

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

COMPANY NUMBER: 20129967

**BALANCE SHEET AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

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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, 2018 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 2018 resulted in a deficit of \$1,255,685 (2017: deficit of \$3,643,685) after charging income tax of \$20,000 (2017: \$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 2018 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2018 (2017: \$nil).

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

Dated at

Honiara

this

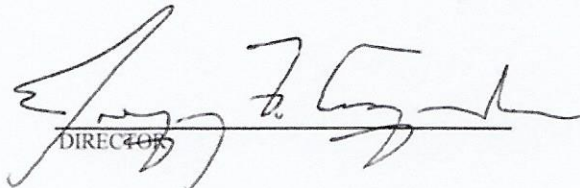
16th

day of

May

2019.

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 2018 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.

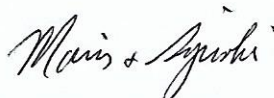
Opinion

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 31st December 2018, 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 2018.
- (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



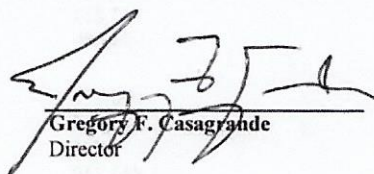
BY GREG SOJNOCKI
PARTNER

Date: 17th May 2019
Honiara

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
BALANCE SHEET as at 31st December 2018**

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
ASSETS			
Current assets			
Cash on hand and in bank	3	1,090,670	1,516,448
Loan portfolio outstanding	4	7,217,360	11,535,601
Receivables	5	12,133	26,198
Other assets	6	128,044	224,508
Total current assets		8,448,207	13,302,755
Fixed assets			
Fixed assets	7	1,248,100	1,280,694
Less: Accumulated depreciation	7	(872,256)	(710,782)
Net fixed assets		375,844	569,912
TOTAL ASSETS		8,824,051	13,872,667
LIABILITIES			
Current liabilities			
Clients' savings deposits	8	3,255,718	4,797,049
Accounts payable	9	762,136	1,493,233
Kiva loan	10(a)	1,088,614	2,202,933
Soft loans -current	10(b)	3,869,569	6,112,755
Death benefit reserve	11(a)	22,565	73,407
Spousal death benefit reserve	11(b)	41,423	25,733
Provision for income tax	12 (b)	20,000	20,000
Total current liabilities		9,060,025	14,725,110
Non Current liabilities			
Whole Planet - non - current	10(c)	2,442,047	2,442,047
Soft loans - non-current	10(b)	14,519,581	12,647,427
Total non-current liabilities		16,961,628	15,089,474
TOTAL LIABILITIES		26,021,653	29,814,584
NET ASSETS / (LIABILITIES)		(17,197,602)	(15,941,917)
EQUITY			
Issued capital	13	1,047,425	1,047,425
Shareholders funds / (Deficit in shareholders funds)		(18,245,027)	(16,989,342)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		(17,197,602)	(15,941,917)

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: 16/May/2019
 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 2018**

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		\$	\$
Financial Income			
Interest on loans		4,497,237	5,096,005
Development fee		407,352	475,415
Loan security fee		246,828	236,753
Death benefit fee		64,469	182,305
Savings withdrawal fees		66,439	91,163
Other non-operating income		11,223	340,370
Savings passbook issuance fees		1,820	54,500
Spousal death benefit fee		112,884	87,746
Commission solar sales		1,217	26,462
Commission air-time		-	3,306
Financial booklet issuance fee		21,600	21,550
Total Financial Income		<u>5,431,069</u>	<u>6,615,575</u>
Foreign exchange gains		90,808	101,731
LESS : Financial Expenses			
Interest and fees on borrowed funds		861,264	2,414,969
Loss on sale of fixed assets		8,115	7,047
Loss on savings, saving imprest and inventory		-	15,366
Total financial expenses		<u>869,379</u>	<u>2,437,382</u>
NET FINANCIAL INCOME		4,652,498	4,279,924
LESS : Provisions and write-offs			
Loan loss provision and write-offs	4	619,390	404,523
Death benefit reserve	11(a)	(36,255)	12,725
Other provisions and write-offs	11(b)	21,690	8,769
Bad debts expense		7,304	104,675
NET FINANCIAL MARGIN		<u>4,040,369</u>	<u>3,749,232</u>
Operating Expenses			
Bank charges		13,999	23,105
Computer support system		100,673	60,456
Conference and meetings		2,817	29,157
Depreciation	7	247,483	241,772
Electricity and water		86,783	65,148
Events and festivals		19,495	19,135
Insurance		68,486	53,112
Marketing and advertisement		1,610	3,180
Management fees and subscriptions		775	1,945
Office expenses		599,139	418,871
Postage, telephone and communications		237,812	245,865
Printing and office stationeries		74,689	205,887
Management services		-	1,564,756
Rentals		690,477	809,020
Repairs and maintenance		179,917	208,510
Registration fees		7,706	10,368
Salaries and benefits		1,883,549	2,566,947
Transportation, fuel, oil		529,139	434,024
Travel		531,505	411,659
Total Operating Expenses		<u>5,276,054</u>	<u>7,372,917</u>
Net surplus / (deficit) before taxation		(1,235,685)	(3,623,685)
Income tax expense	12(a)	20,000	20,000
		<u>(1,255,685)</u>	<u>(3,643,685)</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 14.

