

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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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, 2019 together with his annual report.

The accompanying balance sheet and accounts on pages 3 to 15 show that operations for the year ended 31st December 2019 resulted in a deficit of \$1,938,143 (2018: deficit of \$1,255,685) after charging income tax of \$20,000 (2018: \$20,000). 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 2019 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2019 (2018: \$nil).

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

Dated at Honiara this 26th day of March 2020.

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 31st December 2019 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 15.

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.

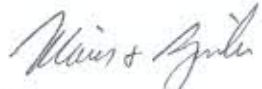
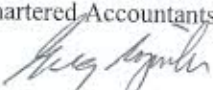
Opinion

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 2019, 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 2019.
- (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 20 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: 31 March 2020
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED**
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2019

	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Cash on hand and in bank	4	1,459,231	1,090,670
Loan portfolio outstanding	5	11,114,883	7,217,360
Receivables	6	18,447	12,133
Other assets	7	269,093	128,044
Total current assets		12,861,654	8,448,207
Fixed assets			
Fixed assets	8	2,916,591	1,248,100
Less: Accumulated depreciation	8	(1,119,525)	(872,256)
Net fixed assets		1,797,066	375,844
TOTAL ASSETS		14,658,720	8,824,051
LIABILITIES			
Current liabilities			
Clients' savings deposits	9	3,339,901	3,255,718
Accounts payable	10	441,718	762,136
Kiva loan	11(a)	2,472,911	1,088,614
Soft loans -current	11(b)	-	3,869,569
Death benefit reserve	12(a)	40,179	22,565
Spousal death benefit reserve	12(b)	56,324	41,423
Provision for income tax	13(b)	20,000	20,000
Lease Liability	16	540,000	-
Total current liabilities		6,911,033	9,060,025
Non Current liabilities			
Lease Liability-Building	16	257,327	-
Whole Planet - non - current	11(c)	4,338,178	2,442,047
Soft loans - non-current	11(b)	22,287,927	14,519,581
Total non-current liabilities		26,883,432	16,961,628
TOTAL LIABILITIES		33,794,465	26,021,653
NET ASSETS / (LIABILITIES)		(19,135,745)	(17,197,602)
EQUITY			
Issued capital	14	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		(20,183,170)	(18,245,027)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		(19,135,745)	(17,197,602)

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 15.


 Date: 26/March/2020
 Gregory F. Casagrande
 Director

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

PROFIT AND LOSS ACCOUNT for the year ended 31st December 2019

	Note	2019 \$	2018 \$
Financial Income			
Interest on loans		4,000,220	4,497,237
Development fee		600,272	407,352
Loan security fee		395,638	246,828
Death benefit fee		125,650	64,469
Savings withdrawal fees		65,055	66,439
Other non-operating income		15,073	11,223
Savings passbook issuance fees		1,650	1,820
Spousal death benefit fee		155,489	112,884
Commission solar sales		-	1,217
Resignation fees		450	-
Financial booklet issuance fee		39,038	21,600
Loan write-off recoveries		35,614	-
Total Financial Income		<u>5,434,149</u>	<u>5,431,069</u>
Foreign exchange gains/(loss)		(385,597)	90,808
LESS : Financial Expenses			
Interest and fees on borrowed funds		740,118	861,264
Loss/ (Gain) on sale of fixed assets		(38,928)	8,115
Total financial expenses		<u>701,190</u>	<u>869,379</u>
NET FINANCIAL INCOME		<u>4,347,362</u>	<u>4,652,498</u>
LESS : Provisions and write-offs			
Loan loss provision and write-offs	5	57,536	619,390
Death benefit reserve	12(a)	38,614	(36,255)
Other provisions and write-offs	12(b)	38,901	21,690
Bad debts expense		-	7,304
NET FINANCIAL MARGIN		<u>4,212,311</u>	<u>4,040,369</u>
Operating Expenses			
Bank charges		18,320	13,999
Computer support system		59,322	100,673
Conference and meetings		48,225	2,817
Depreciation	8	247,684	247,483
Amortisation-right of use assets	8	206,244	-
Electricity and water		115,837	86,783
Events and festivals		13,650	19,495
Insurance		86,404	68,486
Marketing and advertisement		14,713	1,610
Management fees and subscriptions		2,242	775
Office expenses		189,577	599,139
Postage, telephone and communications		361,463	237,812
Printing and office stationeries		212,758	74,689
Professional services (audit, legal, other professional)		261,466	-
Management services		11,336	-
Interest expense-lease liability		32,352	-
Rentals		1,082,619	690,477
Repairs and maintenance		187,775	179,917
Registration fees		25,206	7,706
Salaries and benefits		2,182,132	1,883,549
Tax penalties		2,550	-
Transportation, fuel, oil		356,018	529,139
Travel		412,561	531,505
Total Operating Expenses		<u>6,130,454</u>	<u>5,276,054</u>
Net surplus / (deficit) before taxation		<u>(1,918,143)</u>	<u>(1,235,685)</u>
Income tax expense	13(a)	20,000	20,000
		<u>(1,938,143)</u>	<u>(1,255,685)</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 7 to 15.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED**
COMPANY NUMBER: 20129967
STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2019

