

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

**COMPANY NUMBER: 20129967**

**BALANCE SHEET AND ACCOUNTS  
FOR THE YEAR ENDED 31ST DECEMBER 2022**

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

Your directors have the pleasure in presenting the company's balance sheet and accounts as at 31st December, 2022 together with their annual report.

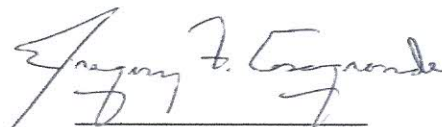
The accompanying balance sheet and accounts on pages 4 to 16 show that operations for the year ended 31st December 2022 resulted in a deficit of \$1,915,592 (2021: deficit of \$1,900,483) after charging income tax of \$20,000 (2021: \$20,000). These accounts have been prepared under the supervision of the directors 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 2022 and of its results for the year then ended.

No dividends were declared or paid during the year ended 31st December 2022 (2021: \$nil).

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

Dated at Honiara this 15th day of March 2023.

BY ORDER OF THE BOARD

  
\_\_\_\_\_  
CHAIRMAN

## Independent Auditor's Report

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

#### Opinion

We have audited the accompanying financial statements of South Pacific Business Development Microfinance (Solomon Islands) Limited (the Company), which comprise the balance sheet as at 31 December 2022, the profit and loss account, statement of changes in equity 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 4 to 16.

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 December 2022, and of its financial performance and its cash flows for the year then ended; and
  - (ii) in accordance with the provisions of the Solomon Islands Companies Act 2009; and
  - (iii) in accordance with the significant accounting policies set out in note 1 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 December 2022.
- (c) proper books and accounts have been kept by the company as far as it appears from the examination of those books.

#### Basis for Opinion

We conducted our audit in accordance with International standards on Auditing (ISAs). Our Responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other responsibilities in accordance with these requirements.

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

#### 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. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with significant accounting policies set out in note 1 to the financial statements and with the requirements of the Solomon Islands Companies Act 2009 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Mendana Avenue  
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## Auditor's Responsibilities for the Audit of the Financial Statements

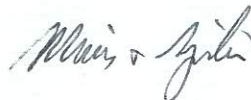
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

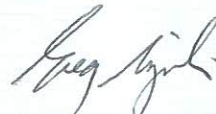
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as going concern.

We communicate with those charged with governance regarding, among the matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



MORRIS & SOJNOCKI  
Chartered Accountants

Date: 21st March 2023  
Honiara

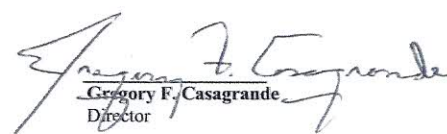


BY GREG SOJNOCKI  
PARTNER

**SOUTH PACIFIC BUSINESS DEVELOPMENT  
MICROFINANCE (SOLOMON ISLANDS) LIMITED  
COMPANY NUMBER: 20129967  
BALANCE SHEET as at 31st December 2022**

|  | Note  | 2022<br>\$   | 2021<br>\$   |
|--|-------|--------------|--------------|
| <b>ASSETS</b>  |       |              |              |
| <b>Current assets</b>                                |       |              |              |
| Cash on hand and in bank                             | 4     | 1,219,156    | 2,752,538    |
| Loan portfolio outstanding                           | 5     | 8,435,514    | 7,397,841    |
| Receivables  | 6     | 20,730       | 20,729       |
| Other assets   | 7     | 222,960      | 313,002      |
| <b>Total current assets</b>                          |       | 9,898,360    | 10,484,110   |
| <b>Fixed assets</b>                                  |       |              |              |
| Fixed assets   | 8     | 2,707,196    | 2,664,667    |
| Less: Accumulated depreciation                       | 8     | (1,923,549)  | (1,219,826)  |
| <b>Net fixed assets</b>                              |       | 783,647      | 1,444,841    |
| <b>TOTAL ASSETS</b>                                  |       | 10,682,007   | 11,928,951   |
| <b>LIABILITIES</b>                                   |       |              |              |
| <b>Current liabilities</b>                           |       |              |              |
| Clients' savings deposits                            | 9     | 1,782,216    | 1,945,960    |
| Unsecured borrowings                                 | 11    | 10,202,387   | 5,761,160    |
| Accounts payable                                     | 10    | 971,964      | 344,553      |
| Lease liability                                      | 16    | 304,756      | 540,000      |
| Death benefit reserve                                | 12(a) | 35,448       | 26,448       |
| Spousal death benefit reserve                        | 12(b) | 32,161       | 44,161       |
| <b>Total current liabilities</b>                     |       | 13,328,932   | 8,662,282    |
| <b>Non Current liabilities</b>                       |       |              |              |
| Unsecured borrowings                                 | 11    | 22,888,456   | 26,638,736   |
| Lease liability                                      | 16    | -            | 247,722      |
| <b>Total non-current liabilities</b>                 |       | 22,888,456   | 26,886,458   |
| <b>TOTAL LIABILITIES</b>                             |       | 36,217,388   | 35,548,740   |
| <b>NET ASSETS / (LIABILITIES)</b>                    |       | (25,535,381) | (23,619,789) |
| <b>EQUITY</b>  |       |              |              |
| Issued capital                                       | 14    | 1,047,425    | 1,047,425    |
| Shareholders funds / (Deficit in shareholders funds) |       | (26,582,806) | (24,667,214) |
| <b>TOTAL EQUITY / (DEFICIENCY IN EQUITY)</b>         |       | (25,535,381) | (23,619,789) |