**SOUTH PACIFIC BUSINESS DEVELOPMENT
MICROFINANCE (SOLOMON ISLANDS) LIMITED
COMPANY NUMBER: 20129967
STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2018**

	Share capital	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 January 2017	1,047,425	(13,345,657)	(12,298,232)
<i>Total comprehensive income for the year</i>			
Profit / (loss) for the year	-	(3,643,685)	(3,643,685)
Total other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>(3,643,685)</u>	<u>(3,643,685)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2017	<u>1,047,425</u>	<u>(16,989,342)</u>	<u>(15,941,917)</u>
<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	<u>-</u>	<u>(1,255,685)</u>	<u>(1,255,685)</u>
<i>Transactions with owners</i>			
Dividends	-	-	-
Issue of shares	-	-	-
Total transactions with owners	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2018	<u>1,047,425</u>	<u>(18,245,027)</u>	<u>(17,197,602)</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 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		\$	\$
Cash flows from operating activities			
Net surplus / (deficit) before tax		(1,235,685)	(3,623,685)
Adjustment for non-cash items:			
Depreciation		247,483	241,772
Foreign exchange (gain)/loss		(90,808)	(101,731)
Loan loss provision and other provisions		604,825	404,523
(Gain)/loss on sale of fixed assets		8,115	7,047
(Increase) / decrease in operating assets:			
Gross loan portfolio		3,748,905	(2,083,699)
Gross receivables		14,065	(15,001)
Other assets		96,464	67,294
Increase / (decrease) in operating liabilities:			
Client savings deposits		(1,541,331)	866,525
Accounts payable		(768,471)	247,316
Death benefit reserve and spousal death benefit reserve		(35,152)	(7,807)
Income taxes paid		(20,000)	(31,048)
Net cash flows from / (used in) operating activities		<u>1,028,410</u>	<u>(4,028,494)</u>
Cash flows from investing activities			
Purchase of fixed assets		(61,530)	(191,258)
Net cash flows from / (used in) investing activities		<u>(61,530)</u>	<u>(191,258)</u>
Cash flows from financing activities			
Proceeds from borrowing - Kiva loan		86,453	1,999,211
Proceeds from borrowing - Soft loans		578,512	3,395,743
Proceeds from borrowing - Whole Planet Foundation		-	1,325,581
Repayments of borrowing-Kiva		(1,257,517)	(144,318)
Repayments of borrowing - Soft loans		(800,106)	(3,140,103)
Net cash flows from / (used in) financing activities		<u>(1,392,658)</u>	<u>3,436,114</u>
Net increase / (decrease) in cash and cash equivalents		(425,778)	(783,638)
Cash and cash equivalents at the beginning of the financial year		<u>1,516,448</u>	<u>2,300,086</u>
Cash and cash equivalents at the end of the financial year	3	<u>1,090,670</u>	<u>1,516,448</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 14.

**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 2018**

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 main office is 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 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 48 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 2018**

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)	0.1210
Exchange rate used at balance sheet date (SBD/NZD)	0.1796
Exchange rate used at balance sheet date (SBD/AUD)	0.1716

(i) Comparative figures

The financial statements are prepared for the year end 31st December 2018 with comparative figures for the year end 31st December 2017.