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 January 2018	1,047,425	(16,989,342)	(15,941,917)
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(1,255,685)	(1,255,685)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,255,685)	(1,255,685)
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2018	1,047,425	(18,245,027)	(17,197,602)
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(1,938,143)	(1,938,143)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,938,143)	(1,938,143)
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	-	-	-
Balance at 31 December 2019	1,047,425	(20,183,170)	(19,135,745)

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 15.

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

STATEMENT OF CASH FLOWS for the year ended 31st December 2019

Note	2019 \$	2018 \$
Cash flows from operating activities		
Funds advanced to customers	(19,929,978)	(14,454,374)
Funds repayment by customers	16,106,755	19,184,379
Interest received on loans	4,000,220	4,497,237
Other receipts	1,433,929	933,832
Interest payments on deposits	(741,968)	(1,192,713)
Cash payments to employees and suppliers	(6,286,940)	(6,378,619)
Income taxes paid	(20,000)	(20,000)
	<u>(5,437,982)</u>	<u>2,569,742</u>
Net cash flows from / (used in) operating activities		
Cash flows from investing activities		
Proceeds from sale of assets	38,928	-
Purchase of fixed assets	(885,176)	(61,530)
	<u>(846,248)</u>	<u>(61,530)</u>
Net cash flows from / (used in) investing activities		
Cash flows from financing activities		
Proceeds from borrowing - Kiva loan	1,613,080	86,452
Proceeds from borrowing - Soft loans	4,039,463	578,512
Proceeds from borrowing - Whole Planet Foundation	1,896,131	-
Repayments of borrowing-Kiva	(228,782)	(1,257,517)
Repayments of borrowing - Soft loans	(526,284)	(800,106)
Lease payments	(225,000)	-
Member savings net Deposit/(Withdrawal)	84,183	(1,541,331)
	<u>6,652,791</u>	<u>(2,933,990)</u>
Net cash flows from / (used in) financing activities		
	368,561	(425,778)
Net increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	<u>1,090,670</u>	<u>1,516,448</u>
Cash and cash equivalents at the end of the financial year	<u>1,459,231</u>	<u>1,090,670</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 15.

**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 2019**

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. It's main office is located in Mataniko River Plaza, Chinatown 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
Leasehold & Improvements	8 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 3% 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 Security Fee - 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 security fee of 2% of the loan principal is deducted from the loan proceeds.
- iv. Death Benefit Fee - SPBD offers a Death Benefit 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 death benefit fee is deducted from the loan proceeds and is based on the period of 50 weeks for \$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 2019

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)	0.1200
Exchange rate used at balance sheet date	(SBD/NZD)	0.1780
Exchange rate used at balance sheet date	(SBD/AUD)	0.1715

(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.

(l) 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.

(m) New amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(n) IFRS 16 Leases

The Company has adopted the new accounting pronouncement IFRS 16 which has become effective this year. IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application.

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for high value leases and has elected not to recognise right-of-use assets and lease liabilities for other leases of low value assets based on the value of underlying asset when new or for short-term leases with a lease term of 12 months or less.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to separately account for the service elements from the lease elements, i.e. it does not allocate any amount of the contractual payments to, and separately accounts for, any services provided by the supplier as part of the contract. The service components of the contract are recognised in the profit and loss on a straight-line basis. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 8.5 %

**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 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

(o) Leases

The Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.
- b) the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in-advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if the rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in- substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(p) The Company as a lessor

The company does not lease any property as a lessor.

