

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

**COMPANY NUMBER: 20129967**

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

TABLE OF CONTENTS

1	Directors' Report	Page 1
2	Auditor's Report	Page 2
3	Balance Sheet as at 31st December 2016	Page 3
4	Profit and Loss Account for the year ended 31st December 2016	Page 4
5	Statement of Changes in Equity for the year ended 31st December 2016	Page 5
6	Statement of Cash Flows for the year ended 31st December 2016	Page 6
7	Notes To and Forming Part of the Accounts	Pages 7 - 14

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

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

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

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

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

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

BY ORDER OF THE DIRECTOR

  
DIRECTOR

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

- 2 -

## Independent Auditor's Report

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

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

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

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

#### *Auditor's Responsibility*

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

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

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

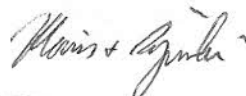
#### *Opinion*

In our opinion:

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

#### *Emphasis of Matter*

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



MORRIS & SOJNOCKI  
Chartered Accountants




BY GREG SOJNOCKI  
PARTNER

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

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

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

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


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

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

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

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

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

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

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

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

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

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

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

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

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