(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 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
3. CASH ON HAND AND IN BANK		
<i>Cash on hand</i>		
Savings imprest reserve	11,572	9,840
Undeposited funds	-	541
Petty cash imprest	1,520	-
SUB-TOTAL	13,092	10,381
<i>Cash in bank</i>		
ANZ SBD account	(55,285)	149,442
BSP SBD account	21,478	779,795
BSP Gizo SBD account	290	17,562
BSP Munda SBD account	10,698	38,326
ANZ AUD account	2,092	942
ANZ USD account	578,305	-
BSP-Term Deposit	520,000	520,000
SUB-TOTAL	1,077,578	1,506,067
TOTAL	1,090,670	1,516,448
 4. LOAN PORTFOLIO		
LOAN RECEIVABLES		
Opening balance	11,535,601	9,839,810
Total loan disbursements	14,454,374	23,543,479
Less: Total principal loan repayments	(17,509,122)	(21,090,368)
Less: Loan write-offs	(1,031,154)	(113,217)
Gross Loan Portfolio	7,449,699	12,179,704
Less: Loan loss reserve	(232,339)	(644,103)
Net Loan Portfolio	7,217,360	11,535,601
 <i>No. of Loans Outstanding</i>		
SPBD Group Loan Product	1,966	4,196

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.

		Honiara	Munda	Gizo	Total	
		Loan Outstanding	Loan Outstanding	Loan Outstanding	Loan Outstanding	
Provisioning Ratios for Group Loans	Loan Loss Provision					Loan Loss Prov.Amt
1 week to 4 week late(<30 days)	5%	2,173,167	88,351	64,455	2,325,973	116,299
5 weeks to 8 weeks late(30 to 60 days late)	10%	46,220	-	-	46,220	4,622
9 weeks to 12 weeks late(60 to 90 days late)	25%	18,222	-	-	18,222	4,556
13 weeks to 16 weeks late(90 to 120 days late)	50%	2,656	-	-	2,656	1,328
17 weeks to 20 weeks late(120 to 150 days late)	75%	-	-	2,373	2,373	1,780
21 weeks or more(150+ days)	100%	74,923	4,590	24,241	103,754	103,754
TOTAL PROVISIONING AS OF 31 DECEMBER 2018		2,315,188	92,941	91,069	2,499,198	232,339

**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 2018**

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 company Director upon review of the recommendations of the General Manager. The amount of write-offs for 2018 were considered and approved by the Director.

Loan Types	# of Accounts	31-Dec-18			# of Accounts	31-Dec-17		
		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)		Outstanding Principal Balance	PAR Amount SBD	PAR>30 days(%)
Group Loans								
Current	1198	4,865,150			3227	10,911,280		
1-4 weeks late	517	2,275,506			218	383,363		
5-8 weeks late	10	42,084	42,084	0.56%	34	77,229	77,229	0.63%
9-12 weeks late	4	18,222	18,222	0.24%	6	14,266	14,266	0.12%
13-16 weeks late	1	2,656	2,656	0.04%	4	9,847	9,847	0.08%
17-20 weeks late	1	2,373	2,373	0.03%	2	6,482	6,482	0.05%
Over 21 weeks late	126	61,248	61,248	0.82%	568	562,661	562,661	4.62%
Sub-total	1,857	7,267,239	126,583	1.70%	4,059	11,965,128	670,485	5.50%
Solar Loans								
Current	1	5			33	39,225		
Over 4 weeks in arrears	24	9,480	9,480	99.95%	-			
Sub-total	25	9,485	9,480	1	33	39,225		
Higher Education Loan								
Current	23	16,972			15	47,484		
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	51	49,559	8,121	16.39%	15	47,484		
Staff Loans								
Current	23	96,406			89	127,868		
1-4 weeks in arrears	3	10,959		0.00%	-			
Over 4 weeks in arrears	7	16,051	16,051	13.01%				
Sub-total	33	123,416	16,051	13.01%	89	127,868		
Grand Total	1,966	7,449,699	160,235	2.15%	4,196	12,179,705	670,485	5.50%

	2018	2017
Movement in Loan Loss Reserve	\$	\$
Loan reserve, 1 January	644,103	352,797
Loan loss provision expense for the year	619,390	404,523
Less: Loans written-off during the year	(1,031,154)	(113,217)
Loan reserve, 31 December	<u>232,339</u>	<u>644,103</u>

5. RECEIVABLES

Other receivables	12,133	26,198
	<u>12,133</u>	<u>26,198</u>

6. OTHER ASSETS

Staff advances	18,360	15,139
Less: Provision for doubtful staff advances	7,304	-
	<u>11,056</u>	<u>15,139</u>
Stock - Passbooks	931	17,103
Stock - Receipt books	23,265	20,744
Rental bond - head office	75,540	92,540
Prepaid expenses	17,252	78,982
	<u>128,044</u>	<u>224,508</u>