3. CRITICAL ACCOUNTING ESTIMATE/JUDGEMENT

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans

The Company reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Extension options for leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

**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 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
4. CASH ON HAND AND IN BANK		
<i>Cash on hand</i>		
Savings imprest reserve	573	11,572
Petty cash imprest	618	1,520
SUB-TOTAL	1,191	13,092
<i>Cash in bank</i>		
ANZ SBD account	220,493	(55,285)
BSP SBD account	420,970	21,478
BSP Gizo SBD account	149	290
BSP Munda SBD account	480	10,698
ANZ AUD account	119	2,092
ANZ USD account	336	578,305
BSP-Term Deposit	540,800	520,000
BSP-Operating Account	274,693	-
SUB-TOTAL	1,458,040	1,077,578
TOTAL	1,459,231	1,090,670
5. LOAN PORTFOLIO		
LOAN RECEIVABLES		
Accumulative since inception	114,056,728	93,894,455
Total Loan disbursements	(101,279,771)	(85,072,553)
Less: Total principal loan repayments since inception	(1,504,035)	(1,372,203)
Less: Loan write-offs	11,272,922	7,449,699
Gross Loan Portfolio	11,272,922	7,449,699
Less: Loan loss reserve	(158,039)	(232,339)
Net Loan Portfolio	11,114,883	7,217,360
No. of Loans Outstanding		
SPBD Group Loan Product	2,773	1,966

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	Gizo	Total	Loan Loss Prov. Amt
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	
1 week to 4 weeks late (<30 days)	5%	144,532	-	3,360	147,892	7,395
5 weeks to 8 weeks late(30 to 60 days late)	10%	94,853	-	-	94,853	9,485
9 weeks to 12 weeks late(60 to 90 days late)	25%	-	-	-	-	-
13 weeks to 16 weeks late(90 to 120 days late)	50%	-	-	-	-	-
17 weeks to 20 weeks late(120 to 150 days late)	75%	-	-	-	-	-
21 weeks or more(150+ days)	100%	140,317	-	842	141,159	141,159
TOTAL PROVISIONING AS OF 31 DECEMBER 2019		379,702	-	4,202	383,904	158,039

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5. 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 company Director upon review of the recommendations of the General Manager. The amount of write-offs for 2019 were considered and approved by the Director.

Loan Types	# of Accounts	31-Dec-19			# of Accounts	31-Dec-18		
		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans								
Current	2593	10,702,842			1198	4,865,150		
1-4 weeks late	24	147,892			517	2,275,506		
5-8 weeks late	20	94,853	94,853	0.84%	10	42,084	42,084	0.56%
9-12 weeks late		-	-	-	4	18,222	18,222	0.24%
13-16 weeks late		-	-	-	1	2,656	2,656	0.04%
17-20 weeks late		-	-	-	1	2,373	2,373	0.03%
Over 21 weeks late	67	141,159	141,159	1.25%	126	61,248	61,248	0.82%
Sub-total	2,704	11,086,746	236,012	2.09%	1,857	7,267,239	126,583	1.70%
Solar Loans								
Current					1	5		
Over 4 weeks in arrears					24	9,480	9,480	99.95%
Sub-total					25	9,485	9,480	99.95%
Higher Education Loan								
Current	43	72,647			23	16,972		
1-4 weeks late					21	24,466		
5-8 weeks late			-	-	1	4,136	4,136	8.35%
17-20 weeks late			-	-	6	3,985	3,985	8.04%
Sub-total	43	72,647	-	-	51	49,559	8,121	16.39%
Staff Loans								
Current	26	113,529			23	96,406		
1-4 weeks in arrears					3	10,959		
Over 4 weeks in arrears			-	-	7	16,051	16,051	13.01%
Sub-total	26	113,529	-	-	33	123,416	16,051	13.01%
Grand Total	2,773	11,272,922	236,012	2.09%	1,966	7,449,699	160,235	2.15%

	2019	2018
	\$	\$
Movement in Loan Loss Reserve		
Loan reserve, 1 January	232,339	644,103
Loan loss provision expense for the year	57,532	619,390
Less: Loans written-off during the year	(131,832)	(1,031,154)
Loan reserve, 31 December	<u>158,039</u>	<u>232,339</u>
6. RECEIVABLES		
Other receivables	18,447	12,133
	<u>18,447</u>	<u>12,133</u>
7. OTHER ASSETS		
Staff advances	4,778	18,360
Less: Provision for doubtful staff advances	-	7,304
	<u>4,778</u>	<u>11,056</u>
Stock - Passbooks	53,924	931
Stock - Receipt books	33,810	23,265
Rental bond - head office	132,000	75,540
Prepaid expenses	44,581	17,252
	<u>269,093</u>	<u>128,044</u>