The balance sheet is to be read in conjunction with the notes to and forming part of the accounts set out on pages 8 to 16.

  
 Gregory F. Casagrande  
 Director

  
 Sandeep Lohani  
 Director

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

**PROFIT AND LOSS ACCOUNT for the year ended 31st December 2022**

|  | <u>Note</u>  | <u>2022</u> | <u>2021</u> |
|--|--------------|-------------|-------------|
|  |              | \$          | \$          |
| <b>Financial Income</b>                                  |              |             |             |
| Interest on loans  |              | 3,348,498   | 4,190,727   |
| Development fees   |              | 383,401     | 415,411     |
| Member Death Loan Coverage Fees (MDLC)                   |              | 359,738     | 273,096     |
| Member Death Benefit fees                                |              | 69,859      | 86,864      |
| Financial booklet issuance fees                          |              | 48,100      | 53,200      |
| Spousal Death Benefit fees                               |              | 46,260      | 53,280      |
| Savings withdrawal fees                                  |              | 35,411      | 69,145      |
| Loan write-off recoveries                                |              | 28,221      | 52,809      |
| Resignation fees   |              | 17,767      | -           |
| Other non-operating income                               |              | 2,996       | -           |
| <b>Total Financial Income</b>                            |              | 4,340,251   | 5,194,532   |
| <b>LESS : Financial Expenses</b>                         |              |             |             |
| Interest and fees on borrowed funds                      |              | 1,086,334   | 1,028,899   |
| Foreign exchange (gains)/losses                          |              | 49,279      | (366,359)   |
| <b>Total financial expenses</b>                          |              | 1,135,613   | 662,540     |
| <b>NET FINANCIAL INCOME</b>                              |              | 3,204,638   | 4,531,992   |
| <b>LESS : Provisions and write-offs</b>                  |              |             |             |
| Loan loss provision and write-offs                       | 5            | 465,448     | 667,643     |
| Life insurance provision                                 |              | 30,000      | 6,580       |
| Death benefits provisions                                | 12(a), 12(b) | 30,000      | 51,120      |
| <b>NET FINANCIAL MARGIN</b>                              |              | 2,679,190   | 3,806,649   |
| <b>Operating Expenses</b>                                |              |             |             |
| Bank charges   |              | 12,610      | 14,047      |
| Computer support system                                  |              | 40,595      | 47,465      |
| Conference and meetings                                  |              | 11,874      | 4,517       |
| Depreciation   | 8            | 216,010     | 229,385     |
| Depreciation-right of use assets                         | 8            | 487,594     | 491,907     |
| Electricity and water                                    |              | 167,362     | 235,121     |
| Events and festivals                                     |              | 6,330       | -           |
| Insurance  |              | 59,036      | 48,413      |
| Interest expense-lease liability                         |              | 57,034      | 46,273      |
| Marketing and advertisement                              |              | 21,340      | 2,100       |
| Office expenses  |              | 129,198     | 489,758     |
| Postage, telephone and communications                    |              | 273,586     | 368,227     |
| Printing and office stationeries                         |              | 87,842      | 145,458     |
| Professional services (audit, legal, other professional) |              | 206,123     | 190,000     |
| Rentals  |              | 549,370     | 815,985     |
| Repairs and maintenance                                  |              | 207,415     | 205,481     |
| Registration fees  |              | 16,348      | 25,694      |
| Salaries and benefits                                    |              | 1,587,188   | 1,918,337   |
| Subscriptions  |              | 550         | 550         |
| Transportation, fuel, oil                                |              | 299,296     | 268,375     |
| Travel   |              | 138,081     | 140,039     |
| <b>Total Operating Expenses</b>                          |              | 4,574,782   | 5,687,132   |
| <b>Net surplus/(deficit) before taxation</b>             |              | (1,895,592) | (1,880,483) |
| Income tax expense                                       | 13(a)        | 20,000      | 20,000      |
| <b>Net surplus/(deficit) after taxation</b>              |              | (1,915,592) | (1,900,483) |

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 8 to 16.

