<u>(6,764,877)</u>
Income tax expense - turnover tax	<u>18,548</u>	<u>8,926</u>
(b) Provision for income tax		
Provision for income tax / (Income tax refundable) at beginning of year	1,426	(2,871)
Add: Income tax expense	18,548	8,926
Less: Tax paid during the year	<u>(8,926)</u>	<u>(4,629)</u>
Provision for income tax at end of year	<u>11,048</u>	<u>1,426</u>
(c) Income tax losses		
The estimated income tax losses available to be carried forward at 31st December, 2015 amounted to \$9,884,828 (2014: \$6,764,877). The benefit of this loss which at the rates prevailing at balance date amounted to \$2,965,448 (2014: \$2,029,463) 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.

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.

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.

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15. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2015 (2014: \$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 2015 (2014: \$nil).

17. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2015 (2014: \$nil).

18. GOING CONCERN

The company has a deficiency in equity of \$9,583,111 at 31st December 2015. 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.