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Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Leasehold improvements	341,960	17,810	17,810	324,150
Furniture and fixtures	204,647	70,341	19,464	134,306
Computer equipment and peripherals	297,885	193,751	56,411	104,134
Motor vehicles	815,031	473,497	126,206	341,534
Office equipment	203,945	94,734	23,274	109,211
Software and electronic system	63,148	63,148	4,519	-
Building-Right of Use	989,975	206,244	206,244	783,731
2019 TOTAL	2,916,591	1,119,525	453,928	1,797,066
2018 TOTAL	1,248,100	872,256	247,483	375,844

9. 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:

		2019 \$	2018 \$
	<u>Number of saving accounts</u>		
Clients saving balances	7,994 (2018: 6,994)	3,339,901	3,255,718

10. ACCOUNTS PAYABLE

Accrued Interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Limi	49,078	-
Accrued Interest-Gregory F Casagrande	-	50,117
Accounts payable - other	276,841	554,446
Employee deductions payable - PAYE, NPF and Basic rates	62,207	53,053
Accrued Interest - Microdreams	53,592	104,520
	441,718	762,136

11(a) KIVA LOAN

Kiva loan - non-current	2,472,911	1,088,614
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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>2019</u>	<u>2018</u>
	\$	\$
11. BORROWINGS - cont'd		
11(b) SOFT LOANS		
MicroDreams Foundation	1,432,474	1,958,758
SPBD Micro Finance Holdings	20,855,453	16,430,392
Total	22,287,927	18,389,150
Soft Loans - current	-	3,869,569
Soft Loans - long term	22,287,927	14,519,581
Total	22,287,927	18,389,150

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. Loans were re-structured during the year, extending the Principal repayments to 2023.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2019	Principal repayment	Balance 31/12/2019 (SBD)	Interest repayment (SBD)2019	Interest payable as at 31/12/2019 (SBD)
1-Aug-19	USD	128,052	8.50%	30/09/2023	4.00	1,067,100	1,596,842	-	1,067,100	-	37,792
1-Oct-19	NZD	65,000	8.50%	31/12/2023	4.50	344,462	361,915	-	365,374	-	7,263
Total						1,411,562	1,958,757		1,432,474		45,554

SPBD MicroFinance Holdings (Singapore) Pty Limited

The loans with SPBD MicroFinance Holdings (Singapore) Pty Limited are unsecured. There are no deposits tied to these loans and no guarantee was obtained to secure them. SPBD Microfinance Holdings (Singapore) Pty Limited outstanding Loans were re-structured during the year to consolidate separate currencies denoted in AUD,USD,NZD. Principal repayments are due from 2024 on-wards.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2019	Principal repayment (2019)	Balance 31/12/2019(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2019 (SBD)
1-Jan-19	USD	1,225,000	2.00%	31/12/2028	10.00	10,123,967	10,123,967	-	10,208,333	-	-
1-Jan-19	AUD	700,000	2.00%	31/12/2028	10.00	4,079,254	4,079,254	-	4,081,633	-	-
1-Jan-19	NZD	300,000	2.00%	31/12/2028	10.00	1,670,378	1,670,378	-	1,686,341	-	-
18-Apr-19	USD	200,000	2.00%	30/09/2022	3.50	1,598,721	-	-	1,666,667	-	23,750
29-Jun-19	NZD	100,000	6.00%	30/09/2025	6.00	531,401	-	-	562,114	-	-
30-Jul-19	USD	200,000	2.00%	31/12/2023	4.50	1,607,716	-	-	1,666,667	-	17,967
20-Sep-19	NZD	75,000	7.50%	31/12/2022	3.50	398,301	-	-	421,585	-	-
Total						20,009,738	15,873,599		20,293,339		41,717

CASAGRANDE GREGORY

1-Jan-19	NZD	100,000	7.00%	31-Dec-23	4.06	512,802	556,793	-	562,114	-	-
Total						512,802	556,793		562,114		-

11(c) Whole Planet Foundation

	<u>2019</u>	<u>2018</u>
	\$	\$
Whole Planet Foundation loan	4,338,178	2,442,047
Total	4,338,178	2,442,047

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 in 2016. An amount of USD171,000 (equivalent to SBD 1,325,581) was received during 2017 and the final USD235,000 was received during the year. The loan is interest free and unsecured and repayable in 12 instalments with the first instalment due on 31st January 2021.