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

STATEMENT OF CHANGES IN EQUITY for the year ended 31st December 2022

|   | Share capital    | Retained earnings/<br>(Accumulated losses) | Total               |
|---|------------------|--|---------------------|
|   | \$               | \$   | \$                  |
| <b>Balance at 1 January 2022</b>                      | 1,047,425        | (22,766,731)                               | (21,719,306)        |
| <b>Total comprehensive income for the year</b>        |                  |  |                     |
| Surplus/(deficit) for the year                        | -                | (1,900,483)                                | (1,900,483)         |
| Total other comprehensive income                      | -                | -  | -                   |
| <b>Total comprehensive income/(loss) for the year</b> | <u>-</u>         | <u>(1,900,483)</u>                         | <u>(1,900,483)</u>  |
| <b>Transactions with owners</b>                       |                  |  |                     |
| Dividends   | -                | -  | -                   |
| Issue of shares                                       | -                | -  | -                   |
| <b>Total transactions with owners</b>                 | <u>-</u>         | <u>-</u>                                   | <u>-</u>            |
| <b>Balance at 31 December 2022</b>                    | <u>1,047,425</u> | <u>(24,667,214)</u>                        | <u>(23,619,789)</u> |
| <b>Total comprehensive income for the year</b>        |                  |  |                     |
| Surplus/(deficit) for the year                        | -                | (1,915,592)                                | (1,915,592)         |
| Total other comprehensive income                      | -                | -  | -                   |
| <b>Total comprehensive income/(loss) for the year</b> | <u>-</u>         | <u>(1,915,592)</u>                         | <u>(1,915,592)</u>  |
| <b>Transactions with owners</b>                       |                  |  |                     |
| Dividends   | -                | -  | -                   |
| Issue of shares                                       | -                | -  | -                   |
| <b>Total transactions with owners</b>                 | <u>-</u>         | <u>-</u>                                   | <u>-</u>            |
| <b>Balance at 31 December 2022</b>                    | <u>1,047,425</u> | <u>(26,582,806)</u>                        | <u>(25,535,381)</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 8 to 16.

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

**STATEMENT OF CASH FLOWS for the year ended 31st December 2022**

|   | <u>Note</u> | <u>2022</u><br>\$  | <u>2021</u><br>\$ |
|---|-------------|--------------------|-------------------|
| <b>Cash flows from operating activities</b>                             |             |                    |                   |
| Funds advanced to customers   |             | (13,141,851)       | (14,212,058)      |
| Funds repayment by customers  |             | 11,968,521         | 18,087,522        |
| Interest received on loans  |             | 3,348,498          | 4,190,727         |
| Other receipts  |             | 991,753            | 1,003,805         |
| Interest payments on deposits   |             | (478,070)          | (1,495,607)       |
| Interest on lease payments  |             | (57,034)           | (46,276)          |
| Cash payments to employees and suppliers                                |             | (4,060,713)        | (5,675,045)       |
| Income taxes paid   |             | -                  | (20,000)          |
| <b>Net cash flows from / (used in) operating activities</b>             |             | <u>(1,428,896)</u> | <u>1,833,068</u>  |
| <b>Cash flows from investing activities</b>                             |             |                    |                   |
| Purchase of fixed assets  |             | (42,530)           | (67,956)          |
| <b>Net cash flows from / (used in) investing activities</b>             |             | <u>(42,530)</u>    | <u>(67,956)</u>   |
| <b>Cash flows from financing activities</b>                             |             |                    |                   |
| Proceeds from borrowing - Soft loans                                    |             | 3,415,518          | 2,501,913         |
| Repayments of borrowing - Soft loans                                    |             | (2,830,764)        | (1,701,438)       |
| Lease payments  |             | (482,966)          | (493,724)         |
| Member savings net deposits/(withdrawals)                               |             | (163,744)          | (836,368)         |
| <b>Net cash flows from / (used in) financing activities</b>             |             | <u>(61,956)</u>    | <u>(529,617)</u>  |
| <b>Net increase / (decrease) in cash and cash equivalents</b>           |             | (1,533,382)        | 1,235,495         |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |             | <u>2,752,538</u>   | <u>1,517,043</u>  |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 4           | <u>1,219,156</u>   | <u>2,752,538</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 8 to 16.



**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 2022**

**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. Member Death Loan Coverage Fee (MDLC) – 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 3% of the loan principal is deducted from the loan proceeds.
- iv. Member 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 2022**

**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) | 0.1188 |
|--|-----------|--------|

|  |           |        |
|--|-----------|--------|
| Exchange rate used at balance sheet date | (SBD/NZD) | 0.1869 |
|--|-----------|--------|

|  |           |        |
|--|-----------|--------|
| Exchange rate used at balance sheet date | (SBD/AUD) | 0.1755 |
|--|-----------|--------|

**(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) Leases**

**IFRS 16 Leases**

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. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10 %