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7. FIXED ASSETS

Type	Cost	Accumulated Depreciation	Depreciation for the year	Net Book Value
	\$	\$	\$	\$
Furniture and fixtures	108,868	50,877	13,292	57,991
Computer equipment and peripherals	227,009	137,339	59,654	89,670
Motor vehicles	674,691	553,951	142,062	120,740
Office equipment	174,384	71,460	24,502	102,924
Software and electronic system	63,148	58,629	7,973	4,519
2018 TOTAL	1,248,100	872,256	247,483	375,844
2017 TOTAL	1,280,694	710,782	241,772	569,912

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>2018</u> \$	<u>2017</u> \$
Clients saving balances	6,994 (2017: 7,875)	3,255,718
	<u>3,255,718</u>	<u>4,797,049</u>

9. ACCOUNTS PAYABLE

Accrued Interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Lim	-	346,682
Accrued Interest-Gregory F Casagrande	50,117	12,743
Accounts payable - related entities - Transformative Ventures LLC	-	318,063
Accounts payable - other	554,446	267,764
Employee deductions payable - PAYE, NPF and Basic rates	53,053	76,522
Accrued Interest - Microdreams	104,520	471,459
	<u>762,136</u>	<u>1,493,233</u>

10(a) KIVA LOAN

Kiva loan - non-current	1,088,614	2,202,933
	<u>1,088,614</u>	<u>2,202,933</u>

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>2018</u>	<u>2017</u>
	\$	\$
10. BORROWINGS - cont'd		
10(b) SOFT LOANS		
MicroDreams Foundation	1,958,758	2,097,971
SPBD Micro Finance Holdings	16,430,392	16,662,211
Total	18,389,150	18,760,182
Soft Loans - current	3,869,569	6,112,755
Soft Loans - long term	14,519,581	12,647,427
Total	18,389,150	18,760,182

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 from 1/01/2018	Principal repayment	Balance 31/12/2018 (SBD)	Interest repayment (SBD)2018	Interest payable as at 31/12/2018 (SBD)
25-Sep-14	USD	60,000	8.50%	31-Mar-18	3.45	442,478	479,233	158,103	330,579	20,063	10,537
19-Nov-14	USD	60,000	8.50%	30-Jun-18	3.57	445,434	479,233	-	495,868	20,158	21,074
3-Mar-15	SBD	770,396	11.50%	31-Mar-18	2.95	770,396	770,396	-	770,396	44,298	49,835
17-Sep-15	NZD	65,000	9.00%	30-Sep-19	3.45	328,375	369,109	-	361,915	15,971	23,074
Total						1,986,683	2,097,971	158,103	1,958,758	100,490	104,520

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 resolved to waive all overdue interest owing by the company under the loans listed below for the period 1st April 2018 to 31st December 2018, comprised of amounts of USD74,190, AUD71,500 and NZD32,162, equivalent to an amount of SBD1,202,404.

Date	Currency	Amount	Interest	Maturity Date	Grace Period on Principal (yrs)	Amount Received (SBD)	Beginning balance from 1/01/2018	Principal repayment (2018)	Balance 31/12/2018(SBD)	Interest repayment (SBD)	Interest payable as at 31/12/2018 (SBD)
28-May-14	USD	125,000	9.00%	31-Dec-18	2.60	903,179	599,042	196,696	413,223	-	-
15-Aug-14	USD	50,000	8.00%	30-Jun-19	4.38	361,533	399,361	-	413,223	-	-
5-Feb-15	USD	200,000	8.50%	30-Jun-20	5.42	1,533,722	1,597,444	-	1,652,893	-	-
7-Apr-15	USD	100,000	8.50%	31-Dec-19	4.76	773,974	638,978	-	661,157	-	-
23-Apr-15	USD	200,000	8.00%	30-Nov-18	3.63	1,533,646	1,597,444	393,391	1,239,669	31,046	-
15-Sep-15	USD	100,000	8.50%	31-Dec-18	3.30	798,642	798,722	196,696	619,835	16,491	-
2-Dec-15	AUD	300,000	11.00%	31-Mar-21	5.34	1,803,969	1,871,491	-	1,748,252	-	-
6-Apr-16	AUD	150,000	10.00%	30-Jun-21	5.24	858,614	935,745	-	874,126	-	-
1-Jul-16	USD	100,000	10.00%	30-Sep-20	4.23	779,423	798,722	-	826,446	39,420	-
14-Oct-16	NZD	200,000	10.00%	30-Sep-20	4.02	1,078,167	1,135,719	-	1,113,586	-	-
14-Oct-16	AUD	200,000	10.00%	30-Sep-20	4.02	1,126,126	1,247,661	-	1,165,501	-	-
22-Jun-17	USD	200,000	7.50%	30-Sep-20	4.02	1,561,280	1,597,444	-	1,652,893	59,134	-
15-Oct-17	USD	100,000	11.00%	31-Dec-20	3.20	-	798,722	-	826,446	-	-
15-Oct-17	NZD	100,000	11.00%	31-Dec-20	3.20	-	567,859	-	556,793	-	-
30-Oct-17	AUD	50,000	8.50%	31-Dec-21	3.20	-	311,915	-	291,375	10,826	-
17-Oct-17	USD	150,000	8.50%	31-Dec-21	3.20	-	1,198,083	-	1,239,669	42,210	-
18-Dec-18	USD	70,000	7.00%	30-Jun-22	3.90	-	-	-	578,512	-	-
Total						13,112,275	16,094,352	786,783	15,873,599	199,127	-
CASAGRANDE GREGORY											
10-Mar-16	NZD	100,000	8.00%	31-Mar-20	4.06	512,802	567,859	-	556,793	-	50,117
Total						512,802	567,859	-	556,793	-	50,117