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	<u>2019</u>	<u>2018</u>
	\$	\$
12. Movement in Other Reserves		
12(a) Movement in Death Benefit Reserve		
Death benefit reserve, 1 January	22,565	73,407
Death benefit provision for the year	38,614	(36,255)
Less: Loans written-off during the year	<u>(21,000)</u>	<u>(14,587)</u>
Death benefit reserve, 31 December	<u>40,179</u>	<u>22,565</u>
12(b) Movement in Spousal Death benefit reserve		
Spousal death benefit reserve, 1 January	41,423	25,733
Spousal death benefit provision for the year	38,901	21,690
Less: Loans written-off during the year	<u>(24,000)</u>	<u>(6,000)</u>
Spousal death benefit reserve, 31 December	<u>56,324</u>	<u>41,423</u>
13. TAXATION		
13(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	(1,918,143)	(1,235,685)
<i>Add: Non deductible expenses</i>		
Depreciation and amortisation for accounting purposes	453,928	247,483
Loan loss provision/Life insurance and spousal insurance	32,515	411,764
Provision for doubtful staff advances	-	7,304
Interest on lease liabilities	32,352	-
Net unrealised exchange loss	-	58,630
Loss on disposal of assets	-	8,115
Tax penalties	2,550	-
Tax loss carry forward amount expired	<u>2,891,332</u>	<u>2,753,779</u>
	1,494,534	2,251,390
<i>Less: Deductible expenses non-assessable revenue</i>		
Tax loss carried forward	12,553,847	14,607,847
Depreciation for taxation purposes	333,240	162,238
Loan loss provision/Life insurance and spousal insurance	81,668	35,152
Lease payments	225,000	-
Gain on disposal of assets	<u>38,928</u>	<u>-</u>
Taxable income / (loss)	<u>(11,738,149)</u>	<u>(12,553,847)</u>
Income tax expense - turnover tax	<u>20,000</u>	<u>20,000</u>
13(b) Provision for income tax		
Provision for income tax at beginning of year	20,000	20,000
Add: Income tax expense	20,000	20,000
Less: Tax paid during the year	<u>(20,000)</u>	<u>(20,000)</u>
Provision for income tax at end of year	<u>20,000</u>	<u>20,000</u>
13(c) Income tax losses		
The estimated income tax losses available to be carried forward at 31st December, 2019 amounted to \$11,738,149 (2018: \$12,553,847). The benefit of this loss which at the rates prevailing at balance date amounted to \$3,521,445 (2018: \$3,766,154) 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.		
	2019	2018
	\$	\$
14. ISSUED CAPITAL		
SPBD Microfinance Holdings (Singapore) Pte Limited:		
Opening balance	1,047,425	1,047,425
Movement during the year	<u>-</u>	<u>-</u>
Closing balance	<u>1,047,425</u>	<u>1,047,425</u>

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15. 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.

16. LEASE LIABILITIES

The Company has a lease for its main office and parking space for the Term of 2 years. The Lease Extension contains an extension option for another 2 years. The Company has not included the extension option as part of its initial recognition of the Lease Liability. As at year end the remaining term on the lease is 1.4 years.

	2019	2018
	\$	\$
Right-of-use assets		
The Movement in the right-of use assets as presented in the statement of financial position as follows:		
Buildings as at 1 Jan 2019	989,975	-
Amortisation	206,244	-
Buildings as at 31st December 2019	783,731	-
Lease liabilities		
Current	540,000	-
Non-Current	257,327	-
	797,327	-

The movement in lease liabilities for the year is as follows:

Buildings as at January 2019	989,975	-
Interest expense	32,352	-
Less: Lease payments	(225,000)	-
Buildings as at 31st December 2019	797,327	-

17. 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.

18. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2019 (2018: \$nil).

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2019 (2018: \$nil).

20. GOING CONCERN

The company has a deficiency in equity of \$19,135,745 at 31st December 2019. 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.