**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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd**

**(n) Leases - cont'd**

**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.

**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.

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|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>4. CASH ON HAND AND IN BANK</b>                    |                  |                  |
| <i>Cash in bank</i>                                   |                  |                  |
| ANZ SBD account                                       | 177,399          | 1,577,553        |
| BSP SBD account                                       | 207,350          | 439,992          |
| BSP Gizo SBD account                                  | 9,732            | 7,909            |
| BSP Munda SBD account                                 | 5,999            | 1,920            |
| BSP-Term Deposit                                      | 565,169          | 565,169          |
| BSP-Operating Account                                 | 211,387          | 159,995          |
| Undeposited Collection                                | 42,120           | -                |
| <b>TOTAL</b>  | <b>1,219,156</b> | <b>2,752,538</b> |
| <b>5. LOAN PORTFOLIO</b>                              |                  |                  |
| <b>LOAN RECEIVABLES</b>                               |                  |                  |
| Accumulative since inception                          |                  |                  |
| Total Loan disbursements                              | 159,835,882      | 146,695,882      |
| Less: Total principal loan repayments since inception | (148,036,542)    | (136,399,663)    |
| Less: Loan write-offs                                 | (2,946,659)      | (2,673,902)      |
| <b>Gross Loan Portfolio</b>                           | 8,852,681        | 7,622,317        |
| Less: Loan loss reserve                               | (417,167)        | (224,476)        |
| <b>Net Loan Portfolio</b>                             | <b>8,435,514</b> | <b>7,397,841</b> |
| <br><i>No. of Loans Outstanding</i>                   |                  |                  |
| SPBD Group Loan Product                               | 1,949            | 1,935            |

**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 |                     |
| <b>Provisioning Ratios for Group Loans</b>       | Loan Loss Provision |                  |                  |                  |                  | Loan Loss Prov. Amt |
| 1 week to 4 week late(<30 days)                  | 5%                  | 265,438          | -                | 4,837            | 270,275          | 6,866               |
| 5 weeks to 8 weeks late(30 to 60 days late)      | 10%                 | 45,654           | -                | 5,862            | 51,516           | 5,152               |
| 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%                | 277,733          | 102,097          | 25,318           | 405,149          | 405,149             |
| <b>TOTAL PROVISIONING AS OF 31 DECEMBER 2022</b> |                     | <b>588,825</b>   | <b>102,097</b>   | <b>36,017</b>    | <b>726,940</b>   | <b>417,167</b>      |

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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 2022 were considered and approved by the Director.

| Loan Types                   | # of Accounts | 31-Dec-22                     |                |                | # of Accounts | 31-Dec-21                     |                |                |
|------------------------------|---------------|-------------------------------|----------------|----------------|---------------|-------------------------------|----------------|----------------|
|                              |               | Outstanding Principal Balance | PAR Amount SBD | PAR>30 days(%) |               | Outstanding Principal Balance | PAR Amount SBD | PAR>30 days(%) |
| <b>Group Loans</b>           |               |                               |                |                |               |                               |                |                |
| Current                      | 1,603         | 7,701,891                     | -              | -              | 1374          | 5,924,142                     | -              | -              |
| 1-4 weeks late               | 64            | 269,289                       | -              | -              | 219           | 860,673                       | -              | -              |
| 5-8 weeks late               | 10            | 31,180                        | 31,180         | 0.35%          | 159           | 424,795                       | 424,795        | 5.57%          |
| 9-12 weeks late              | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 13-16 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 17-20 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| Over 21 weeks late           | 144           | 407,030                       | 407,030        | 4.60%          | 127           | 135,400                       | 135,400        | 1.78%          |
| <b>Sub-total</b>             | <b>1,821</b>  | <b>8,409,390</b>              | <b>438,210</b> | <b>4.95%</b>   | <b>1,879</b>  | <b>7,345,010</b>              | <b>560,195</b> | <b>7.35%</b>   |
| <b>Higher Education Loan</b> |               |                               |                |                |               |                               |                |                |
| Current                      | 12            | 40,329                        | -              | -              | 21            | 33,324                        | -              | -              |
| 1-4 weeks late               | -             | -                             | -              | -              | 3             | 7,572                         | -              | -              |
| 5-8 weeks late               | -             | -                             | -              | -              | 8             | 23,707                        | 23,707         | 0.31%          |
| 17-20 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| Over 21 weeks late           | 3             | 4,890                         | -              | 0.06%          | -             | -                             | -              | -              |
| <b>Sub-total</b>             | <b>15</b>     | <b>45,219</b>                 | <b>-</b>       | <b>0.06%</b>   | <b>32</b>     | <b>64,603</b>                 | <b>23,707</b>  | <b>0.31%</b>   |
| <b>Staff Loans</b>           |               |                               |                |                |               |                               |                |                |
| Current                      | 40            | 240,181                       | -              | -              | 24            | 212,704                       | -              | -              |
| 1-4 weeks in arrears         | 4             | 20,336                        | -              | -              | -             | 0                             | -              | -              |
| 5-8 weeks late               | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 9-12 weeks late              | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 13-16 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 17-21 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| Over 21 weeks late           | 1             | 96                            | 96             | -              | -             | 0                             | -              | 0.00%          |
| <b>Sub-total</b>             | <b>45</b>     | <b>260,613</b>                | <b>96</b>      | <b>-</b>       | <b>24</b>     | <b>212,704</b>                | <b>-</b>       | <b>0.00%</b>   |
| <b>Oversea Workers Loan</b>  |               |                               |                |                |               |                               |                |                |
| Current                      | 68            | 137,459                       | -              | -              | -             | -                             | -              | -              |
| 1-4 weeks in arrears         | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 5-8 weeks late               | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 9-12 weeks late              | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 13-16 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| 17-21 weeks late             | -             | -                             | -              | -              | -             | -                             | -              | -              |
| Over 21 weeks late           | -             | -                             | -              | -              | -             | -                             | -              | -              |
| <b>Sub-total</b>             | <b>68</b>     | <b>137,459</b>                | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>                      | <b>-</b>       | <b>-</b>       |
| <b>Grand Total</b>           | <b>1,949</b>  | <b>8,852,681</b>              | <b>438,305</b> | <b>5.01%</b>   | <b>1,935</b>  | <b>7,622,317</b>              | <b>583,902</b> | <b>7.66%</b>   |