	<u>2018</u>	<u>2017</u>
	\$	\$
10(c) Whole Planet Foundation		
Whole Planet Foundation loan	2,442,047	2,442,047
	2,442,047	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 has not been received as at 31 December 2018. The loan is interest free and unsecured and repayable in 12 instalments with the first instalment due 15 January 2019.

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	<u>2018</u>	<u>2017</u>
11. Movement in Other Reserves		
11(a) Movement in Death Benefit Reserve	\$	\$
Death benefit reserve, 1 January	73,407	86,263
Death benefit provision for the year	(36,255)	12,725
Less: Loans written-off during the year	(14,587)	(25,581)
Death benefit reserve, 31 December	<u>22,565</u>	<u>73,407</u>
11(b) Movement in Spousal Death benefit reserve		
Spousal death benefit reserve, 1 January	25,733	20,684
Spousal death benefit provision for the year	21,690	8,769
Less: Loans written-off during the year	(6,000)	(3,720)
Spousal death benefit reserve, 31 December	<u>41,423</u>	<u>25,733</u>
12. TAXATION		
12(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	<u>2018</u>	<u>2017</u>
	\$	\$
Net surplus/(deficit) per the profit and loss account	(1,235,685)	(3,623,685)
<i>Add: Non deductible expenses</i>		
Depreciation for accounting purposes	247,483	241,772
Loan loss provision	411,764	291,306
Provision for doubtful staff advances	7,304	-
Net unrealised exchange loss	58,630	-
Loss on disposal of assets	8,115	7,047
Tax loss carry forward amount expired	2,753,779	1,119,766
	<u>2,251,390</u>	<u>(1,963,794)</u>
<i>Less: Deductible expenses/non-assessable revenue</i>		
Tax loss carried forward	14,607,847	12,438,397
Depreciation for taxation purposes	162,238	197,849
Member and spousal death benefit reserve	35,152	7,807
Taxable income / (loss)	<u>(12,553,847)</u>	<u>(14,607,847)</u>
Income tax expense - turnover tax	<u>20,000</u>	<u>20,000</u>
12(b) Provision for income tax		
Provision for income tax at beginning of year	20,000	31,048
Add: Income tax expense	20,000	20,000
Less: Tax paid during the year	(20,000)	(31,048)
Provision for income tax at end of year	<u>20,000</u>	<u>20,000</u>
12(c) Income tax losses		
<p>The estimated income tax losses available to be carried forward at 31st December, 2018 amounted to \$12,553,847 (2017: \$14,607,847). The benefit of this loss which at the rates prevailing at balance date amounted to \$3,766,154 (2017: \$4,382,354) 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.</p>		
13. ISSUED CAPITAL	<u>2018</u>	<u>2017</u>
SPBD Microfinance Holdings (Singapore) Pte Limited:	\$	\$
Opening balance	1,047,425	1,047,425
Movement during the year	-	-
Closing balance	<u>1,047,425</u>	<u>1,047,425</u>

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14. 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.

15. 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.

16. CAPITAL COMMITMENTS

There were no capital commitments as at 31st December 2018 (2017: \$nil).

17. 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 2018 (2017: \$nil).

18. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31st December 2018 (2017: \$nil).

19. GOING CONCERN

The company has a deficiency in equity of \$17,197,602 at 31st December 2018. 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.