|  | 2022           | 2021           |
|--|----------------|----------------|
| <b>Movement in Loan Loss Reserve</b>     | \$             | \$             |
| Loan reserve, 1 January                  | 224,476        | 163,398        |
| Loan loss provision expense for the year | 465,448        | 667,643        |
| Less: Loans written-off during the year  | (272,757)      | (606,565)      |
| <b>Loan reserve, 31 December</b>         | <u>417,167</u> | <u>224,476</u> |
| <b>6. RECEIVABLES</b>                    |                |                |
| Other receivables                        | 20,730         | 20,729         |
|  | <u>20,730</u>  | <u>20,729</u>  |
| <b>7. OTHER ASSETS</b>                   |                |                |
| Staff advances                           | -              | 141,841        |
| Stock - Passbooks                        | 962            | 7,800          |
| Stock - Receipt books                    | 10,465         | 17,250         |
| Rental bond - head office                | 142,978        | 126,500        |
| Prepaid expenses                         | 68,555         | 19,611         |
|  | <u>222,960</u> | <u>313,002</u> |

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**8. FIXED ASSETS**

| Type                               | Cost             | Accumulated Depreciation | Depreciation for the year | Net Book Value   |
|------------------------------------|------------------|--------------------------|---------------------------|------------------|
|                                    | \$               | \$                       | \$                        | \$               |
| Leasehold Improvements             | 423,836          | 164,287                  | 51,763                    | 259,549          |
| Furniture and fixtures             | 161,020          | 85,720                   | 19,915                    | 75,300           |
| Computer equipment and peripherals | 223,635          | 180,378                  | 37,071                    | 43,257           |
| Motor vehicles                     | 706,531          | 652,871                  | 90,250                    | 53,660           |
| Office equipment                   | 153,838          | 86,386                   | 17,011                    | 67,452           |
| Software and electronic system     | 63,148           | 63,148                   | -                         | -                |
| Building-Right of Use              | 975,188          | 690,759                  | 487,594                   | 284,429          |
| <b>2022 TOTAL</b>                  | <b>2,707,196</b> | <b>1,923,549</b>         | <b>703,604</b>            | <b>783,647</b>   |
| <b>2021 TOTAL</b>                  | <b>2,664,667</b> | <b>1,219,826</b>         | <b>721,292</b>            | <b>1,444,841</b> |

**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:

|                         |                                  | <u>2022</u> | <u>2021</u> |
|-------------------------|----------------------------------|-------------|-------------|
|                         | <u>Number of saving accounts</u> | \$          | \$          |
| Clients saving balances | 4,272 (2021:4,686)               | 1,782,216   | 1,945,960   |

**10. ACCOUNTS PAYABLE**

|  |         |         |
|--|---------|---------|
| Accrued Interest - holding company - SPBD Microfinance Holdings (Singapore) Pte Ltd. | 641,726 | 33,462  |
| Accounts payable - other   | 273,661 | 243,014 |
| Employee deductions payable - PAYE, NPF and Basic rates                              | 16,577  | 48,077  |
| Provision for income tax (see note 13(b))  | 40,000  | 20,000  |
|  | 971,964 | 344,553 |

**11. UNSECURED BORROWINGS**

**Current**

|  |            |           |
|--|------------|-----------|
| Kiva loan                                      | 2,244,649  | 1,975,764 |
| MicroDreams Foundation                         | 886,719    | -         |
| SPBD Microfinance Holdings (Singapore) Pte.Ltd | 3,389,500  | 1,738,087 |
| Gregory F. Casagrande                          | 1,797,672  | 1,233,553 |
| Evander Management Limited                     | 1,070,091  | -         |
| Whole Planet Foundation                        | 813,756    | 813,756   |
| Total Current Unsecured Borrowings             | 10,202,387 | 5,761,160 |

**Non-current**

|  |            |            |
|--|------------|------------|
| MicroDreams Foundation                         | 336,700    | 1,747,998  |
| SPBD Microfinance Holdings (Singapore) Pte.Ltd | 21,172,445 | 20,394,711 |
| Gregory F. Casagrande                          | -          | 563,062    |
| Evander Management Limited                     | -          | 1,126,126  |
| Whole Planet Foundation                        | 1,379,311  | 2,806,839  |
| Total Non-current Unsecured Borrowings         | 22,888,456 | 26,638,736 |

|                            |            |            |
|----------------------------|------------|------------|
| Total Unsecured Borrowings | 33,090,843 | 32,399,896 |
|----------------------------|------------|------------|

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|  |             |             |
|--|-------------|-------------|
|  | <u>2022</u> | <u>2021</u> |
| <b>11. UNSECURED BORROWINGS - cont'd</b> | \$          | \$          |
| <b>11(a) KIVA LOAN</b>                   |             |             |
| Kiva loan                                | 2,244,649   | 1,975,764   |

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.

- 11(b) 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 1/01/2022 | Principal repayment | Balance 31/12/2022 (SBD) | Interest repayment (SBD)2022 | Interest payable as at 31/12/2022 (SBD) |
|--------------|----------|--------|----------|---------------|---------------------------------|-----------------------|----------------------------------|---------------------|--------------------------|------------------------------|---|
| 01-Aug-19    | USD      | 64,026 | 8.50%    | 30/09/2023    | 4.00                            | 1,067,100             | 1,053,060                        | 514,121             | 538,939                  | 78,914                       | -                                       |
| 01-Oct-19    | NZD      | 65,000 | 8.50%    | 31/12/2023    | 4.50                            | 344,462               | 365,991                          | -                   | 347,780                  | 14,895                       | -                                       |
| 19-Feb-21    | USD      | 40,000 | 8.50%    | 30/06/2024    | 3.80                            | 315,706               | 328,947                          | -                   | 336,700                  | 28,276                       | -                                       |
| <b>Total</b> |          |        |          |               |                                 | <b>1,727,268</b>      | <b>1,747,998</b>                 | <b>-</b>            | <b>1,223,419</b>         | <b>122,085</b>               | <b>-</b>                                |

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

| Date         | Currency | Amount    | Interest | Maturity Date | Grace Period on Principal (yrs) | Amount Received (SBD) | Beginning balance from 1/01/2021 | Principal repayment (2022) | Balance 31/12/2022(SBD) | Interest repayment (SBD) | Interest payable as at 31/12/2022 (SBD) |
|--------------|----------|-----------|----------|---------------|---------------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|--------------------------|---|
| 01-Jan-19    | USD      | 1,225,000 | 2.00%    | 31/12/2028    | 10.00                           | 10,123,967            | 10,074,013                       | -                          | 10,311,448              | -                        | 206,229                                 |
| 01-Jan-19    | AUD      | 700,000   | 2.00%    | 31/12/2028    | 10.00                           | 4,079,254             | 4,181,601                        | -                          | 3,988,604               | -                        | 79,772                                  |
| 01-Jan-19    | NZD      | 300,000   | 2.00%    | 31/12/2028    | 10.00                           | 1,670,378             | 1,689,189                        | -                          | 1,605,136               | -                        | 32,103                                  |
| 18-Apr-19    | USD      | 80,000    | 2.00%    | 31/12/2023    | 3.90                            | 1,598,721             | 1,315,789                        | 642,388                    | 673,401                 | -                        | 3,342                                   |
| 29-Jun-19    | NZD      | 100,000   | 6.00%    | 30/06/2025    | 6.00                            | 531,401               | 563,063                          | -                          | 535,045                 | -                        | 32,103                                  |
| 30-Jun-19    | USD      | 175,000   | 2.00%    | 31/12/2023    | 4.50                            | 1,607,716             | 1,644,737                        | 171,673                    | 1,473,064               | 8,051                    | 19,032                                  |
| 20-Sep-19    | NZD      | 75,000    | 7.50%    | 31/12/2023    | 3.50                            | 398,301               | 422,297                          | -                          | 401,284                 | -                        | 20,064                                  |
| 09-Dec-20    | AUD      | 100,000   | 2.00%    | 31/12/2025    | 4.00                            | 588,582               | 597,372                          | -                          | 569,801                 | -                        | 11,396                                  |
| 23-Dec-20    | USD      | 100,000   | 2.00%    | 30/06/2023    | -                               | 791,879               | 822,368                          | -                          | 841,751                 | -                        | 16,835                                  |
| 12-Aug-21    | USD      | 100,000   | 7.50%    | 31/12/2024    | -                               | -                     | 822,368                          | -                          | 841,751                 | -                        | 63,140                                  |
| 20-Jun-22    | USD      | 100,000   | 8.00%    | 31/12/2024    | -                               | -                     | -                                | -                          | 841,751                 | -                        | 35,800                                  |
| 12-Aug-22    | USD      | 100,000   | 2.00%    | 31/12/2025    | -                               | -                     | -                                | -                          | 841,751                 | -                        | 6,877.00                                |
| 12-Oct-22    | USD      | 100,000   | 6.50%    | 31/12/2025    | -                               | -                     | -                                | -                          | 841,751                 | -                        | 13,047.00                               |
| 18-Nov-22    | USD      | 50,000    | 6.50%    | 31/12/2027    | -                               | -                     | -                                | -                          | 420,875                 | -                        | 3,224                                   |
| 18-Dec-22    | NZD      | 70,000    | 6.50%    | 31/12/2027    | -                               | -                     | -                                | -                          | 374,532                 | -                        | -                                       |
| <b>Total</b> |          |           |          |               |                                 | <b>21,390,198</b>     | <b>22,132,797</b>                | <b>-</b>                   | <b>24,561,945</b>       | <b>8,051</b>             | <b>542,964</b>                          |

- 11(d) CASAGRANDE GREGORY**
- | Date         | Currency | Amount  | Interest | Maturity Date | Grace Period on Principal (yrs) | Amount Received (SBD) | Beginning balance from 1/01/2021 | Principal repayment (2022) | Balance 31/12/2022(SBD) | Interest repayment (SBD) | Interest payable as at 31/12/2022 (SBD) |
|--------------|----------|---------|----------|---------------|---------------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|--------------------------|---|
| 01-Jan-19    | NZD      | 100,000 | 7.00%    | 31/12/2023    | 4.06                            | 512,802               | 563,063                          | -                          | 535,045                 | 37,471                   | -                                       |
| 25-Nov-21    | USD      | 150,000 | 8.00%    | 31/12/2023    | -                               | 1,233,552             | 1,233,552                        | -                          | 1,262,626               | -                        | 111,810                                 |
| <b>Total</b> |          |         |          |               |                                 | <b>1,746,354</b>      | <b>1,796,615</b>                 | <b>-</b>                   | <b>1,797,672</b>        | <b>37,471</b>            | <b>111,810</b>                          |

- 11(e) Evander Management Limited**
- | Date         | Currency | Amount  | Interest | Maturity Date | Grace Period on Principal (yrs) | Amount Received (SBD) | Beginning balance from 1/01/2021 | Principal repayment (2022) | Balance 31/12/2022(SBD) | Interest repayment (SBD) | Interest payable as at 31/12/2022 (SBD) |
|--------------|----------|---------|----------|---------------|---------------------------------|-----------------------|----------------------------------|----------------------------|-------------------------|--------------------------|---|
| 21-May-20    | NZD      | 200,000 | 6.00%    | 30/07/2023    | 3.50                            | 1,002,004             | 1,126,126                        | -                          | 1,070,091               | -                        | -                                       |
| <b>Total</b> |          |         |          |               |                                 | <b>1,002,004</b>      | <b>1,126,126</b>                 | <b>-</b>                   | <b>1,070,091</b>        | <b>-</b>                 | <b>-</b>                                |

The Evander Management Limited loan is for NZD \$200,000 at 6% interest for 4.5 years. It commenced on 20 May 2020 and runs until 31 December 2024. Interest is payable bi-annually from 31 December 2020 and bi-annual principal repayments of \$50,000 commence 30 June 2023.

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| <b>11(f) Whole Planet Foundation</b> | <u>2022</u> | <u>2021</u> |
|                                      | \$          | \$          |
| Whole Planet Foundation              | 2,193,067   | 3,620,595   |

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 in 2019. The loan is interest free and unsecured and repayable in Solomon Islands dollars in 12 instalments with the first instalment due on 31 January 2022.

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|   | <u>2022</u>               | <u>2021</u>                |
|---|---------------------------|----------------------------|
| <b>12. Movement in Other Reserves</b>   |                           |                            |
| <b>12(a) Movement in Death Benefit Reserve</b>  | \$                        | \$                         |
| Death benefit reserve, 1 January  | 26,448                    | 13,179                     |
| Death benefit provision for the year  | 30,000                    | 33,120                     |
| Less: Amounts paid during the year  | <u>(21,000)</u>           | <u>(19,851)</u>            |
| <b>Death benefit reserve, 31 December</b>   | <u><u>35,448</u></u>      | <u><u>26,448</u></u>       |
| <b>12(b) Movement in Spousal Death benefit reserve</b>  |                           |                            |
| Spousal death benefit reserve, 1 January  | 44,161                    | 44,324                     |
| Spousal death benefit provision for the year  | 30,000                    | 18,000                     |
| Less: Amounts paid during the year  | <u>(42,000)</u>           | <u>(18,163)</u>            |
| <b>Spousal death benefit reserve, 31 December</b>   | <u><u>32,161</u></u>      | <u><u>44,161</u></u>       |
| <b>13. TAXATION</b>   |                           |                            |
| <b>13(a) Income tax expense</b>   |                           |                            |
| 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   | (1,895,592)               | (1,880,483)                |
| <i>Add: Non deductible expenses</i>   |                           |                            |
| Depreciation and amortisation for accounting purposes   | 703,604                   | 721,292                    |
| Loan loss provision/Life insurance and spousal insurance  | 201,691                   | 74,347                     |
| Interest on lease liabilities   | 57,034                    | 46,273                     |
| Tax penalties   | -                         | 56,643                     |
| Tax loss carry forward amount expired   | <u>3,289,216</u>          | <u>2,553,569</u>           |
|   | 2,355,953                 | 1,571,641                  |
| <i>Less: Deductible expenses/non-assessable revenue</i>   |                           |                            |
| Tax loss carried forward  | 10,419,309                | 11,211,920                 |
| Depreciation for taxation purposes  | 186,032                   | 233,867                    |
| Loan loss provision/Life insurance and spousal insurance  | 12,000                    | 163                        |
| Lease payments  | 540,000                   | 540,000                    |
| Exempt interest income  | <u>5,000</u>              | <u>5,000</u>               |
| Taxable income / (loss)   | <u><u>(8,806,388)</u></u> | <u><u>(10,419,309)</u></u> |
| Income tax expense - turnover tax   | <u>20,000</u>             | <u>20,000</u>              |
| <b>13(b) Provision for income tax</b>   |                           |                            |
| 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>-</u>                  | <u>(20,000)</u>            |
| <b>Provision for income tax at end of year</b>  | <u><u>40,000</u></u>      | <u><u>20,000</u></u>       |
| <b>13(c) Income tax losses</b>  |                           |                            |
| The estimated income tax losses available to be carried forward at 31st December, 2022 amounted to \$8,806,388 (2021: \$10,419,309). The benefit of this loss which at the rates prevailing at balance date amounted to \$2,641,916 (2021: \$3,125,793) 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. |                           |                            |
| <b>14. ISSUED CAPITAL</b>   |                           |                            |
| SPBD Microfinance Holdings (Singapore) Pte Ltd  |                           |                            |
| Opening balance   | 1,047,425                 | 1,047,425                  |
| Movement during the year  | <u>-</u>                  | <u>-</u>                   |
| <b>Closing balance</b>  | <u><u>1,047,425</u></u>   | <u><u>1,047,425</u></u>    |



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**15. RELATED PARTIES**

**Holding company**

The immediate holding company is SPBD Microfinance Holdings (Singapore) Pte Ltd.

**Other Related Entities**

Other related company includes Transformative Ventures LLC. Services provided by TVLCC includes professional fees.

**Directors**

The Directors of the company are Gregory Casagrande, Sandeep Lohani and Ajay Verma. Directors emoluments during the year amounted to \$233,865 (2021: \$561,275).

**16. LEASE LIABILITIES**

The Company has a lease for its main office and parking space for a term of 2 years with 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 0.5 years.

**Right-of-use assets**

The movement in the right-of use assets, as presented in the statement of financial position, is as follows:

|   | 2022<br>\$ | 2021<br>\$ |
|---|------------|------------|
| ROU-buildings balance as at 1 January   | 975,188    | 975,188    |
| Accumulated depreciation                | 690,759    | 203,164    |
| ROU-buildings balance as at 31 December | 284,429    | 772,024    |
| <br>                                    |            |            |
| Lease liabilities                       |            |            |
| Current                                 | 304,756    | 540,000    |
| Non-Current                             | -          | 247,722    |
|   | 304,756    | 787,722    |

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

|  |           |           |
|--|-----------|-----------|
| Lease liabilities -buildings balance as at 1 January   | 787,722   | 306,261   |
| Additional lease during the year                       | -         | 975,188   |
| Interest expense                                       | 57,034    | 46,273    |
| Less: Lease payments                                   | (540,000) | (540,000) |
| Lease liabilities -buildings balance as at 31 December | 304,756   | 787,722   |

**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 2022 (2021: \$nil).

**19. CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31st December 2022 (2021: \$nil).

**20. GOING CONCERN**

The company made a loss during the year and has a deficiency in equity of \$25,535,381 at 31st December 2022. As a going concern, the company is dependent on the continuing support of its shareholder.

The Directors believe that they have appropriate arrangements and plans in place to successfully manage the company's operational risks and have a reasonable expectation that the company will have adequate funding to continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements. 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.